

NOT FOR DISSEMINATION IN THE UNITED STATES, FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF UNITED STATES SECURITIES LAW.

[Cardinal Energy Ltd.](#) ("Cardinal" or the "Company") (TSX:CJ) is pleased to announce a significant light oil acquisition (the "Acquisition") in the Mitsue area of Alberta. The Acquisition is consistent with Cardinal's strategy of acquiring large operated low decline oil pools that are under water flood. The Acquisition is key to Cardinal's business strategy as an oil focused company built to provide investors with a stable platform for dividend income and growth.

Light Oil Acquisition

Pursuant to the Acquisition, Cardinal will be acquiring assets in the Slave Lake region of Alberta. Approximately 90% of the production is in all season access areas with the main asset being the Mitsue Gilwood Sand Units. Mitsue represents approximately 86% of the Total Proved Plus Probable ("2P") reserves of the acquired assets.

The Mitsue Gilwood A Pool was discovered in 1964 and produces from the Gilwood sandstone of the Middle Devonian Watt Mountain Formation. The Gilwood Sandstone is stratigraphically contained within the Watt Mountain Shale. The reservoir is approximately 120,000 acres in size and 42 miles long. It is one of the largest sandstone reservoirs in Canada still drilled on quarter section spacing and management believes that there are over 70 gross infill horizontal drilling locations in Mitsue. Only 9 wells have been drilled in Mitsue since 1997 and the property has not benefited from the advances in current horizontal drilling technology.

The purchase price for the acquired assets will be approximately \$129 million after estimated adjustments and the sale of a midstream asset to be acquired, which the Company plans to monetize at closing. Closing of the Acquisition is expected to occur on October 30, 2015.

The assets to be acquired by us have the following attributes:

- Average Production 3,300 boe/d (78% light crude oil and NGL's)
- Production decline of 10%
- Cash flow from operations estimated at \$26 million in 2016 at \$50 WTI
- Purchase price of 5.0x 2016 cash flow from operations
- Purchase price of \$39,000 per flowing boe
- An increase of 20% per basic share to both Cardinal's Proved Developed Producing reserves and Total Proved Plus Probable Producing reserves
- The Acquisition is expected to be accretive to cash flow from operations per share by 25% in 2016

Light Oil Acquisition Reserve Summary

	Mboe ⁽¹⁾	RLI ⁽²⁾	Acquisition Cost per boe ⁽³⁾
Proved Producing	12,763	11	\$10.11
Proved	13,959	12	\$9.24
Proved plus probable	18,150	15	\$7.11
Decline	10%		

1. Based on working interest reserves before deduction of any royalties. Reserve estimates are based on a report prepared by Sproule & Associates Limited in accordance with National Instrument 51-101, effective December 31, 2014 (the "Sproule Report").
2. Based on 3,300 boe/d current production.
3. Based on a \$129 million estimated closing purchase price.
4. Future development capital (2P reserves) is \$45 million.

Management has identified several areas of upside on the acquired assets including:

- An initial 90 gross unbooked drilling locations on all of the acquired assets with the potential to increase this inventory in the future with further technical work.
- Significant opportunities for well recompletions and optimization of existing producing and suspended wells. Cardinal intends to complete low cost optimization projects that would allow it to keep the production flat on the acquired assets without drilling a well for two years.
- Opportunities for further consolidation in the area.
- The Acquisition is expected to lower Cardinal's G&A by about \$0.50 per boe to an estimated \$2.25 per boe in 2016.
- The acquired assets are not expected to materially change Cardinal's abandonment liability ratio.

- Opportunities to enhance water flood and increase pool recoveries at Mitsue, a 1% increase in the Mitsue unit's recovery would yield 8 MMbbl of oil.
- Cardinal anticipates it will be able to reduce operating costs on the assets in 2016.

The Acquisition is a joint acquisition between the Company and a private company that has common directors and shareholders with Cardinal. Pursuant to the Acquisition, Cardinal will acquire a 75% working interest and the private company will acquire a 25% working interest in the assets being conveyed. We and the private company have agreed to grant each other a right of first refusal over the acquired interests on reciprocal terms.

In conjunction with the acquisition Cardinal has entered into a bought deal financing with a syndicate of underwriters led by CIBC and RBC to raise \$100 million to fund the estimated purchase price of the Acquisition of \$129 million the remaining portion of which Cardinal intends to fund with Cardinal's credit facility.

Details of Offering

In conjunction with the Acquisition, Cardinal has entered into an agreement with a syndicate of underwriters (the "Underwriters"), co-led by CIBC and RBC Capital Markets (the "Lead Underwriters"), pursuant to which they have agreed to purchase, on a bought deal basis, from Cardinal and sell to the public (the "Offering") (i) 6,025,000 subscription receipts (the "Subscription Receipts"), at a price of \$8.30 per subscription receipt, for gross proceeds to Cardinal of \$50,007,500, and (ii) \$50,000,000 of 5.50% extendible convertible unsecured subordinated debentures (the "Debentures", and together with the Subscription Receipts, the "Securities"), for aggregate gross proceeds to Cardinal of \$100,007,500. The net proceeds of the Offering will be used by Cardinal to fund a portion of the purchase price for the Acquisition. The balance of the purchase price will be funded from Cardinal's syndicated credit facility.

Cardinal has granted the Underwriters an over-allotment option to purchase up to an additional 602,500 Subscription Receipts (the "Over-Allotment Option"), on the same terms and conditions as the Offering, exercisable in whole or in part at any time not later than the earlier of (i) the 30th day following the closing date of the Offering, and (ii) the occurrence of a Termination Event. A Termination Event will have occurred if the closing of the Acquisition closing does not occur prior to 5:00 p.m. (Toronto time) on December 31, 2015 or is terminated at any earlier time (in either case, the "Termination Date"). If the Over-Allotment Option is exercised in full, Cardinal will receive further proceeds from the Offering of \$5,000,750 for aggregate gross proceeds from the Offering of \$105,008,250.

Each Subscription Receipt represents the right of the holder to receive, upon closing of the Acquisition, without payment of additional consideration or further action, one common share of Cardinal plus an amount equal to the amount per common share of Cardinal of any dividends for which record dates have occurred during the period from the closing date of the Offering to the date immediately preceding the closing date of the Acquisition, net of any applicable withholding taxes, if any.

The Debentures will have an initial maturity date of the Termination Date, which will be automatically extended to December 31, 2020 upon closing of the Acquisition. The Debentures will have an interest rate of 5.50% per annum payable semi-annually in arrears on the last day of June and December in each year commencing December 31, 2015. Each \$1,000 principal amount of Debenture will be convertible at the option of the holder into approximately 95.2381 common shares of Cardinal (representing a conversion price of \$10.50), subject to adjustment in accordance with the trust indenture governing the Debentures, at any time prior to the close of business on the earlier of the business day immediately preceding the maturity date and the business day immediately preceding the date fixed for redemption of the Debentures. The Debentures will not be redeemable prior to December 31, 2018. On and after December 31, 2018 and prior to December 31, 2019, the Debentures may be redeemed in whole or in part from time to time at Cardinal's option, at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares on the Toronto Stock Exchange for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On or after December 31, 2019 and prior to the Maturity Date, the Debentures may be redeemed in whole or in part from time to time at Cardinal's option, at a price equal to their principal amount plus accrued and unpaid interest.

In connection with the Offering, Cardinal will file a preliminary short-form prospectus in all provinces of Canada. The Offering is subject to normal regulatory approvals, including approval of the Toronto Stock Exchange, and is expected to close on or about October 6, 2015.

The Securities offered have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Bank Facility

Cardinal currently has about \$60 million drawn on its syndicated credit facility. Our current borrowing base was set at \$300 million by our lenders and our credit facility is set at \$150 million to reduce standby fees. Cardinal will undergo its mid-year banking review in October and expects to see a small increase in its borrowing base to reflect this Acquisition but doesn't intend to increase the

size of its credit facility at that time.

2016 Guidance

The board of directors of Cardinal has approved a 2016 base operating budget assuming the closing of the Acquisition and Offering. This budget uses a crude oil price of \$50 WTI and takes into account Cardinal's current hedge position.

	Cardinal Base Budget 2016	2016 Guidance with the Acquisition and the Offering
Average production (boe/d)	11,000	14,600
Percentage oil and NGL's	90%	87%
Royalty rate	13%	13%
Operating costs per boe	\$21.50	\$21.50
G&A per boe	\$2.80	\$2.25
Cash flow per share (basic) ⁽²⁾	\$1.15	\$1.44
Cash flow from operations ⁽²⁾	\$68 million	\$92 million
Exit net debt (excluding debentures) ⁽²⁾	\$56 million	\$86 million
Dividend per share annualized	\$0.84	\$0.84
Development capital expenditures	\$19 million	\$35 million
Net debt to cash flow from operations ⁽²⁾	0.9	0.9 (excluding the debenture value) 1.5 (including debenture value)
Simple payout ratio ⁽¹⁾	67%	50%
Total payout ratio ⁽¹⁾	94%	93%

1. Net of dividend re-investment plan and stock dividend program participation.

2. 2016 estimated WTI \$US 50 per bbl, FX rate of 0.75 \$US/\$CAD and a differential to WCS of \$17.00 CAD, AECO \$2.75 CAD, including existing hedges.

Cardinal has the ability to alter its base budget which would allow it to continue to pay its dividend down to \$45 WTI, high grade its capital program and remain at 100% all in total payout ratio. The ability to hedge oil at above \$50 WTI has been available sporadically over the last quarter and Cardinal intends to hedge the acquired volumes at or above \$50 WTI prior to year end to ensure that its 2016 base budget and capital program are protected. Since the Acquisition is expected to close late in 2015 there has been no significant change to Cardinal's 2015 guidance.

Dividend

Cardinal confirms that a dividend of \$0.07 per common share will be paid on October 15, 2015 to shareholders of record on September 30, 2015 with an ex-dividend date of September 28, 2015. The board of directors of Cardinal has declared the dividend payable in either cash or common shares at the election of the shareholder. This dividend has been designated as an "eligible dividend" for Canadian income tax purposes.

Note Regarding Forward-Looking Statements and Other Advisories

This press release contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable securities laws relating to the Company's plans and other aspects of Cardinal's anticipated future operations, management focus, strategies, dividend policy, financial, operating and production results and business opportunities, including expected 2015 and 2016 production, cash flows, net debt, payout ratios, royalty rates, operating costs, G&A, net debt to cash flow from operations, our capital expenditure program, drilling and development plans, the sale of the midstream asset and the timing thereof and hedging plans. In addition, and without limiting the generality of the foregoing, this press release contains forward-looking information regarding the Acquisition and the benefits to be acquired therefrom including drilling and reserve potential, anticipated rates of return, operating costs and other economics, production levels, the impact of the Acquisition on Cardinal and its results and development plans, including, on its production, cash flow, development capital spending and free cash flow, the timing and anticipated closing date for the Acquisition and the Offering and the impact of the Acquisition on the Company' revolving credit facility. Forward-looking information typically uses words such as "anticipate", "believe", "project", "expect", "goal", "plan", "intend" or similar words suggesting future outcomes, statements that actions, events or conditions "may", "would", "could" or "will" be taken or occur in the future. The forward-looking information is based on certain key expectations and assumptions made by the Company's management, including expectations and assumptions concerning prevailing commodity prices, exchange rates, interest rates, applicable royalty rates and tax laws; future production rates and estimates of operating costs; performance of existing and future wells; reserve and resource volumes; anticipated timing and results of capital expenditures; the success obtained in drilling new wells; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the economy and the exploration and production business; results of operations; performance; business prospects and opportunities; the availability and cost of financing, labour and services; the impact of increasing competition; ability to market oil and natural gas successfully, Cardinal's ability to access capital, obtaining the necessary regulatory approvals, including the TSX and satisfaction of the other conditions to closing the Acquisition.

Statements relating to "reserves" are also deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves can be profitably produced in the future.

Although the Company believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Cardinal can give no assurance that they will prove to be correct. Since forward-looking information addresses future events and conditions, by its very nature they involve inherent risks and uncertainties. The Acquisition and the Offering may not be completed on the anticipated time frames or at all and the Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits that the Company will derive there from. Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide securityholders with a more complete perspective on the Company's future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

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 information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Forward Looking Financial Information

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Cardinal's prospective results of operations, cash flows, net debt, operating costs 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 was made as of the date of this press release and was provided for the purpose of describing the anticipated effects of the Financing and the Acquisition on Cardinal's business operations. Cardinal disclaims 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.

Drilling Locations

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the Sproule report in accordance with National Instrument 51-101 effective December 31, 2014 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on the Company's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the 90 drilling locations identified herein, 20 are booked locations and 70 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

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.

Accretion calculations for reserves are a comparison of Cardinal's Year End Reserve Evaluation Report dated December 31, 2014 and the Sproule Report.

Non-GAAP measures

This press release contains the terms "cash flow from operations", "cash flow from operations per share", "simple payout ratio", "total payout ratio", "net debt" and "net debt to cash flow from operations" 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 cash flow from operations, cash flow from operations per share and total payout ratio to analyze operating performance. Cardinal feels these benchmarks are key measures of profitability and overall sustainability for the Company. Cash flow from operations and total payout ratio are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of performance calculated in accordance with GAAP.

Cash flow from operations is calculated as cash flows from operating activities adjusted for changes in non-cash working capital and decommissioning expenditures. "Cash flow from operations per share" is calculated using the same weighted average number of shares outstanding used in calculating earnings per share. "Simple payout ratio" represents the ratio of the amount of dividends declared, divided by cash flow from operations. "Total payout ratio" represents the ratio of the sum of dividends declared plus development capital expenditures necessary to maintain the Company's base production divided by cash flow from operations. Simple payout ratio and total payout ratio are key measures to assess our ability to finance operating activities, capital expenditures and dividends. The term "net debt" is not recognized under GAAP and is calculated as bank debt plus working capital deficiency or minus working capital surplus (adjusted for the fair value of financial instruments and the current portion of the decommissioning obligation) plus the principal value of the convertible debentures. "Net debt" is used by management to analyze the financial position, liquidity and leverage of Cardinal. "Net debt to cash flow from operations" is calculated as net debt divided by cash flow from operations for the most recent quarter, annualized. The ratio of net debt to cash flow from operations 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 dividends.

This press release is not an offer of the common shares for sale in the United States. The common shares may not be offered or sold in the United States absent registration or an exemption from registration. Cardinal has not registered and will not register the common shares under the US Securities Act of 1933, as amended. Cardinal does not intend to engage in a public offering of shares in the United States.

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.

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