



NEWS RELEASE

NOVEMBER 4, 2021

CARDINAL ENERGY LTD. ANNOUNCES THIRD QUARTER 2021 FINANCIAL RESULTS AND 2022 OPERATING AND CAPITAL BUDGET

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, 2021 and its 2022 budget.

Selected financial and operating information is shown below and should be read in conjunction with Cardinal's unaudited condensed interim consolidated financial statements and related Management's Discussion and Analysis for the three and nine months ended September 30, 2021 which are available at www.sedar.com and on our website at www.cardinalenergy.ca.

FINANCIAL HIGHLIGHTS FROM THE THIRD QUARTER OF 2021

- Increased adjusted funds flow⁽¹⁾ by 184% to \$37.6 million (\$0.25/basic share) as compared to the third quarter of 2020;
- Third quarter 2021 free cash flow⁽¹⁾ increased to \$21.0 million or 142% over the third quarter of 2020 leading to a total payout ratio⁽¹⁾ of 44%;
- Reduced net bank debt⁽¹⁾ to \$187.5 million despite incurring approximately \$15.3 million of additional net bank debt on the acquisition of Venturion Oil Limited ("**Venturion**");
- Continued with our disciplined capital program spending \$17.5 million of capital expenditures which included the drilling of five (4.0 net) wells;
- Closed the corporate acquisition of Venturion adding approximately 2,400 boe/d of low decline production (83% oil);

⁽¹⁾ See non-GAAP measures

The following table summarizes our third quarter 2021 operating and financial highlights:

(\$000's except shares, per share and operating amounts)	Three months ended Sept 30,			Nine months ended Sept 30,		
	2021	2020	% Chg	2021	2020	% Chg
Petroleum and natural gas revenue	120,007	61,982	94	304,660	157,166	94
Cash flow from operating activities	37,410	18,950	97	73,148	30,715	138
Adjusted funds flow ⁽¹⁾	37,563	13,206	184	79,012	30,219	161
per basic share	\$ 0.25	\$ 0.12	108	\$ 0.56	\$ 0.27	107
per diluted share	\$0.23	\$ 0.12	92	\$ 0.52	\$ 0.27	93
Earnings / (Loss)	262,326	(4,659)	n/m	245,460	(483,149)	n/m
per basic share	\$ 1.76	\$ (0.04)	n/m	\$ 1.74	\$ (4.26)	n/m
per diluted share	\$ 1.64	\$ (0.04)	n/m	\$ 1.63	\$ (4.26)	n/m
Development capital expenditures ⁽¹⁾	16,532	4,510	267	32,467	27,068	20
Other capital expenditures ⁽¹⁾	301	232	30	872	871	-
Property acquisitions, net	694	-	n/m	4,028	-	n/m
Total capital expenditures	17,527	4,742	270	37,367	27,239	34
Corporate acquisition	47,641	-	n/m	47,641	-	n/m
Common shares, net of treasury shares (000s)				150,332	113,496	32
Bank debt				170,229	204,018	(17)
Adjusted working capital deficiency				17,238	10,898	58
Net bank debt ⁽¹⁾				187,467	214,916	(13)
Secured notes				30,270	-	n/m
Convertible debentures				-	44,451	(100)
Net debt ⁽¹⁾				217,737	259,367	(16)
Net debt to adjusted funds flow ratio ⁽¹⁾				2.4	4.4	(45)
Total payout ratio ⁽¹⁾				41%	101%	(59)
Operating						
Average daily production						
Light oil (bbl/d)	7,485	6,861	9	7,220	7,255	-
Medium/heavy oil (bbl/d)	8,871	7,721	15	8,087	8,051	-
NGL (bbl/d)	600	834	(28)	930	814	14
Natural gas (mcf/d)	15,101	13,448	12	14,215	13,562	5
Total (boe/d)	19,473	17,657	10	18,606	18,380	1
Netback (\$/boe) ⁽¹⁾						
Petroleum and natural gas revenue	66.99	38.16	76	59.98	31.21	92
Royalties	12.38	5.42	128	10.31	4.59	125
Net operating expenses ⁽¹⁾	23.53	16.82	40	22.20	17.58	26
Transportation expenses	0.58	0.34	71	0.40	0.30	33
Netback ⁽¹⁾	30.50	15.58	96	27.07	8.74	210
Realized gain (loss) on commodity contracts	(5.79)	(3.63)	60	(7.46)	1.12	n/m
Netback after risk management contracts ⁽¹⁾	24.71	11.95	107	19.61	9.86	99
Interest and other	1.65	2.18	(24)	1.97	1.78	11
G&A	2.10	1.64	28	2.09	2.08	-
Adjusted funds flow netback ⁽¹⁾	20.96	8.13	158	15.55	6.00	159

⁽¹⁾ See non-GAAP measures

THIRD QUARTER OVERVIEW

Commodity prices continued to increase through the third quarter of 2021 providing Cardinal with significantly increased adjusted funds flow of \$37.6 million, a 48% increase over the second quarter of 2021. Increased adjusted funds flow combined with our disciplined capital program enabled Cardinal to generate free cash flow of \$21 million allowing us to continue with our net bank debt reduction strategy.

During the third quarter, the Company closed the Venturion acquisition adding approximately 2,400 boe/d (83% oil) of production. Cardinal's \$17.5 million capital program included the drilling and completion of five (4.0 net) wells across our asset base in Alberta with the majority of the production from these wells being added early in the fourth quarter. Current production based on field estimates is approximately 21,000 boe/d. The Company also continued with its Enhanced Oil Recovery ("EOR") CO₂ injection program at Midale, Saskatchewan where the two new injection wells we drilled in the second quarter are injecting up to 9 mmcf/d of incremental CO₂ (~500 tonnes/day).

Subsequent to the end of the third quarter, Cardinal closed the disposition of approximately 200 boe/d of non-core gas weighted production and associated lands and liabilities for gross proceeds of \$10.5 million. With a portion of these disposition proceeds, the Company plans to accelerate the drilling of four wells initially planned for 2022 in order to secure access to drilling services and replace the sold production. Full year net capital expenditures are expected to decrease to \$46 million.

During the third quarter of 2021, our free cash flow was directed towards partially funding the Venturion acquisition and repayment of bank debt. All of the incremental net bank debt of approximately \$15.3 million incurred in connection with the acquisition was fully repaid from free cash flow within the third quarter.

Third quarter 2021 net operating expenses per boe were 9% higher than the prior quarter at \$23.53/boe. Costs are higher than historical levels as Alberta power prices have significantly increased in the first nine months of 2021. Alberta power prices have averaged over \$100/MWh in the third quarter as compared to an average price of \$44/MWh in the third quarter of 2020 which has impacted the Company's Alberta operating costs by approximately \$2.50/boe in the third quarter. The Company is also experiencing inflationary pressures on well services as a shortage in labor and supply chain disruptions are negatively impacting operating costs. Additional workover and reactivation activity has also continued to increase in the third quarter in order to bring production back online which was deferred in 2020. During the third quarter of 2021, unplanned third party facility outages also negatively impacted production; however, all but one of the third party facilities are now back online.

From a risk management perspective, for the remainder of 2021, including the hedges acquired through the Venturion acquisition, Cardinal's hedged average volume decreases significantly from 23% in the third quarter to approximately 11% of its forecasted oil production or 2,250 bbl/d. Approximately 60% of the Company's natural gas is hedged at \$2.64/gj for the fourth quarter of 2021. The Company remains unhedged moving into 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Cardinal continues to be a net negative emissions (scope 1) company. Through our world class Carbon Capture and Sequestration ("CCS") EOR operation at Midale, the Company has sequestered approximately 152,000 tonnes of CO₂ year to date and is forecasting to sequester over 233,000 tonnes in 2021. Two additional injection wells were drilled and brought online at Midale, Saskatchewan over the summer. Over their first year of operation, these injectors are forecasted to sequester over 100,000 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 continues to be 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 decommissioning of several inactive facilities.

2022 BUDGET

Highlights

- Increased average annual production by 5% to 7% to approximately 20,000 to 20,500 boe/d;
- Generate adjusted funds flow of \$200 to \$210 million assuming a WTI price of US\$70/bbl;
- Approximately \$90 to \$100 million or approximately 45% to 50% of adjusted funds flow will be directed to debt repayment;
- Exiting 2022 with an annual net debt to adjusted funds flow ratio below 0.3x;
- Contemplates a dividend reinstatement once the Company's net bank debt is below \$100 million, currently estimated for mid-2022;
- Executing a \$70 to \$80 million capital program which includes drilling and completion of 18 wells;
- Investment of \$8 to \$10 million for asset retirement obligations ("ARO") complementing government subsidy programs and continuing with our ESG focused activity.

Cardinal's 2022 capital budget takes advantage of our low corporate decline rate and focuses on optimizing our long life asset base. The capital budget includes the drilling and completion of 18 wells across our asset base and reactivating and optimizing down production. The Company will continue with our CO₂ injection program at Midale and by drilling two CO₂ injectors in 2022 increase the amount of carbon we capture and continue to proactively upgrade our pipeline and facility infrastructure. As part of this budget, funds will also be directed to increasing liquids recovery from our gas production as well as to continue our focus on ESG initiatives that provide economic returns including the reduction in direct emissions.

Budget Summary

Average production (boe/d)	20,000 to 20,500
Adjusted funds flow (\$ mm)	\$200 to \$210
Total capital expenditures (\$ mm)	\$70 - \$80
Operating costs (\$/boe)	\$22.00 - \$22.75
Transportation costs (\$/boe)	\$0.55 - \$0.65
G&A (\$/boe)	\$2.00 - \$2.25
US\$ WTI (\$/bbl)	\$70.00
US/CAD Exchange Rate	0.80
US\$ WTI-WCS Basis Differential (\$/bbl)	(\$12.50)
US\$ WTI-MSW Basis Differential (\$/bbl)	(\$4.30)
AECO (\$/mcf)	\$3.50

OUTLOOK

Cardinal was created around a strategy to build a low decline, sustainable business that enabled its shareholders to receive returns in the form of dividends.

When Cardinal went public in 2014, WTI oil was at \$98/bbl and we set our initial dividend rate at \$0.65/share per year. We were able to keep increasing our dividend to \$0.84/share per year despite oil prices eventually dropping to \$50/bbl. Subsequent to that, WCS oil differentials significantly widened and then the COVID-19 pandemic hit. A combination of both of these events caused the suspension of our dividend to preserve capital.

Over the past few years Cardinal has optimized its assets and operating structure and now, with the increase in oil prices, is able to revisit its dividend strategy.

As in any business, influences that are beyond our control present risk and the ability to control our outside influences is paramount to our success. We believe one of the largest risk factors that we have limited control over is the amount and term of loans that our banks are willing to provide us. We plan to pursue a strategy that reduces this risk factor and thus, go forward we plan to minimize our borrowing exposure, which, in our opinion, is the most prudent way to run our business.

At year end 2021, we are projecting to have \$175 to \$180 million of net debt which will be comprised of \$160 to \$165 million of bank debt with the remainder being term debt.

Phase One

Based on our adjusted funds flow projections, we feel that a reasonable level of bank debt should be approximately \$100 million in this environment. With this in mind, we have forecasted to reinstate our dividend once our corporate bank debt reaches this level, which we expect to occur mid-2022, based on a budgeted \$70/bbl WTI price, which is Phase 1 of our returns to shareholder plan. The repayment of bank debt to this level will add approximately \$0.50 per share to the net asset value of the Company (based on approximately 150.4 million issued and outstanding shares).

Phase Two

Phase 2 of our plan, once the Phase 1 bank debt target is reached, will be to allocate approximately 50% of our free cash flow less ARO expenditures to dividends and 50% to further debt repayment. Future dividends are expected to be paid monthly based on prevailing commodity prices at that time.

Phase Three

The next milestone the Company will target is a \$50 million net debt level which will allow us to amend and increase the percentage allocated to dividends and increase our ARO and ESG initiatives.

For further information, the Company has posted an updated presentation on its corporate website www.cardinalenergy.ca.

We are excited about our recent results and forecasts as we move into 2022 and look forward to reporting our 2021 reserve, operating and financial results in the first quarter of 2022.

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 and 2022 capital programs and spending plans, our drilling plans, future production volumes, adjusted funds flow, free cash flow, net debt, net debt to adjusted funds flow ratio, the quality of our asset base, production decline rates, our abandonment and reclamation program, our future ESG performance and plans, our future financial position, dividend plans and rate future operating, transportation and G&A costs, targeted net debt 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, transportation and G&A costs, the performance of existing and future wells, the success of Cardinal's 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, 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; our 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, including adjusted funds flow, capital expenditures and net debt 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.

Supplemental Information Regarding Product Types

This press release includes references to 2021 and 2020 production, production acquired on the acquisition of Venturion, production associated to the Q3 non-core disposition and 2022 budgeted 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)
Q3/21	54%	30%	3%	13%	19,473
Q3/20	56%	27%	5%	12%	17,657
3Q/21	55%	27%	4%	13%	18,606
3Q/20	56%	27%	4%	12%	18,380
Venturion	27%	56%	1%	16%	2,400
Disposed	16%	-	14%	70%	200
2022 Budget	55%	30%	3%	12%	20,000-20,500
CURRENT	54%	30%	3%	13%	21,000

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 deficiency", "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, decommissioning expenditures and transaction costs. 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, assets held for sale, liabilities associated with assets held for sale 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. 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 as compared to the adjusted funds flow for the specified period. 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		Nine months ended	
	Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
Cash flow from operating activities	37,410	18,950	73,148	30,715
Change in non-cash working capital	(1,800)	(5,982)	1,203	(2,749)
Funds flow	35,610	12,968	74,351	27,966
Decommissioning expenditures	1,334	238	4,042	2,253
Transaction costs	619	-	619	-
Adjusted funds flow	37,563	13,206	79,012	30,219

The following table reconciles net bank debt and net debt:

	As at	
	Sept 30, 2021	Sept 30, 2020
Bank debt	170,229	204,018
Adjusted working capital deficiency	17,238	10,898
Net bank debt	187,467	214,916
Secured notes	30,270	-
Principal amount of Convertible Debentures	-	44,451
Net debt	217,737	259,367

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:

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