

CALGARY, ALBERTA--(Marketwired - Jun 30, 2017) - [Cardinal Energy Ltd.](#) ("Cardinal" or the "Company") (TSX:CJ)(TSX:CJ.DB) has closed the previously announced light oil acquisition (the "Acquisition") in the Weyburn/Midale area of southeast Saskatchewan and in the House Mountain area of Alberta. The total purchase price for the Acquisition, net of preliminary adjustments, was approximately \$300 million, a reduction of \$20 million from our original estimate.

In conjunction with closing, Cardinal's credit facilities were increased to \$325 million, of which approximately \$232 million is currently drawn after giving effect to the Acquisition. Cardinal has begun a sales process on some of the royalty interests and fee title lands acquired pursuant to the Acquisition and expects to use proceeds from these sales to reduce bank debt in Q3 and Q4 of 2017.

Cardinal had begun a process two years ago to increase its exposure to light oil and increase its overall operating netbacks. We feel we have accomplished this while maintaining or improving on the low decline, sustainable nature of our production base.

Cardinal's production mix is now split 45/55 light versus medium oil. With the significant number of optimization projects on the acquired assets, as well as additional light oil drilling inventory in Mitsue (Gilwood) and Grande Prairie (Dunvegan), we are well positioned for future organic light oil growth and expect to achieve higher operating netbacks going forward. Our proforma Q1 2017 operating netback increased by 19% to \$19.14/Boe.

The acquired assets add 5,000 boe/d (100% oil and NGL's) of low decline light oil operated production that generate significant free cash flow. The Acquisition also includes up to 250 light oil drilling locations at Midale and in excess of 50 light oil drilling locations at House Mountain. Combined with our existing light oil drilling inventory in Mitsue (Gilwood) and Grand Prairie (Dunvegan), we are well positioned for sustainable organic growth.

We continue to see significant operating and capital opportunities to reduce per unit operating costs in the future after giving effect to the Acquisition.

Current production after giving effect to the Acquisition is estimated to be in excess of 21,500 Boe/d and we expect to provide updated guidance when we release our Q2 quarterly results.

Based on the revised estimated closing price of \$300 million, the deal metrics are as follows:

- \$60,000 per flowing boe (100% oil and NGLs)
- Recycle ratio of 2.1X⁽¹⁾
- Adjusted funds flow multiple of 5.5X ⁽²⁾⁽³⁾

Notes:

(1) See "Oil and Gas Advisories".

(2) See "Non-GAAP Measures".

(3) Based on \$55 million of annualized operating income from the acquired assets.

The Acquisition was partially funded through a bought deal public financing (the "Offering") through a syndicate of Underwriters led by RBC Capital Markets, and including CIBC Capital Markets, GMP FirstEnergy, National Bank Financial Inc., Scotiabank, BMO Capital Markets, Canaccord Genuity Corp., Cormark Securities Inc., Peters & Co. Limited and TD Securities Inc. (collectively, the "Underwriters") which closed on June 21, 2017. Pursuant to the Offering, Cardinal issued 30,910,000 subscription receipts (the "Subscription Receipts") at \$5.50 per Subscription Receipt for gross proceeds of \$170,005,000.

Insiders and employees of Cardinal participated in the financing for \$1,342,429.

In accordance with the terms of the Subscription Receipts, each Subscription Receipt was exchanged for one common share of Cardinal ("Common Share") on June 30, 2017 upon the closing of the Acquisition and the proceeds from the sale of the Subscription Receipts were released from escrow. Holders of Subscription Receipts are not required to take any action in order to receive their Common Shares.

Trading in the Subscription Receipts on the TSX is expected to be halted today and the Subscription Receipts delisted prior to market open on July 4, 2017.

Based on the Company's low decline asset base and an expected reduction in the total payout ratio, Cardinal does not expect to make any changes to its dividend per common share in 2017. Holders of Subscription Receipts that were exchanged for one common share on June 30, 2017 will receive the June dividend of \$0.035 per common share payable on July 17, 2017, to shareholders of record on June 30, 2017.

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 regarding the timing of the halt and de-listing of the Subscription Receipts. 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.

Specifically, this press contains forward-looking statements relating to: the light oil development drilling inventory acquired pursuant to the Acquisition; optimization and other opportunities available with respect to the assets acquired; our expectation that we can reduce the operating costs of the assets acquired pursuant to the Acquisition; our plans to complete the sale of certain royalty interests and fee title lands acquired prior to the end of the year and to apply such proceeds to reduce our level of indebtedness under our credit facilities; the benefits to be obtained from and the impact of the Acquisition on us, including with respect to our production, product mix, operating netbacks, sustainability and other financial and operational results; the reserves and recycle ratios of the assets acquired; our future development program, plans, objectives, strategies, growth, sustainability and opportunities including those associated with the acquired assets; the benefits to be obtained as a result of the Acquisition; our expectation that our future total payout ratio will be reduced; our production decline rate future dividend amounts and our dividend policy.

Our actual results, performance or achievements could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this press release, including but not limited to: a failure to realize the anticipated benefits of the Acquisition; unforeseen difficulties in integrating the acquired assets into our operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisition of reserves, undeveloped lands and skilled personnel; geological, technical, drilling and processing problems; changes in general economic, market and business conditions; the accuracy of oil and natural gas reserves (including oil and natural gas reserves acquired under the Acquisition) estimates and estimated production levels as they are affected by exploration and development drilling and estimated decline rates; and the occurrence of unexpected events.

With respect to forward-looking statements contained in this press release, we have made assumptions regarding, among other things: the success of our operations and exploration and development activities; our ability to develop the acquired assets and obtain the anticipated benefits therefrom; commodity prices and royalty regimes; our ability to hedge at certain prices; availability of skilled labour and services; the timing and amount of capital expenditures; future exchange rates; the price of oil and natural gas; the impact of increasing competition; conditions in general economic and financial markets; access to capital; availability of drilling and related equipment; effects of regulation by governmental agencies; and royalty rates and future operating costs.

We have included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide investors with a more complete perspective on our current and future operations and such information may not be appropriate for other purposes. Forward-looking statements contained in certain documents incorporated by reference in this press release are based on the key assumptions and are subject to the risks described in such documents. The reader is cautioned that such assumptions, although considered reasonable by us at the time of preparation, may prove to be incorrect.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect Cardinal's 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.

Non-GAAP Measures

This press release contains the terms "adjusted funds flow", "development capital expenditures", "netback", "free cash flow" and "total payout ratio" which do not have a standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures by other companies. We use adjusted funds flow, total payout ratio and free cash flow to analyze operating performance. We feel these benchmarks are key measures of profitability and overall sustainability for us. Adjusted funds flow, total payout ratio and free cash flow 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.

"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" represent expenditures on property, plant and equipment (excluding corporate and other assets and acquisitions) to maintain and grow our base production. "Total payout ratio" represents the ratio of the sum of dividends declared (net of participation in the dividend reinvestment plan and stock dividend program) plus development capital expenditures divided by adjusted funds flow. "Free cash flow" represents adjusted funds flow less dividends declared (net of participation in the dividend reinvestment plan and stock dividend program) and less development capital expenditures. "Netback" is calculated on a Boe basis and is determined by deducting royalties and

operating expenses from petroleum and natural gas revenue in accordance with the COGE Handbook. Netback is utilized by us to better analyze the operating performance of our petroleum and natural gas assets against prior periods.

Drilling Locations

This press release discloses up to 440 unbooked drilling locations. Unbooked locations are internal estimates based on the 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. 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 we 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: 1Bbl may be misleading as an indication of value.

Certain oil and gas metrics such as "recycle ratio" do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metric has been prepared by management and is included in this press release to provide readers with additional measures to evaluate our assets (including the acquired assets) and our performance however, such measures are not reliable indicators of our future performance and future performance may not compare to our performance in previous periods and therefore such metric should not be unduly relied upon.

"Recycle ratio" is calculated by dividing netback (See "Non-GAAP Measures") per Boe by the finding, development and acquisition costs for the relevant reserve category. Finding development and acquisition costs are calculated per Boe, by dividing the aggregate of the future development capital for the acquired assets and the purchase price for the acquired assets by the reserves acquired.

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 on low decline light and medium quality oil in Alberta and Saskatchewan.

Website: www.cardinalenergy.ca

Contact

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