**NEWS RELEASE** **JULY 30, 2020**

# CARDINAL ENERGY LTD. ANNOUNCES SECOND 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 second quarter ended June 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 June 30, 2020 which are available at www.sedar.com and on our website at www.cardinalenergy.ca.

## FINANCIAL HIGHLIGHTS FROM THE SECOND QUARTER OF 2020

- Cardinal had second quarter positive free cash flow(1) due to reduced capital expenditures and cost saving initiatives leading to a $7.1 million reduction in net debt(1) over the prior quarter;
- Reduced our net operating costs(1) to $14.81/boe which was a $15 million decrease or 39% over the prior quarter due to reduced compensation costs, lower power costs and reduced well reactivation activity;
- Reduced our general and administrative costs ("G&A") by 40% over the prior quarter resulting in G&A costs of $1.87/boe ; and
- Favorable risk management program hedging over 60% of our remaining anticipated 2020 oil production at attractive prices.

(1) See non-GAAP measures

| ($ 000's except shares, per share and operating amounts) | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | % Chg | **2020** | 2019 | % Chg |
| **Financial** | | | | | | |
| Petroleum and natural gas revenue | **31,711** | 106,166 | (70) | **95,184** | 200,216 | (52) |
| Cash flow from operating activities | **(10,276)** | 35,923 | n/m | **11,765** | 63,429 | (81) |
| Adjusted funds flow (1) | **2,065** | 35,736 | (94) | **17,013** | 65,375 | (74) |
| per share basic and diluted | **$ 0.02** | $ 0.31 | (94) | **$ 0.15** | $ 0.56 | (73) |
| Loss | **(27,546)** | (3,099) | n/m | **(478,490)** | (19,605) | n/m |
| per share basic and diluted | **$ (0.24)** | $ (0.03) | n/m | **$ (4.22)** | $ (0.17) | n/m |
| Development capital expenditures (1) | **776** | 17,041 | (95) | **22,558** | 28,193 | (20) |
| Other capital expenditures | **280** | 625 | (55) | **639** | 1,057 | (40) |
| Total capital expenditures | **1,056** | 17,666 | (94) | **23,197** | 29,250 | (21) |

| ($ 000's except shares, per share and operating amounts) | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | % Chg | **2020** | 2019 | % Chg |
| Common shares, net of treasury shares (000s) | **113,382** | 115,203 | (2) | **113,382** | 115,203 | (2) |
| Dividends declared | **-** | 3,606 | n/m | **3,511** | 7,225 | (51) |
| per share | **-** | $0.03 | n/m | **0.03** | 0.06 | (50) |
| | | | | | | |
| Net bank debt [(1)] | **222,218** | 204,627 | 9 | **222,218** | 204,627 | 9 |
| Net debt [(1)] | **266,669** | 249,627 | 7 | **266,669** | 249,627 | 7 |
| Net debt to adjusted funds flow ratio [(1)] | **3.6** | 2.5 | 44 | **3.6** | 2.5 | 44 |
| Total payout ratio [(1)] | **38%** | 58% | (34) | **153%** | 54% | 183 |
| | | | | | | |
| **Operating** | | | | | | |
| Average daily production | | | | | | |
| Light oil (bbl/d) | **7,117** | 8,043 | (12) | **7,454** | 8,144 | (8) |
| Medium/heavy oil (bbl/d) | **7,134** | 8,954 | (20) | **8,217** | 8,749 | (6) |
| NGL (bbl/d) | **772** | 939 | (18) | **804** | 952 | (16) |
| Natural gas (mcf/d) | **12,873** | 15,906 | (19) | **13,620** | 15,918 | (14) |
| Total (boe/d) | **17,169** | 20,587 | (17) | **18,745** | 20,498 | (9) |
| Netback ($/boe) [(1)] | | | | | | |
| Petroleum and natural gas revenue | **$ 20.30** | $ 56.67 | (64) | **$ 27.90** | $ 53.97 | (48) |
| Royalties | **2.59** | 8.97 | (71) | **4.20** | 8.18 | (49) |
| Net operating expenses[(1)] | **14.81** | 20.28 | (27) | **17.94** | 21.44 | (16) |
| Transportation expenses | **0.24** | 0.49 | (51) | **0.28** | 0.34 | (18) |
| Netback[(1)] | **$ 2.66** | $ 26.93 | (90) | **$ 5.48** | $ 24.01 | (77) |
| Realized gain (loss) on commodity contracts | **2.12** | (4.03) | n/m | **3.38** | (2.43) | n/m |
| Netback after risk management contracts [(1)] | **$ 4.78** | $ 22.90 | (79) | **$ 8.86** | $ 21.58 | (59) |
| Interest and other | **1.58** | 1.82 | (13) | **1.59** | 1.82 | (13) |
| G&A | **1.87** | 2.02 | (7) | **2.29** | 2.14 | 7 |
| Adjusted funds flow netback [(1)] | **$ 1.33** | $ 19.06 | (93) | **$ 4.98** | $ 17.62 | (72) |

(1) See non-GAAP measures

## SECOND QUARTER OVERVIEW

Cardinal's second quarter 2020 was focused on financial sustainability as we weathered one of the most challenging periods in the oil and gas industry's history. The effect of the COVID-19 pandemic was far reaching across all industries globally. In response to the crisis, Cardinal immediately ceased all non-essential capital activity late in the first quarter resulting in the Company spending $1.1 million of capital expenditures in the second quarter. We began to systematically shut-in approximately 25% of our production to minimize losses from the severe drop in oil pricing. As oil prices stabilized in June, we began to restart shut-in production. Currently, approximately 10% to 15% of our production remains shut-in awaiting higher oil prices.

A disciplined capital program combined with substantial cost reduction initiatives and an oil price recovery in June allowed the Company to be free cash flow positive in the second quarter, and when combined with a foreign exchange adjustment, we decreased our net debt by $7.1 million over the first quarter 2020 to $222.2 million. The majority of Cardinal's second quarter 2020 capital program was focused on our enhanced oil recovery process at Midale, Saskatchewan with our $CO_2$ injection program.

In response to the low oil prices caused by the pandemic, Cardinal reduced our non-essential well servicing and labour costs which resulted in a 28% decrease in our field operating costs per bbl compared to the first quarter in 2020. Our power generation initiatives which were completed throughout 2019 and early 2020 assisted in reducing our corporate power costs by $2.7 million ($0.66/boe) over the same period in 2019. The result of these proactive initiatives resulted in Cardinal reducing our total net operating costs by 39% or $15 million over the first quarter of 2020.

Corporately, during the second quarter of 2020, Cardinal reduced our Board, executive and employee salaries by 20%, ceased our bonus program and reduced our employee savings plan contributions which, combined with the Canadian Emergency Wage Subsidy ("CEWS") program and other initiatives, resulted in a 40% reduction in our corporate G&A costs compared to the first quarter of 2020.

Cardinal has been proactively taking advantage of available government subsidy programs with our service company partners. On our behalf, service companies have submitted a significant number of applications for abandonment and reclamation work on Cardinal's wells and leases in the Period 1 of the Alberta Site Rehabilitation Program ("SRP") and Phase 1 of the Saskatchewan Accelerated Site Closure Program ("ASCP"). Some of this work has been approved to date and work in the field has been initiated. Further approvals are expected in the near term, as are further applications in future program periods and phases. Cardinal will continue to be an active participant in the government programs.

From a risk management perspective, for the remainder of 2020, Cardinal has hedged an average of 9,083 bbl/d of West Texas Intermediate ("WTI") oil at an approximate average price of CAD$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. We have started our 2021 hedging program with an average 1,833 bbl/d of WTI hedged for the year at an average minimum price of CAD$55/bbl.

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 flows and has re-emphasized our goals of reducing our overall debt levels. We have received approval from the syndicate to further extend the revolving period and re-determination date to August 5, 2020 for the lenders to attain required internal approvals. We continue to work through applications for federal liquidity support programs. Currently, Cardinal is drawn approximately $204 million on its credit facility and with the low decline nature of our asset base we expect our future adjusted funds flow will be sufficient to support our capital program and continue with our debt reduction strategy.

**OUTLOOK**

The COVID-19 pandemic is unprecedented in how it has affected the global economy. The Canadian oil and gas industry has faced numerous challenges over the past number of years however we believe the past few months have negatively impacted our industry more than any other. Cardinal's focus through this pandemic and economic crisis remains the health and safety of our employees and service providers, and managing our liquidity through disciplined efficient operation of our assets, production and costs. This has been evidenced in the second quarter of 2020 in which we had positive free cash flow and reduced net debt levels over the prior quarter.

Our focus for the second half of 2020 will be on retaining our long term stability. The fluctuations in commodity prices this year, from a high of over WTI US$60/bbl to a low that saw negative prices have reinforced some key business tenets. Increased stability through longer term product hedging and reduced financial dependence on our credit facility are and will be the core focus for the future. Cardinal is fortunate to have a low decline sustainable production base that can withstand the short-term pricing shocks without materially impacting our reserve base. Our capital program for the last half of 2020 has been reduced to $8.5 million. With a large percentage of our production hedged for the remainder of the year, we expect to make significant reductions in our overall net debt levels in 2020.

Cardinal will continue to manage our assets with a long-term sustainability view and continue to look for ways to reduce our costs without sacrificing the safety of our employees or the integrity of our asset base and infrastructure. Cardinal's top tier low decline rate will support the Company's oil production and we will bring back on production of shut-in wells when the re-activation economics justify it. We are seeing positive signs as oil prices have stabilized and we continue to lock-in prices that support longer term production initiatives.

We will continue to navigate through these challenging times by acting quickly to implement change and reduce costs. We thank our Board for their continued guidance, our employees for their dedication and hard work and our shareholders and stakeholders for their perseverance and support during this challenging time.

**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 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 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) |
|---|---|---|---|---|---|
| Q2/20 | 57% | 27% | 4% | 12% | 17,169 |
| Q2/19 | 54% | 29% | 5% | 13% | 20,587 |
| 1H/20 | 57% | 27% | 4% | 12% | 18,745 |
| 1H/19 | 54% | 28% | 5% | 13% | 20,498 |

**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 | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Cash flow from operating activities | (10,276) | 35,923 |
| Change in non-cash working capital | 11,798 | (1,685) |
| Funds flow | 1,522 | 34,238 |
| Decommissioning expenditures | 543 | 1,498 |
| Adjusted funds flow | 2,065 | 27,085 |

| | As at | |
|---|---|---|
| | June 30, 2020 | June 30, 2019 |
| Bank debt | 217,206 | 195,468 |
| Principal amount of Convertible Debentures | 44,451 | 45,000 |
| Working capital deficiency (1) | 5,012 | 9,159 |
| Net debt | 266,669 | 249,627 |

(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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