



NEWS RELEASE

MAY 13, 2021

**CARDINAL ENERGY LTD. ANNOUNCES FIRST QUARTER 2021 FINANCIAL RESULTS
AND INCREASED 2021 BUDGET**

Calgary, Alberta – Cardinal Energy Ltd. ("**Cardinal**" or the "**Company**") (TSX: CJ) is pleased to announce its operating and financial results for the first quarter ended March 31, 2021.

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 March 31, 2021 which are available at www.sedar.com and on our website at www.cardinalenergy.ca.

HIGHLIGHTS

- Generated \$16.1 million of adjusted funds flow, an 8% increase over the same period in 2020 and a 19% increase over the prior quarter. Excluding realized hedging losses, adjusted funds flow was \$30 million;
- Maintained discipline while executing a \$9.5 million capital program focused on asset base optimization which included a minor consolidating acquisition of light oil production which closed at the end of March;
- Demonstrated the continued resilience of our asset base with average production of 18,385 boe/d in the quarter;
- Reduced net debt by \$28.4 million in the quarter or 11% from year-end 2020. Net debt has decreased by \$55.4 million or 20% as compared to the first quarter of 2020;
- Subsequent to the end of the first quarter, Cardinal completed the annual renewal of our \$225 million credit facility extending the maturity date to May 2023;
- Higher forecasted prices have allowed us to increase our 2021 capital budget to approximately \$46 million which we expect to contribute to incremental net debt reduction of approximately \$40 million over the previously released 2021 budget.

(\$ 000's except shares, per share and operating amounts)	Three months ended March 31,		
	2021	2020	% Chg
Financial			
Petroleum and natural gas revenue	85,547	63,473	35
Cash flow from operating activities	13,275	22,041	(40)
Adjusted funds flow ⁽¹⁾	16,149	14,948	8
per share basic and diluted	\$ 0.12	\$ 0.13	(8)
Loss	(25,961)	(450,944)	(94)
per share basic and diluted	\$ (0.20)	\$ (3.98)	(95)
Development capital expenditures ⁽¹⁾	5,907	21,782	(73)
Other capital expenditures ⁽¹⁾	294	359	(18)
Acquisitions, net	3,326	-	n/m
Total capital expenditures	9,527	22,141	(57)
Common shares, net of treasury shares (000s)	144,388	113,354	27
Dividends declared	-	3,511	(100)
per share	-	\$ 0.03	(100)
Bank debt	188,984	192,965	(2)
Adjusted working capital deficiency ⁽¹⁾	12,655	35,909	(65)
Net bank debt ⁽¹⁾	201,639	228,874	(12)
Secured notes	16,809	-	n/m
Convertible debentures	-	44,931	(100)
Net debt ⁽¹⁾	218,448	273,805	(20)
Net debt to Q1 annualized adjusted funds flow ratio ⁽¹⁾	3.4	4.6	(26)
Total payout ratio ⁽¹⁾	37%	169%	(78)
Operating			
Average daily production ⁽²⁾			
Light oil (bbl/d)	7,042	7,792	(10)
Medium/heavy oil (bbl/d)	7,739	9,301	(17)
NGL (bbl/d)	1,210	836	45
Natural gas (mcf/d)	14,364	14,368	-
Total (boe/d)	18,385	20,323	(10)
Netback (\$/boe) ⁽¹⁾			
Petroleum and natural gas revenue	51.70	34.32	51
Royalties	7.84	5.56	41
Net operating expenses ⁽¹⁾	21.39	20.58	4
Transportation expenses	0.30	0.31	(3)
Netback ⁽¹⁾	22.17	7.87	182
Realized hedging loss (gain) on commodity contracts	8.34	(4.44)	n/m
Netback after risk management ⁽¹⁾	13.83	12.31	12
Interest and other	2.22	1.59	40
G&A	1.85	2.64	(30)
Adjusted funds flow netback ⁽¹⁾	9.76	8.09	21

(1) See non-GAAP measures

(2) See Supplemental Information regarding Product Types

FIRST QUARTER OVERVIEW

The first quarter of 2021 marked a significant increase in global oil prices as the world continued its recovery from the coronavirus pandemic ("COVID-19") with vaccine distributions and gradual re-opening of economies. West Texas Intermediate ("WTI") oil prices averaged over US\$58/bbl, a 36% increase over the average in the fourth quarter of 2020. While spending a modest \$5.9 million on development capital expenditures, Cardinal continued its debt reduction strategy during the first quarter of 2021 lowering net debt by 11% over year-end 2020 levels. Since March 2020, Cardinal has reduced its net debt by \$55.4 million or 20% through disciplined capital spending, cost reductions and the redemption of convertible debentures.

During the first quarter of 2021, we maintained financial discipline executing an optimization focused capital program. The low decline nature of our asset base kept first quarter production consistent with the prior quarter at 18,385 boe/d. First quarter 2021 operating costs per boe increased 4% over the same period in 2020 as Alberta electricity prices increased by 42% which was partially offset by Cardinal's 13% reduction in power consumed from the Alberta power grid. The Company's workover and reactivation activity was also increased in the first quarter as much of this work was deferred in 2020 due to the lower oil price environment. A combination of reduced staffing and consultants combined with certain government grants reduced our first quarter 2021 general and administrative ("G&A") costs per boe by 30% over the first quarter of 2020.

Although oil prices significantly increased in the first quarter of 2021, the effect on Cardinal's adjusted funds flow was reduced due to realized hedging losses. In order to protect the Company's 2021 first half capital program, during the last half of 2020, Cardinal hedged approximately 59% (9,333 bbl/d) of its first quarter budgeted oil production. Our oil hedging exposure reduces to 39% (6,000 bbl/d) in the second quarter of 2021 and in the second half of 2021, it drops significantly to approximately 13% (2,000 bbl/d) of budgeted oil production.

During the first quarter of 2021, all the outstanding convertible debentures were converted or redeemed which reduced net debt by approximately \$28 million. On May 12, the Company completed the renewal of its credit facility with its syndicate of banks extending the maturity date to May 2023. We continue our focus on debt and risk reduction in 2021.

UPDATED BUDGET

With the increase in oil prices, the Company has revisited its initial conservative 2021 budget which did not contemplate drilling any wells during 2021. The Company's Board of Directors has approved a revised capital budget increasing from \$27 million to \$46 million. The revised budget contemplates drilling eight wells across our operating areas which includes two CO₂ injection wells planned at Midale, Saskatchewan for our enhanced oil recovery program. It is forecasted that the updated budget will allow the Company to increase production through the year with a fourth quarter average rate increasing by approximately 10% over the initial 2021 budget. Higher oil prices and increased production are expected to generate approximately \$14 million more free cash flow in the updated budget which contemplates an average price for WTI of US\$60 for the remainder of 2021. The incremental free cash flow is earmarked for additional debt repayment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Cardinal continues to be a net zero emissions (scope 1) company. Through our world class Carbon Capture and Sequestration ("CCS") enhanced oil recovery ("EOR") operation at Midale, the Company has sequestered approximately 45,000 tonnes of CO₂ year to date and is forecasting to sequester over 200,000 tonnes in 2021. Two additional injectors are included in our updated capital program which, over their first year of operation, are forecasted to sequester over 40,000 tonnes of CO₂ while supporting incremental oil recovery from the Midale unit.

To date, the Midale CCS EOR project has sequestered approximately five million tonnes of CO₂ and reduced oil production decline rates to approximately 3% to 5%.

Cardinal's safety record is in the top tier of the industry as is our regulatory compliance approval level.

In 2021, Cardinal continues to actively participate in various government programs focused on well and pipeline abandonments and facility decommissioning. To date in 2021, Cardinal has abandoned approximately 100 wells, numerous pipeline segments and has initiated work on inactive facilities.

OUTLOOK

The first quarter of 2021 has brought a renewed confidence to the Canadian oil and gas market. Cardinal's first quarter adjusted funds flow was somewhat muted by losses from hedges that were put in place during 2020. Our second quarter will see a significant reduction in outstanding hedges which will be further reduced in the second half of 2021.

We have made the decision to increase our capital program to \$46 million which will see the Company drill two wells in each of its four operating areas. We are also preparing to drill our first Clearwater wells in early 2022.

As expected, we had our bank line renewed with our banking syndicate with no reduction to the size of our bank line. Cardinal will continue to prioritize debt repayment in 2021 with a goal of exiting the year with a net debt to fourth quarter annualized adjusted funds flow ratio of less than 1.0x.

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, plans to focus on debt and risk reduction, our 2021 capital programs and spending plans, our drilling plans, adjusted funds flow, free cash flow and net debt, our continuing COVID-19 response plans, the quality of our asset base and decline rates, our abandonment and reclamation program, our future ESG performance, our future financial position, plans for production growth in 2021, plans to continue to strengthen our balance sheet and to reduce liabilities 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, production curtailments, current and future commodity prices and exchange rates, applicable royalty rates, tax laws, industry conditions, availability of government subsidies and abandonment and reclamation programs, future well production rates and reserve volumes, future operating costs, the performance of existing and future wells, the success of its 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 and power projects, 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 including

curtailment, the 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 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 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 including government subsidies and abandonment and reclamation programs; 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.

Supplemental Information Regarding Product Types

This press release includes references to 2021 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)
Q1/21	54%	26%	7%	13%	18,385
Q1/20	56%	28%	4%	12%	20,323

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", "other capital expenditures", "adjusted funds flow", "adjusted funds flow per basic share", "adjusted funds flow per diluted share", "free cash flow", "net debt", "net bank debt", "adjusted working capital", "net operating expenses", "netback", "netback after risk

management contracts", "adjusted funds flow netback" and "net debt to adjusted fund flow ratio" 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 and free cash flow 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 and decommissioning expenditures. Development capital expenditures represents expenditures on property, plant and equipment (excluding capitalized G&A, other assets and acquisitions). Other capital expenditures includes capitalized G&A and other office assets. Free cash flow is calculated as adjusted funds flow less dividends and capital expenditures. Adjusted working capital includes current assets less current liabilities adjusted for fair value of financial instruments, the current liability component of convertible debentures, current lease liabilities, the warrant liability and current decommissioning obligations. 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 plus secured notes and adjusted working capital. Net debt is used by management to analyze the financial position, liquidity and leverage of Cardinal. "Net bank debt" is calculated as net debt less the principal amount of convertible debentures and secured notes. Net bank debt is used by management to analyze the financial position, liquidity, leverage and borrowing capacity on Cardinal's bank line. "Net debt to adjusted funds flow" is calculated as net debt divided by adjusted funds flow for the specified period. The ratio of net debt to adjusted funds flow is used to measure the Company's overall debt position and to measure the strength of the Company's balance sheet. Cardinal monitors this ratio and uses this as a key measure in making decisions regarding financing, capital expenditures and shareholder returns. 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.

The following table reconciles adjusted funds flow:

	Three months ended	
	March 31, 2021	March 31, 2020
Cash flow from operating activities	13,275	12,810
Change in non-cash working capital	1,143	202
Funds flow	14,418	13,012
Decommissioning expenditures	1,731	596
Adjusted funds flow	16,149	13,608

	As at	
	March 31, 2021	March 31, 2020
Bank debt	188,984	192,965
Secured notes	16,809	-

Principal amount of Convertible Debentures	-	44,931
Adjusted working capital deficiency	12,655	35,909
Net debt	218,448	273,805

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, Social and Governance profile 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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