



NEWS RELEASE

JULY 28, 2021

CARDINAL ENERGY LTD. ANNOUNCES SECOND QUARTER 2021 FINANCIAL RESULTS

Calgary, Alberta – Cardinal Energy Ltd. ("**Cardinal**" or the "**Company**") (TSX: CJ) is pleased to announce its operating and financial results for the second quarter ended June 30, 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 and six month periods ended June 30, 2021 which are available at www.sedar.com and on our website at www.cardinalenergy.ca.

Q2 2021 HIGHLIGHTS

- Adjusted funds flow of \$25.3 million (\$0.16 per diluted share) was 57% higher than the previous quarter and was impacted by a realized commodity price risk management loss of \$13.7 million;
- Maintained capital discipline while executing a \$10.3 million capital program which included drilling two Midale injection wells for our Enhanced Oil Recovery ("EOR") CO₂ injection program;
- Second quarter production of 17,949 boe/d was 5% higher than the same period in 2020;
- Free cash flow reduced net debt by \$12.1 million in the second quarter of 2021. In the first six months of 2021, net debt has been reduced by \$40.5 million or 16% of the net debt level at December 31, 2020;
- Subsequent to the end of the second quarter, Cardinal closed the acquisition of Venturion Oil Ltd. ("Venturion") adding approximately 2,400 boe/d (~83% oil) focused in central Alberta for \$47.5 million;

(\$ 000's except shares, per share and operating amounts)

	Three months ended June 30			Six months ended June 30		
	2021	2020	% Chg	2021	2020	% Chg
Financial						
Petroleum and natural gas revenue	99,106	31,711	213	184,653	95,184	94
Cash flow from operating activities	22,463	(10,276)	n/m ⁽³⁾	35,738	11,765	204
Adjusted funds flow ⁽¹⁾	25,300	2,065	n/m ⁽³⁾	41,449	17,013	144
per share basic	\$ 0.18	\$ 0.02	n/m ⁽³⁾	\$ 0.30	\$ 0.15	100
per share diluted	\$ 0.16	\$ 0.02	n/m ⁽³⁾	\$ 0.30	\$ 0.15	100
Earnings (loss)	9,095	(27,546)	n/m ⁽³⁾	(16,866)	(478,490)	(96)
per share basic and diluted	\$ 0.06	\$ (0.24)	(125)	\$ (0.14)	\$ (4.22)	(97)
Development capital expenditures ⁽¹⁾	10,028	776	n/m ⁽³⁾	15,935	22,558	(29)
Other capital expenditures ⁽¹⁾	277	280	(1)	571	639	(11)
Acquisitions, net	8	-	n/m ⁽³⁾	3,334	-	n/m ⁽³⁾
Total capital expenditures	10,313	1,056	n/m ⁽³⁾	19,840	23,197	(14)
Common shares, net of treasury shares (000s)				144,172	113,382	27
Bank debt				178,239	217,206	(18)
Adjusted working capital deficiency ⁽¹⁾				10,662	5,012	113
Net bank debt ⁽¹⁾				188,901	222,218	(15)
Secured notes				17,429	-	n/m ⁽³⁾
Convertible debentures				-	44,451	(100)
Net debt ⁽¹⁾				206,330	266,669	(23)
Net debt to H1 annualized adjusted funds flow ratio ⁽¹⁾				2.5	7.8	(68)
Total payout ratio ⁽¹⁾				38%	153%	(75)
Operating						
Average daily production ⁽²⁾						
Light oil (bbl/d)	7,129	7,117	-	7,086	7,454	(5)
Medium/heavy oil (bbl/d)	7,638	7,134	7	7,688	8,217	(6)
NGL (bbl/d)	986	772	28	1,097	804	36
Natural gas (mcf/d)	13,173	12,873	2	13,765	13,620	1
Total (boe/d)	17,949	17,169	5	18,166	18,745	(3)
Netback (\$/boe) ⁽¹⁾						
Petroleum and natural gas revenue	60.68	20.30	199	56.16	27.90	101
Royalties	10.54	2.59	n/m	9.18	4.20	119
Net operating expenses ⁽¹⁾	21.56	14.81	46	21.47	17.94	20
Transportation expenses	0.30	0.24	25	0.30	0.28	7
Netback ⁽¹⁾	28.28	2.66	n/m ⁽³⁾	25.21	5.48	n/m ⁽³⁾
Realized hedging loss (gain)	8.40	(2.12)	n/m ⁽³⁾	8.37	(3.38)	n/m ⁽³⁾
Netback after risk management ⁽¹⁾	19.88	4.78	n/m ⁽³⁾	16.84	8.86	90
Interest and other	2.07	1.58	31	2.15	1.59	35
G&A	2.32	1.87	24	2.08	2.29	(9)
Adjusted funds flow netback ⁽¹⁾	15.49	1.33	n/m ⁽³⁾	12.61	4.98	153

(1) See non-GAAP measures

(2) See Supplemental Information regarding Product Types

(3) Not meaningful – ie. absolute greater than 300% or not calculable

SECOND QUARTER OVERVIEW

The second quarter of 2021 continued to build on the momentum experienced in the prior quarter with increased oil prices. West Texas Intermediate ("WTI") oil prices averaged over US\$66/bbl, a 14% increase over the first quarter average price.

During the second quarter, the Company spent \$10.0 million of development capital on the drilling of two injection wells at Midale, Saskatchewan as we continue to develop our EOR CO₂ injection program, upgrading our facility and pipeline infrastructure and well recompletion and workover activity. During the second half of 2021, drilling plans include the drilling of six (5.0 net) wells throughout our asset base. The second half drilling program is underway with the second of two (2.0 net) wells currently being drilled in central Alberta and the first of two (1.0 net) wells currently being drilled at Elmworth, Alberta. The remaining two wells will be drilled on our southern Alberta Bantry property, where drilling is expected to begin in early September.

During the second quarter, the Company generated \$25.3 million of adjusted funds flow which, after capital and asset retirement spending, allowed Cardinal to decrease our net debt by \$12.1 million. The Company continues to execute its debt reduction strategy and has decreased our net debt by over \$40 million in the first six months of 2021. In the past twelve months, Cardinal has reduced its net debt by over \$60 million, or 23%, to \$206.3 million as of June 30, 2021. At current pricing levels, the Company forecasts our net debt to Q4 2021 annualized adjusted funds flow ratio to be below 1.0x.

Second quarter 2021 net operating expenses per boe were comparable with the prior quarter coming in at \$21.56/boe. Costs are higher than historical levels as Alberta power prices have significantly increased in the first half of 2021. In the first six months of 2021, Alberta power prices have averaged over \$100/MWh as compared to an average price of \$46/MWh in 2020. This equated to a second quarter 2021 increase of approximately \$2.90/boe in our total Alberta operating costs when comparing to the same period in 2020. The Company has a number of initiatives that it continues to evaluate to reduce our exposure to volatile power prices. Cardinal second quarter net operating expenses were also impacted by its increased workover and reactivation activity in order to bring production back on that was deferred in 2020.

Increased oil prices boosted revenue in the second quarter of 2021; however, the effect on Cardinal's adjusted funds flow was reduced due to realized hedging losses. During the last half of 2020, Cardinal hedged approximately 39% of its second quarter 2021 oil production (6,000 bbl/d) to protect a portion of our 2021 capital program. In the second half of 2021, after taking into account the acquired Venturion production and associated existing hedging contracts, approximately 17% (3,000 bbl/d) of the Company's forecasted oil production is hedged. With the current backwardation of the oil price curve, Cardinal will be selective in our hedging activity. At this time, the Company remains unhedged for 2022.

On July 15, Cardinal closed the acquisition of Venturion which added approximately 2,400 boe/d of production (~83% oil) predominantly focused adjacent to our Wainwright operating area with the issuance of 6.3 million Cardinal common shares and \$27.5 million in cash. The cash portion was financed with the issuance of \$12.5 million of subordinated second lien notes and \$15 million from the Company's existing bank facility. All incremental bank borrowings from this acquisition are expected to be repaid with Cardinal's free cash flow by the fourth quarter of 2021. Cardinal will continue to look for synergistic acquisitions that fit within our operating areas.

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 89,000 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 50,000 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 135 wells, numerous pipeline segments and has initiated work on inactive facilities.

OUTLOOK

Moving into the second half of 2021, the Company has confidence in its continued debt reduction strategy given the current macro environment and our conservative capital program. As our second half commodity hedging exposure decreases throughout the remainder of 2021 and into 2022, under forecast pricing, we expect to generate additional free cash flow enabling the Company to continue to reduce our debt. Our goal remains to enhance shareholder value through net debt repayment, increased focus on carbon reduction and ESG initiatives and when appropriate, the resumption of dividends and share buybacks.

We look forward to reporting our third quarter results in November which will incorporate the Venturion operations.

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, forecasted net debt to Q4 2021 annualized adjusted funds flow ratio, debt to adjusted funds flow ratio, the quality of our asset base and decline rates, our abandonment and reclamation program, our future ESG performance, our future financial position, plans to reduce debt, share buyback and dividend plans, power cost reduction initiatives, plans to reduce Venturion incremental net debt, future hedging plans 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)
Q2/21	56%	26%	6%	12%	17,949
Q2/20	57%	27%	4%	12%	17,169
H1/21	55%	26%	6%	13%	18,166
H1/20	57%	27%	4%	12%	18,745
VENTURION	27%	56%	1%	16%	2,400

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 basic and 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", "net debt to adjusted fund flow ratio" and "total payout 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, 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	
	June 30, 2021	June 30, 2020
Cash flow from operating activities	22,463	(10,276)
Change in non-cash working capital	1,860	11,798
Funds flow	24,323	1,522
Decommissioning expenditures	977	543
Adjusted funds flow	25,300	2,065

The following table reconciles net bank debt and net debt:

	As at	
	June 30, 2021	June 30, 2020
Bank debt	178,239	217,206
Adjusted working capital deficiency	10,662	5,012
Net bank debt	188,901	222,218
Secured notes	17,429	-
Principal amount of Convertible Debentures	-	44,451
Net debt	206,330	266,669

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.

For further information:

M. Scott Ratushny, CEO or Shawn Van Spankeren, CFO or Laurence Broos, VP Finance

Email: info@cardinalenergy.ca

Phone: (403) 234-8681

Website: www.cardinalenergy.ca