



NEWS RELEASE

JANUARY 15, 2021

CARDINAL ANNOUNCES ITS 2021 OPERATING AND CAPITAL BUDGET FOCUSED ON CONTINUED DEBT REDUCTION AND ASSET OPTIMIZATION

Calgary, January 15, 2021 (CJ:TSX) Cardinal Energy Ltd. ("Cardinal" or the "Company") is pleased to announce that its Board of Directors has approved an operating and capital budget for 2021 that will focus on debt reduction, maintaining production levels and abandonment and reclamation expenditures.

Highlights of 2021 Budget

- Generates adjusted funds flow of \$70 to \$75 million;
- Approximately \$40 to \$45 million or 55% to 60% of adjusted funds flow will be utilized for debt repayment;
- Forecasting a 20% reduction in net bank debt by year-end;
- Executing a conservative capital program of \$25 to \$30 million focused on reactivations, continued upgrades to our pipeline and facility infrastructure, and increasing CO₂ injection at the Midale enhanced oil recovery project;
- Maintaining average production levels between 17,500 and 18,000 boe/d; and
- Investment of \$5 million for asset retirement obligations ("ARO") complementing the government subsidy grants.

Cardinal's 2021 conservative budget takes advantage of our low corporate decline rate and focuses on optimizing our long life asset base. The budget includes reactivating and optimizing shut-in production, proactively upgrading our pipeline and facility infrastructure and increasing our CO₂ injection program for our enhanced oil recovery project at Midale, Saskatchewan.

2021 Budget

Cardinal's 2021 budget is expected to produce adjusted funds flow of approximately \$70 to \$75 million and assumes an average royalty rate of 15%, a West Texas Intermediate ("WTI") oil price of US\$52/bbl, US/CAD exchange rate of 0.78 and a \$2.52/mcf AECO natural gas price. During 2021, Cardinal's operating expenses are forecasted to average approximately \$18.00/boe however expensed well reactivations will add approximately \$2.00/boe of operating costs in 2021 as the Company plans to increase the workover and well reactivation program that was suspended in 2020 due to low oil prices. The Company has a significant inventory of low cost workover candidates that will provide increased production to largely offset natural declines in 2021.

The 2021 budget does not contemplate drilling any new wells resulting in a 3% decline in average annual production. We will revisit a potential drilling program in the second half of 2021 depending on commodity price levels. Cardinal maintains a deep, diverse inventory of unbooked potential development drilling

opportunities spread across our asset base. With continued strengthening in oil prices and the meeting of our debt reduction priorities, we expect development drilling activities to resume.

The 2021 budget results in adjusted funds flow net of capital expenditures and ARO expenditures of approximately \$40 to \$45 million which is earmarked for debt repayment.

2021 Budget Summary

Average production (boe/d)	17,500 to 18,000
Adjusted funds flow (\$ mm)	\$70 to \$75
Year-end net bank debt (\$ mm)	\$157 - \$162
Total capital expenditures (\$ mm)	\$25 - \$30
Operating costs (\$/boe)	\$20.00 - \$20.75
Transportation costs (\$/boe)	\$0.30 - \$0.40
G&A (\$/boe)	\$2.05 - \$2.25
US\$ WTI (\$/bbl)	\$52.00
US/CAD Exchange Rate	0.78
US\$ WTI-WCS Basis Differential (\$/bbl)	(\$13.50)
US\$ WTI-MSW Basis Differential (\$/bbl)	(\$5.50)
AECO (\$/mcf)	\$2.52

ARO

Cardinal has allocated approximately \$5 million of its 2021 budget for ARO expenditures which will complement the \$18.4 million of government subsidies received to date from the Alberta Site Rehabilitation Program and the Saskatchewan Accelerated Site Rehabilitation Program through our service provider applications. The Company expects to receive the benefit of additional funding in subsequent government subsidies through these programs. In 2020, Cardinal executed on approximately 45% of the available funding with environmental, site decommissioning and well abandonments (119 gross operated wells abandoned) as well as a significant amount of work was completed on downhole abandonments and facility reclamations.

Budget Sensitivities

Input	Effect on adjusted funds flow (\$ mm)
US \$1/bbl change in WTI	\$3.8
US \$1/bbl MSW basis	\$1.5
US \$1/bbl WCS basis	\$2.9

Fx \$0.01	\$1.1
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Summary

Cardinal will continue to prudently manage our balance sheet and asset base. As commodity prices have recovered materially since the lows experienced in 2020, the Company is in a position to accelerate debt reduction. Due to the low decline and deep inventory of reactivations across our asset base, in 2021, Cardinal will maintain production levels deploying limited capital. After taking into account the budgeted capital and ARO expenditures, our 2021 budget is expected to generate approximately \$40 to \$45 million (55% to 60% of adjusted funds flow) which will be utilized to reduce debt. Cardinal plans to exit the year with a healthy balance sheet targeting a 2.2x net bank debt to adjusted funds flow ratio.

During 2021, we plan to continue with our ARO and environmental spending through a \$5 million Cardinal funded program which will complement the government subsidy programs to reduce our future liabilities and inactive well count.

Our conservative budget gives us the flexibility to pay down additional debt, increase our capital program or increase our ARO expenditures should commodity prices continue to increase, or reduce capital spending in the second half of 2021 if commodity prices deteriorate.

Cardinal's annual 2020 reserve results will be released on February 25, 2021 with the 2020 financial and operating results to be released on March 16, 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 capital expenditure plans including the 2021 budget, focus and the allocation thereof and results therefrom, future operating, transportation and G&A costs and expenses, future debt repayment, year-end net bank debt, future average production volumes, adjusted funds flow, adjusted funds flow net of capital expenditures and ARO, capital required to maintain production, abandonment and reclamation obligations and plans, availability of government subsidy programs, commodity prices, exchange rates and differentials, corporate decline rate, drilling inventory, opportunities and future drilling plans. Cardinal's asset base and future prospects for development and growth therefrom, budget flexibility and plans if commodity prices continue to improve and the timing for release of future reserves and financial information.

Forward-looking statements regarding Cardinal are based on certain key expectations and assumptions of Cardinal concerning anticipated financial performance, business prospects, strategies, regulatory developments, including continued availability of government subsidy programs, the impact (and the duration thereof) that the COVID-10 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, current and future commodity prices, differentials and exchange rates, applicable royalty rates, tax laws, future well production rates and reserve volumes, future operating, transportation and G&A costs and expenses 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 availability and cost of labor and

services, the impact of increasing 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 our ability to obtain financing on acceptable terms which are subject to change based on commodity prices, market conditions, 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, the impact of general economic conditions; volatility in market prices for crude oil and natural gas; industry conditions; 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 our 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 and subsidies available to the oil and gas industry; 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; and ability to access sufficient capital from internal and external sources.

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.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about our prospective results of operations, year-end net bank debt, adjusted funds flow, adjusted funds flow net of capital expenditures and ARO and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this press release were made as of the date hereof and is provided for the purpose of describing our anticipated future business operations. We disclaim any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein.

Drilling Locations

Cardinal maintains a deep inventory of unbooked potential development drilling opportunities. There is no certainty that we will drill all drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

Supplemental Information Regarding Product Types

This press release includes references to budgeted 2021. 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 National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

	LIGHT/MEDIUM CRUDE OIL	HEAVY OIL	NGL	CONVENTIONAL NATURAL GAS	TOTAL (BOE/D)
2021	56%	27%	4%	13%	17,500- 18,000

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 "adjusted funds flow", "net bank debt" and "net bank debt to adjusted funds flow" 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 and net bank debt to adjusted funds flow ratio to analyze operating performance and assess leverage and feels these benchmarks are a key measure of profitability and overall sustainability for the Company. Net bank debt is used by management to analyze the financial position, liquidity and leverage of Cardinal. 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. "Adjusted funds flow" is calculated as cash flow from operating activities adjusted for changes in non-cash working capital and decommissioning expenditures. "Net bank debt" is calculated as bank debt plus 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 bank debt to adjusted funds flow" ratio is calculated as net bank debt divided by the trailing 12 months adjusted funds flow.

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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