

Cardinal Energy Ltd. Announces First Quarter 2019 Results

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CALGARY, May 07, 2019 - [Cardinal Energy Ltd.](#) ("Cardinal" or the "Company") (TSX: CJ) is pleased to announce its operating and financial results for the quarter ended March 31, 2019. The Company also announces that its unaudited financial statements and management's discussion and analysis for the quarter ended March 31, 2019, will be available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](#) and on Cardinal's website at [www.cardinalenergy.ca](#).

Highlights from the first quarter of 2019:

- Adjusted funds flow increased by 16% and adjusted funds flow per share increased 9% over the same period in 2018.
- As compared to the fourth quarter of 2018, adjusted funds flow increased by \$24.1 million to \$29.6 million.
- General and administration ("G&A") costs per boe decreased 14% over the same period in 2018 as the Company reduced cash compensation costs in a volatile commodity price environment.
- Continued with the Company's debt reduction strategy by decreasing net debt by \$11.8 million or 4% over debt levels as at December 31, 2018.
- Bought back and cancelled the maximum allowable of 10% of outstanding debentures pursuant to the normal course issuer bid announced in December 2018.
- Total payout ratio decreased to 50% while the simple payout ratio decreased to 12% highlighting Cardinal's focus on strengthening our balance sheet.

Financial and Operating Highlights

(\$ 000's except shares, per share and operating amounts) Three months ended March 31,

	2019	2018	% Change
Financial			
Petroleum and natural gas revenue	94,050	94,779	(1)
Cash flow from operating activities	27,506	31,802	(14)
Adjusted funds flow ⁽¹⁾	29,639	25,551	16
basic and diluted per share	\$ 0.25	\$ 0.23	9
Loss	(16,506)	(13,314)	24
basic and diluted per share	\$ (0.14)	\$ (0.12)	17
Dividends declared	3,619	12,281	(71)
per share	\$ 0.03	\$ 0.105	(71)
Net debt ⁽¹⁾	257,880	263,341	(2)
Exploration and development capital	11,152	12,800	(13)
Acquisitions, net	-	(5,028)	-
Total capital expenditures	11,584	8,280	40
Weighted average shares outstanding			
basic (000s)	116,981	113,397	3
diluted (000s)	116,981	113,397	3
Operating			
Average daily production			
Light oil (bbl/d)	8,246	9,031	(9)
Medium/heavy oil (bbl/d)	8,542	8,801	(3)
NGL (bbl/d)	964	660	46
Natural gas (mcf/d)	15,930	16,505	(3)

Total (boe/d)	20,407	21,243	(4	)
Netback ⁽¹⁾				
Petroleum and natural gas revenue	\$ 51.21	\$ 49.57	3	
Royalties	(7.37	) (8.44	) (13	)
Net operating expenses	(22.63	) (20.71	) 9	
Transportation	(0.19	) (0.22	) (14	)
Netback	\$ 21.02	\$ 20.20	4	
Realized loss on commodity contracts	(0.79	) (2.63	) (70	)
Netback after risk management ⁽¹⁾	\$ 20.23	\$ 17.57	15	
Interest and other	(1.83	) (1.58	) 16	
G&A	(2.26	) (2.63	) (14	)
Adjusted funds flow netback ⁽¹⁾	\$ 16.14	\$ 13.36	21	

⁽¹⁾ See non-GAAP measures

Q1 Overview

During the first quarter of 2019, Cardinal recovered from the low oil prices and record wide Canadian oil pricing differentials that industry experienced in the fourth quarter of 2018 and reactivated the production that was voluntarily shut-in during late 2018. While the Company's first quarter oil production was restricted by the Alberta Government's mandatory curtailment program, Cardinal managed to maintain volumes at our budgeted production levels. There were no new production volumes added through drilling in the quarter as our low production decline allowed us to maintain our production at mandated levels. Although we do not believe this program is a long-term solution, restricted production levels led to Canadian oil pricing differentials significantly narrowing in the first quarter of 2019 and adjusted funds flow increasing to \$29.6 million or \$0.25 per share which compared to \$5.5 million (\$0.05 per share) of adjusted funds flow in the fourth quarter of 2018.

Stronger West Texas Intermediate ("WTI") oil prices combined with narrow Canadian oil differentials led to a 62% increase in corporate pricing over the fourth quarter of 2018 and a 3% increase over the same period in 2018. The increased pricing combined with decreased hedging losses and lower G&A costs increased the adjusted funds flow netback by 21% over the same period in 2018.

Due to higher regulatory and electricity costs combined with one-time well reactivation costs, operating costs increased 9% to \$22.63 per boe in the first quarter of 2019 compared to the same period in 2018. As our operating cost reduction initiatives are implemented throughout 2019, we expect to see quarterly reductions in our costs and costs per boe. Electricity costs make up approximately 25% of our total operating costs; therefore, we have begun a program to reduce our dependence on the power grid and are developing projects in all of our operating areas to produce our own power through company owned generation facilities.

Our first quarter 2019 development capital expenditures of \$11.1 million were allocated to the drilling of one oil well and one stratigraphic test well in Bantry, Alberta and ongoing pipeline, infrastructure, operating cost reduction initiatives and enhanced oil recovery projects throughout all of our operating areas.

The increase in adjusted funds flow combined with Cardinal's disciplined capital program allowed the Company to reduce net debt by \$11.8 million or 4% during the first quarter. Pursuant to the normal course issuer bid announced in December 2018, during the first quarter of 2019, we bought back and cancelled the maximum allowable amount of convertible debentures below par at a price of 96.9314 for a gain of \$0.2 million and reduced future interest costs by approximately \$0.1 million. Our reduced net debt and increased adjusted funds flow reduced the Company's run rate net debt to adjusted funds flow ratio to 2.2x while our total payout ratio decreased to 50%.

The positive Canadian commodity pricing increases have allowed Cardinal to be opportunistic in locking in future value with our risk management program. Approximately 71% of the Company's WCS differential pricing has been locked in with either WTI-WCS pricing differential hedges or wellhead CAD\$ WCS pricing. The Company has also protected the downside with pricing floors averaging over CAD\$69/bbl but retained upside on WTI pricing by locking in 58% of our light oil with an average ceiling price of over CAD\$85/bbl or with no ceiling at all through various puts. This risk management program has given Cardinal

the ability to achieve its budgeted capital expenditures and asset retirement obligations and continue with its dividend program while providing the upside of paying down debt.

Outlook

The combination of improved realized pricing, a strong risk management program, our disciplined capital expenditure program and forecasted reduction in future operating costs is expected to result in significant increases in our free adjusted funds flow throughout the year. Cardinal plans to use its adjusted funds flow in excess of its dividend and capital program to continue to reduce debt and solidify our balance sheet.

In the first quarter of 2019, we exceeded our budget and given where current oil prices and differentials are, we expect the second quarter to continue in the same direction. We will continue to look for ways to reduce our controllable costs in a responsible manner while also ensuring we continue to reduce our environmental impact.

Cardinal also announces that in conjunction with annual board committee review, it has reconstituted its board committees. The Company's current committees and its members are now as follows: Audit (Greg Tisdale (chair), David Johnson and Stephanie Sterling), Reserves (David Johnson (chair), Stephanie Sterling and Scott Ratushny), Environmental, Social and Corporate Governance (John Brussa (chair), David Johnson and Stephanie Sterling).

We would like to thank our employees and Board of Directors for their contributions and our shareholders for their continuing confidence in Cardinal.

May Dividend

Cardinal confirms that a dividend of \$0.01 per common share will be paid on June 17, 2019 to shareholders of record on May 31, 2019. The Board of Directors of Cardinal has declared the dividend payable in cash. This dividend has been designated as an "eligible dividend" for Canadian income tax purposes.

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 operates low decline oil properties in Alberta and Saskatchewan.

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, our drilling plans and inventory, expected future operating costs, plans to reduce our dependence on the power grid, expected realized pricing, the benefits of our risk management program, future free cash flow and plans to reduce debt and planned capital expenditures and the allocation thereof.

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, future well production rates and reserve volumes, future operating costs, the performance of existing and future wells, the success of its exploration and development activities, the sufficiency and timing of budgeted capital expenditures in carrying out planned activities, 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 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; 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; and 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.

Non-GAAP measures

This press release contains the terms "development capital expenditures", "adjusted funds flow", "adjusted funds flow per share", "run rate net debt to adjusted funds flow ratio", "net debt", "simple payout ratio", "total payout ratio", "net bank debt", "netback", "netback after risk management" 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 share, run rate net debt to adjusted funds flow ratio, simple payout ratio and total payout 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). Simple payout ratio represents the ratio of the amount of dividends declared divided by adjusted funds flow. Total payout ratio represents the ratio of the sum of dividends declared (net of participation in the DRIP and SDP) plus development capital expenditures divided by adjusted funds flow. The term "net debt" is not recognized under GAAP and 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 and the current portion of the decommissioning obligation). Net debt is used by management to analyze the financial position, liquidity and leverage of Cardinal. Net bank debt is calculated as bank debt plus current liabilities less current assets (adjusted for the fair value of financial instruments, the current portion of lease liabilities and the current portion of the decommissioning obligation). Net bank debt is used by management to analyze the financial position, liquidity and leverage of Cardinal. Run rate net debt to adjusted funds flow ratio is calculated as net debt divided by current quarter adjusted funds flow annualized. Netback is calculated on a boe basis and is determined by deducting royalties, transportation costs and operating expenses from petroleum and natural gas revenue. Netback after risk management includes realized gains or losses 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 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 and interest and G&A costs against prior periods.

	Three months ended		
	Mar 31, 2019	Mar 31, 2018	Change %
Cash flow from operating activities	27,506	31,802	(14)
Change in non-cash working capital	1,242	(9,827)	n/m
Funds flow	28,748	21,975	31
Decommissioning expenditures	891	3,217	(72)
Transaction costs	-	359	-
Adjusted funds flow	29,639	25,551	16

Oil and Gas Advisories

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.

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

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