



NEWS RELEASE

NOVEMBER 4, 2020

CARDINAL ENERGY LTD. ANNOUNCES THIRD QUARTER 2020 FINANCIAL RESULTS

Calgary, Alberta – Cardinal Energy Ltd. ("**Cardinal**" or the "**Company**") (TSX: CJ) is pleased to announce its operating and financial results for the third quarter ended September 30, 2020.

Selected financial and operating information is shown below and should be read in conjunction with Cardinal's unaudited condensed interim financial statements and related Management's Discussion and Analysis for the three months ended September 30, 2020 which are available at www.sedar.com and on our website at www.cardinalenergy.ca.

FINANCIAL HIGHLIGHTS FROM THE THIRD QUARTER OF 2020

- Reduced our bank indebtedness by \$13.2 million while net debt⁽¹⁾ decreased by \$7.3 million compared to the second quarter of 2020;
- Increased adjusted funds flow⁽¹⁾ by \$11.1 million over the second quarter of 2020 to \$13.2 million (\$0.12 per share);
- Reduced net operating costs⁽¹⁾ by \$10.6 million leading to an 18% decrease in per boe net operating costs to \$16.82/boe in the third quarter of 2020 as compared to the same period in 2019;
- Reduced the Company's general and administrative ("G&A") costs by \$1.1 million leading to a 19% decrease in per boe G&A costs to \$1.64/boe in the third quarter of 2020 compared to the same period in 2019;
- Reduced our capital program to \$4.7 million for the third quarter of 2020 demonstrating our cost control and debt reduction strategy;
- Exchanged \$28.2 million of our 5.5% maturing convertible debentures to a new issuance of 8% convertible debentures with a maturity date of December 31, 2022;
- Continued our risk management program hedging over 63% of our remaining anticipated 2020 oil production and approximately 25% of our first half 2021 oil production;
- Through our service providers, we received approximately \$15 million in abandonment and reclamation expenditure government subsidies to reduce our future asset retirement obligations;

⁽¹⁾ See non-GAAP measures

The following table summarizes our third quarter 2020 operating and financial highlights:

(\$000's except shares, per share and operating amounts)	Three months ended Sept 30,			Nine months ended Sept 30,		
	2020	2019	% Chg	2020	2019	% Chg
Petroleum and natural gas revenue	61,982	95,483	(35)	157,166	295,699	(47)
Cash flow from operating activities	18,950	24,836	(24)	30,715	88,265	(65)
Adjusted funds flow ⁽¹⁾	13,206	27,571	(52)	30,219	92,946	(67)
per share basic and diluted	\$ 0.12	\$ 0.24	(50)	\$ 0.27	\$ 0.80	(66)
Earnings / (Loss)	(4,659)	359	n/m	(483,149)	(19,246)	n/m
per share basic and diluted	\$ (0.04)	-	n/m	\$ (4.26)	\$ (0.17)	n/m
Development capital expenditures ⁽¹⁾	4,510	15,789	(71)	27,068	43,982	(38)
Other capital expenditures	232	495	(53)	871	1,552	(44)
Total capital expenditures	4,742	16,284	(71)	27,939	45,534	(39)
Common shares, net of treasury shares (000s)	113,496	114,333	(1)	113,496	114,333	(1)
Dividends declared	-	5,372	n/m	3,511	12,597	(72)
per share	-	\$0.045	n/m	0.03	0.105	(71)
Bank debt	204,018	192,435	6	204,018	192,435	6
Working capital deficiency	10,898	10,325	6	10,898	10,325	6
Net bank debt ⁽¹⁾	214,916	202,760	6	214,916	202,760	6
Net debt ⁽¹⁾	259,367	247,760	5	259,367	247,760	5
Net debt to adjusted funds flow ratio ⁽¹⁾	4.4	2.5	76	4.4	2.5	76
Total payout ratio ⁽¹⁾	34%	77%	(56)	101%	61%	66
Operating						
Average daily production						
Light oil (bbl/d)	6,860	7,890	(13)	7,255	8,058	(10)
Medium/heavy oil (bbl/d)	7,721	8,733	(12)	8,051	8,744	(8)
NGL (bbl/d)	834	932	(10)	814	945	(14)
Natural gas (mcf/d)	13,448	15,022	(10)	13,562	15,616	(13)
Total (boe/d)	17,657	20,059	(12)	18,380	20,350	(10)
Netback (\$/boe) ⁽¹⁾						
Petroleum and natural gas revenue	\$ 38.16	\$ 51.74	(26)	\$ 31.21	\$ 53.23	(41)
Royalties	5.42	9.76	(44)	4.59	8.70	(47)
Net operating expenses ⁽¹⁾	16.82	20.57	(18)	17.58	21.15	(17)
Transportation expenses	0.34	0.36	(6)	0.30	0.35	(14)
Netback ⁽¹⁾	\$ 15.58	\$ 21.05	(26)	\$ 8.74	\$ 23.03	(62)
Realized gain (loss) on commodity contracts	(3.63)	(2.27)	60	1.12	(2.37)	n/m
Netback after risk management contracts ⁽¹⁾	\$ 11.95	\$ 18.78	(36)	\$ 9.86	\$ 20.66	(52)
Interest and other	2.18	1.82	20	1.78	1.82	2
G&A	1.64	2.02	(19)	2.08	2.10	(1)
Adjusted funds flow netback ⁽¹⁾	\$ 8.13	\$ 14.94	(46)	\$ 6.00	\$ 16.74	(64)

⁽¹⁾ See non-GAAP measures

THIRD QUARTER OVERVIEW

In spite of the ongoing COVID-19 pandemic's impact, the third quarter of 2020 brought some stability in oil prices as compared to the volatility experienced in the second quarter. This price stability combined with tighter Canadian oil differential pricing supported Cardinal's debt reduction strategy which continued through the third quarter reducing our net bank debt by \$7.3 million over the prior quarter. The Company continued to focus on cost control

spending \$4.7 million of capital expenditures while increasing our daily production by 3% over the prior quarter. Approximately 10% to 15% of the Company's production remains shut-in awaiting a sustainable recovery in oil prices justifying the economics of reactivating the production.

Adjusted funds flow increased from \$2.1 million in the second quarter of 2020 to \$13.2 million (\$0.12/share) in the third quarter, despite a \$5.9 million realized hedging loss. The increase was supported by an 18% reduction in net operating costs per boe and a 19% reduction in G&A costs per boe when compared to our levels in the third quarter of 2019. In comparison with the third quarter of 2019, lower operating costs were the result of reduced workover and reactivation activity, reduced Company labor costs combined with lower environmental costs due to our proactive pipeline monitoring and upgrading program. Lower G&A costs were due to reduced salaries and bonus program contributions combined with decreased staff levels across the Company and Cardinal receiving the Canadian Emergency Wage Subsidy ("CEWS") during the third quarter of 2020.

Cardinal's \$4.7 million capital program included one land earning well completion in Southern Alberta, required CO₂ injection expenditures for the Company's enhanced oil recovery project at Midale, Saskatchewan and miscellaneous expenditures on recompletions and facility and pipeline integrity projects throughout the Company's operations.

During the third quarter of 2020, a disciplined capital program and reduced cost structure assisted Cardinal in decreasing our bank indebtedness by \$13.2 million and lowered our net debt by \$7.3 million. In addition, during the third quarter, Cardinal exchanged \$28.2 million of our 5.5% convertible debentures maturing on December 31, 2020 for new 8% convertible debentures maturing on December 31, 2022.

During the third quarter, in coordination with our service company partners, Cardinal continued to benefit from government subsidy programs. On our behalf, service companies submitted a significant number of applications for abandonment and reclamation work on Cardinal's wells and leases within the Alberta Site Rehabilitation Program ("SRP") and the Saskatchewan Accelerated Site Closure Program ("ASCP"). Cardinal has received approximately \$15 million of approvals to date with more subsidy application approvals expected in the future. These funds will be utilized to reduce our abandonment and reclamation liabilities of inactive wells and sites of which the majority is forecasted to be spent within the next year. It is expected that this initial round of government funding will cover the majority of expenditures to abandon approximately 17% of Cardinal's inactive wells. Cardinal will continue to be an active participant in available government programs.

From a risk management perspective, for the remainder of 2020, Cardinal has hedged an average of 9,000 bbl/d of West Texas Intermediate ("WTI") oil production at an average price of CAD\$52.52/bbl. In addition, we have WTI collars locking in a floor of CAD\$50/bbl on 1,000 bbl/d for the remainder of 2020.

Cardinal continues to work through its credit facility renewal process with our syndicate of banks. The reduction in commodity prices has impacted our projected future cash flow from operating activities and has emphasized our goal of reducing our overall debt level. We have received approval from the syndicate to further extend the revolving period and re-determination date to November 30, 2020 and continue to work through the application process for federal liquidity support programs. Currently, Cardinal is drawn approximately \$204 million on its credit facility, a decrease of approximately 6% from the amount drawn at the end of the second quarter.

OUTLOOK

As the effects of the COVID-19 pandemic continue to impact global economies and our industry, Cardinal's focus continues to be on the health and safety of our employees and service providers and managing our liquidity through disciplined efficient operation of our assets. Our corporate debt reduction strategy continued through the third quarter and with our strong hedging position, is forecasted to continue through the fourth quarter.

To date in 2020, we have spent \$27.9 million of capital expenditures which were heavily weighted to the first quarter prior to the COVID pandemic. For the remainder of 2020, we expect to be on target with our annual \$31 million capital expenditure forecast for the year. We anticipate that despite a minimal \$3.1 million fourth quarter capital program, our top tier low decline rate should allow us to maintain our current production levels through the fourth quarter.

We will continue to navigate through these challenging times and despite the volatility, look forward to a recovery as we move into 2021.

Note Regarding Forward-Looking Statements

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to Cardinal's plans and other aspects of Cardinal's anticipated future operations, management focus, objectives, strategies, financial, operating and production results. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend", "may", "would", "could" or "will" or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this press release speak only as of the date thereof and are expressly qualified by this cautionary statement.

Specifically, this press release contains forward-looking statements relating to: our business strategies, plans and objectives, 2020 anticipated production, our risk management program, our abandonment and reclamation plans, plans to continue to reduce debt, our focus and plans during the pandemic and economic crisis, the Company's 2020 capital budget and plans, decline rates, plans to participate in government programs and future approvals, plans to reduce overall debt levels, expectations that future adjusted funds flow will be sufficient to support our capital program and debt reduction plan, the renewal of our credit facility and terms thereof, our level of liquidity, plans to retain long-term stability, our Environmental, Safety and Governance mandate and plans to operate our assets in a responsible and environmentally sensitive manner.

Forward-looking statements regarding Cardinal are based on certain key expectations and assumptions of Cardinal concerning anticipated financial performance, business prospects, strategies, regulatory developments, future production, the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) our supply chain, including our ability to obtain the equipment and services we require, and (iii) our ability to produce, transport and/or sell our crude oil, NGLs and natural gas; the ability of OPEC+ nations and other major producers of crude oil to reduce crude oil production and thereby arrest and reverse the steep decline in world crude oil prices; future production rates, current and future commodity prices and exchange rates, applicable royalty rates, tax laws, future well production rates and reserve volumes, future operating costs, the performance of existing and future wells, the success of our exploration and development activities, the sufficiency and timing of budgeted capital expenditures in carrying out planned activities, the timing and success of our cost cutting initiatives, the availability and cost of labor and services, the impact of competition, conditions in general economic and financial markets, availability of drilling and related equipment, effects of regulation by governmental agencies, the renewal of our credit facility and level of liquidity and our ability to obtain financing on acceptable terms which are subject to change based on commodity prices, market conditions and drilling success and potential timing delays.

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Cardinal's control. Such risks and uncertainties include, without limitation: the impact of the COVID-19 pandemic, general economic conditions; volatility in market prices for crude oil and natural gas; industry conditions; our and ability to access sufficient capital from internal and external sources, currency fluctuations; imprecision of reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other producers; the lack of availability of qualified personnel, drilling rigs or other services; changes in income tax laws or changes in royalty rates and incentive programs relating to the oil and gas industry; and hazards such as fire, explosion, blowouts, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury.

Management has included the forward-looking statements above and a summary of assumptions and risks related to forward-looking statements provided in this press release in order to provide readers with a more complete perspective on Cardinal's future operations and such information may not be appropriate for other purposes. Cardinal's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any

of them do so, what benefits that Cardinal will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and Cardinal disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Supplemental Information Regarding Product Types

This press release includes references to 2019 and 2020 production. The Company discloses crude oil production based on the pricing index that the oil is priced off of. The following table is intended to provide the product type composition as defined by NI 51-101.

	Light/Medium Crude Oil	Heavy Oil	NGL	Conventional Natural Gas	Total (boe/d)
Q3/20	56%	27%	5%	12%	17,657
Q3/19	54%	29%	5%	12%	20,059
3Q/20	56%	27%	4%	12%	18,380
3Q/19	54%	28%	5%	13%	20,350

Advisory Regarding Oil and Gas Information

Where applicable, oil equivalent amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. Boes may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Utilizing a conversion ratio at 6 Mcf: 1 Bbl may be misleading as an indication of value.

Non-GAAP measures

This press release contains the terms "development capital expenditures", "adjusted funds flow", "adjusted funds flow per basic share", "adjusted funds flow per diluted share", "free cash flow", "net debt", "net debt to adjusted funds flow ratio", "net operating expenses", "netback", "netback after risk management contracts" and "adjusted funds flow netback" which do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS" or, alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies. Cardinal uses adjusted funds flow, adjusted funds flow per basic and diluted share, free cash flow and net debt to adjusted funds flow ratio to analyze operating performance and assess leverage. Cardinal feels these benchmarks are a key measure of profitability and overall sustainability for the Company. Adjusted funds flow is not intended to represent operating profits nor should it be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of performance calculated in accordance with GAAP. As shown below, adjusted funds flow is calculated as cash flows from operating activities adjusted for changes in non-cash working capital, decommissioning expenditures and transaction costs. Development capital expenditures represents expenditures on property, plant and equipment (excluding capitalized G&A, other assets and acquisitions). Free cash flow represents adjusted funds flow less dividends and development capital. The term "net debt" is not recognized under GAAP and as shown below, is calculated as bank debt plus the principal amount of convertible unsecured subordinated debentures ("convertible debentures") and current liabilities less current assets (adjusted for the fair value of financial instruments, the current portion of lease liabilities, the current portion of the decommissioning obligation and the current portion of the liability component of convertible debentures). Net debt is used by management to analyze the financial position, liquidity and leverage of Cardinal. Net debt is used by management to analyze the financial position, liquidity and leverage of Cardinal. Net debt to adjusted funds flow ratio is calculated as net debt divided by the trailing 12 months adjusted funds flow. Net operating expenses is calculated as operating expense less processing and other revenue primarily generated by processing third party volumes at processing facilities where the Company has an ownership interest, and can be expressed on a per boe basis. As the Company's principal business is not that of a midstream entity, management believes this is a useful supplemental measure to reflect the true cash outlay at its processing facilities by utilizing spare capacity through processing third party volumes. Netback is calculated on a boe basis and is determined by deducting royalties, transportation costs and net operating expenses from petroleum and natural gas revenue. Netback after risk management contracts includes realized gains or losses on commodity contracts in the period on a boe basis. Adjusted funds flow netback is calculated as netback after risk management and also includes interest and other costs and G&A costs on a boe basis. Netback, netback after risk management contracts and adjusted funds flow netback are utilized by Cardinal to better analyze the operating performance of

our petroleum and natural gas assets taking into account our risk management program, interest and G&A costs against prior periods.

	Three months ended		Nine months ended	
	Sept 30, 2020	Sept 30, 2019	Sept 30, 2020	Sept 30, 2019
Cash flow from operating activities	18,950	24,836	30,715	88,265
Change in non-cash working capital	(5,982)	1,487	(2,749)	1,044
Funds flow	12,968	26,323	27,966	89,309
Decommissioning expenditures	238	1,248	2,253	3,637
Adjusted funds flow	13,206	27,571	30,219	92,946

	As at	
	Sept. 30, 2020	Sept. 30, 2019
Bank debt	204,018	192,435
Principal amount of Convertible Debentures	44,451	45,000
Working capital deficiency ⁽¹⁾	10,898	10,325
Net debt	259,367	247,760

⁽¹⁾ Includes current assets less current liabilities excluding the fair value of financial instruments, current decommissioning obligation, current lease liabilities, current bank debt and the current portion of the liability component of convertible debentures.

Oil and Gas Metrics

The term "boe" or barrels of oil equivalent may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given that the value ratio based on the current price of crude oil, as compared to natural gas, is significantly different from the energy equivalency of 6:1; utilizing a conversion ratio of 6:1 may be misleading as an indication of value.

About Cardinal Energy Ltd.

One of Cardinal's goals is to continually improve our Environmental, Safety and Governance mandate and operate our assets in a responsible and environmentally sensitive manner. As part of this mandate, Cardinal injects and conserves more carbon than it directly emits making us one of the few Canadian energy companies to have a negative carbon footprint.

Cardinal is a Canadian oil focused company with operations focused on low decline light, medium and heavy quality oil in Western Canada.

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