

Cardinal Energy Announces First Quarter Results

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CALGARY, ALBERTA--(Marketwired - May 5, 2014) - [Cardinal Energy Ltd.](#) ("**Cardinal**") (TSX:CJ) is pleased to announce its operating and financial results for the quarter ended March 31, 2014. Cardinal also announces that its unaudited interim financial statements and related Management's Discussion and Analysis for the quarter ended March 31, 2014 is available on the System for Electronic Analysis and Retrieval ("SEDAR") and on Cardinal's website at www.cardinalenergy.ca.

Highlights

- Production averaged 6,235 boe/day in the first quarter of 2014 an increase of 7% over the year end exit rate of approximately 5,850 boe/day;
- Increases in production and commodity prices resulted in cash flow from operations for the quarter of \$19.2 million;
- Cardinal's simple payout ratio was 31% for the quarter;
- Operating costs were reduced by 17% to average \$23.83 boe compared to the fourth quarter of 2013;
- Field netbacks increased to \$41.49 per boe, an increase of 42% from the fourth quarter of 2013;
- Net debt was \$3.9 million as at March 31, 2014; and
- Increased our land position in Bantry by 14 net sections which are prospective for Manville oil.

March 31, 2014 marked the first full operating quarter for Cardinal as a public company.

Our primary focus going into the quarter was to complete the integration of the assets and new staff acquired in SE Alberta. We also began to work on increasing our understanding of the base assets as well as drilling and optimization upside.

Cardinal has seen some initial benefits from our early initiatives, including:

Drilling: Successfully drilled and completed 2 Glauconite horizontal wells. The two wells are currently producing at combined rate of 650 boe/day after being on production for 60 days. Subsequent to quarter end, we have drilled and completed a third Glauconite horizontal well and are currently flowing back the frac. Cardinal plans to drill one additional Glauconite horizontal well in the second quarter.

Payout Ratio: We have seen our dividend payout ratio drop month over month with the increase in production volumes as well as higher field netbacks. Cardinal has set a target simple dividend payout ratio of 30 - 35% and our average for the first quarter was 31%. Including the effect of our stock dividend plans (dividend reinvestment plan and stock dividend program) our dividend payout ratio drops to 29% for the quarter. Cardinal will continue to monitor our payout ratios as well as the actual dividend rate, and adjust the dividend amount when it deems appropriate.

Operating costs: Cardinal began several initiatives to reduce operating costs in the first quarter 2014. We have seen operating costs drop by 17% from \$28.72/boe in the fourth quarter of 2013 to an average of \$23.83/boe in the first quarter of 2014. We have identified several projects to further reduce operating costs which we will undertake throughout 2014.

Field Netbacks: Field netbacks have improved considerably from our exit 2013 numbers. A combination of strong commodity prices and a reduction in operating costs have pushed our field netbacks to an average of \$41.48/boe for the quarter.

Liquidity: Our net debt was \$3.9 million as at March 31, 2014. Our bank facility is currently set at \$125

million providing Cardinal with the necessary financial flexibility on a go forward basis. We are currently undergoing our year end banking review and expect to have our borrowing base increased in second quarter.

Growth: We are continually adding to and expanding our core areas. During the first quarter we completed 2 acquisitions adding approximately 300 boe/d of production and 14 net sections of land. During the quarter we also participated at a land sale adding significant acreage which we feel is prospective of additional Mannville drilling.

Management's primary focus for the first quarter of 2014, was to successfully integrate the acquired assets in SE Alberta as well as the staff associated with the acquisition; both in our Calgary office and our new field office in Medicine Hat. We are pleased with the results of this integration and with the quality and resourcefulness of our new staff.

Cardinal was able to grow organically in the quarter while spending only 69% of its cash flow (net of acquisitions and financings); to pay its dividend, offset declines on base production and grow production by 3 percent. As this is our first full quarter of results as a public company, we are quite pleased that we are able to demonstrate the strength in our business model which focuses on a low corporate decline rate. Management estimates that even with the drilling activity in the quarter, we were able to maintain a corporate decline rate of less than 15 percent on an annualized basis.

Cardinal exited the quarter with \$3.9 million of net debt (we currently have no debt). This, combined with a peer group leading low decline rate and a disciplined allocation of capital, make it one of the most sustainable companies in the junior/intermediate dividend paying oil focused companies. We look forward to reporting our next quarterly results as we feel confident that we can achieve more aggressive growth rates while still spending on an all in basis, less than 100 percent of our cash flow.

About Cardinal Energy Ltd.

Cardinal is a junior Canadian oil focused company built to provide investors with a stable platform for dividend income and growth. Cardinal's operations are focused in all season access areas in Alberta.

Advisory Regarding Forward-Looking Statements

In the interest of providing Cardinal's shareholders and potential investors with information regarding Cardinal, including management's assessment of Cardinal's future plans and operations, certain statements in this press release are "forward-looking statements" within the meaning of applicable Canadian securities legislation. In some cases, forward-looking statements can be identified by terminology such as "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "intend", "may", "objective", "ongoing", "outlook", "potential", "project", "plan", "should", "target", "would", "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, focus, plans and objectives; future drilling plans and targets; expected production rates and decline rates; target payout ratios; dividend policy and plans; plans to reduce operating costs; anticipated increases in our credit facility and the timing thereof; and plans to achieve more aggressive growth rates while still spending less than 100 percent of anticipated cash flow. These forward-looking statements are based on certain key assumptions regarding, among other things: petroleum and natural gas prices and pricing differentials; well production rates and reserve volumes; estimated operating costs; our ability to market our oil and natural gas successfully; our ability to add production and reserves through our exploration and development activities; capital expenditure levels; the receipt, in a timely manner, of regulatory and other required approvals for our operating activities; the availability and cost of labour and other industry services; the availability and cost of financing and our ability to access capital; the amount of future cash dividends that we intend to pay; interest and foreign exchange rates; the continuance of existing and, in certain circumstances, proposed tax and royalty regimes; our ability to develop our crude oil and natural gas properties in the manner currently contemplated; and current industry conditions, laws and regulations continuing in effect (or, where changes are proposed, such changes being adopted as anticipated). You are cautioned that such assumptions, although considered reasonable by Cardinal at the time of preparation, may prove to be incorrect.

Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: declines in oil and natural gas prices; risks related to the accessibility, availability, proximity and capacity of gathering, processing and pipeline systems; risks inherent in oil and gas operations; variations in interest rates and foreign exchange rates; access to external sources of capital; risks associated with the exploitation of our properties and our ability to acquire reserves; increases in operating costs; changes in government regulations that affect the oil and gas industry; changes to royalty or mineral/severance tax regimes; risks relating to hydraulic fracturing; changes in income tax or other laws or government incentive programs; uncertainties associated with estimating petroleum and natural gas reserves; changes in environmental, health and safety regulations; competition in the oil and gas industry for, among other things, acquisitions of reserves, undeveloped lands, skilled personnel and drilling and related equipment; or key personnel and information systems; risks associated with the ownership of our securities, including the discretionary nature of dividend payments and changes in market-based factors; and other factors, many of which are beyond the control of Cardinal.

The above summary of assumptions and risks related to forward-looking statements in this press release has been provided in order to provide shareholders and potential investors with a more complete perspective on Cardinal's current and future operations and such information may not be appropriate for other purposes. There is no representation by Cardinal that actual results achieved during the forecast period will be the same in whole or in part as those forecast and Cardinal does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities law.

Non-GAAP Financial Measures

Cardinal uses terms within this press release that do not have a standardized prescribed meaning under GAAP and these measurements may not be comparable with the calculation of similar measurements of other entities.

The terms "cash flow from operations", "netback" or "netback per boe", "net debt" and "simple payout ratio" in this press release are not recognized measures under GAAP. Management believes that in addition to net earnings and cash flow from operating activities as defined by GAAP, these terms are useful supplemental measures to evaluate operating performance and assess leverage. Users are cautioned however, that these measures should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as an indication of Cardinal's performance.

Management utilizes "cash flow from operations" as a key measure to assess the ability of the Company to generate the funds necessary to finance dividends, operating activities and capital expenditures. All references to cash flow from operations throughout this press release are based on cash from operating activities before the change in non-cash working capital and decommissioning expenditures since Cardinal believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such may not be useful for evaluating Cardinal's operating performance.

The term "net debt" is not recognized under GAAP and is calculated as bank debt plus or minus working capital (adjusted for the fair value of financial instruments). Net debt is used by management to analyze the financial position and leverage of Cardinal. "Simple payout ratio" represents the ratio of the amount of dividends declared, divided by cash flow from operations. Simple payout ratio is another key measure to assess Cardinal's ability to finance dividends, operating activities and capital expenditures.

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