Cardinal Energy Ltd. Announces First Quarter 2018 Results

CALGARY, Alberta, May 10, 2018 -- Cardinal Energy Ltd. ("Cardinal" or the "Company") (TSX:CJ) is pleased to announce its operating and financial results for the quarter ended March 31, 2018. The Company also announces that its unaudited financial statements and management's discussion and analysis for the quarter ended March 31, 2018, 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 2018:

- Adjusted funds flow increased by 75% and adjusted funds flow per share increased 21% over the same period in 2017.
- First quarter 2018 operating costs decreased by 9% per boe over the same period in 2017 despite a number of non-recurring expenses.
- Reduced March 31, 2018 net debt to adjusted funds flow ratio by 15% compared to December 31, 2017 and decreased net debt by 5% over year end 2017 levels.
- First quarter 2018 crude oil and liquids production increased 3% compared to the fourth quarter of 2017 which included a 9% quarter over quarter increase in light oil production.
- Our netback increased by 22% from the first quarter 2017 due to increased light oil and NGL production.
- Currently weighted 45% light oil and NGLs (Q1 2017 – 20%), with the balance of first quarter 2018 production being 42% WCS priced crude and 13% natural gas.
- Maintained a total payout ratio below 100%.
- Expanded our drilling inventory in the Bantry, Midale, Mitsue and Wainwright areas.

Financial and Operating Highlights

($ 000's except shares, per share and operating amounts)	Three months ended March 31,		
	2018	2017	% Change
Financial			
Petroleum and natural gas revenue	94,779	62,574	51
Cash flow from operating activities	32,492	15,383	111
Adjusted funds flow[1]	25,551	14,586	75
basic and diluted per share	$ 0.23	$ 0.19	21
Earnings (loss)	(13,314)	7,562	n/m
basic and diluted per share	$ (0.12)	$ 0.10	n/m
Dividends declared	12,281	8,018	53
per share	$ 0.105	$ 0.105	-
Net bank debt [1]	213,341	94,374	126
Exploration and development capital	12,800	21,219	(40)
Acquisitions, net	(5,028)	28,710	n/m
Total capital expenditures	8,280	49,701	(83)
Weighted average shares outstanding			
basic (000s)	113,397	75,557	50
diluted (000s)	113,397	76,919	47
Operating			
Average daily production			
Crude oil and NGL (bbl/d)	18,492	13,009	42
Natural gas (mcf/d)	16,505	12,952	27
Total (boe/d)	21,243	15,168	40
Netback[1]			
Petroleum and natural gas revenue	$ 49.57	$ 45.84	8

Royalties	8.44	6.39	32
Operating expenses	20.93	22.96	(9)
Netback	$ 20.20	$ 16.49	22
Realized gain (loss)	(2.63)	(2.34)	12
Netback after risk management [1]	$ 17.57	$ 14.15	24

[1] See non-GAAP measures

Q1 Overview

During the first quarter of 2018, Cardinal increased production over the prior quarter while spending less than our budgeted amount of capital. First quarter oil and NGL production increased 3% over the fourth quarter of 2017 which included a 9% quarter over quarter increase in our light oil production expanding our corporate netback.

Cardinal's operating costs per boe down 9% over the first quarter of 2017 despite Alberta's carbon tax negatively impacting operating costs. We estimate that approximately $0.42 per boe of our operating costs are attributable to the carbon tax on our electrical usage. 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 cogeneration facilities. The first of these projects is expected to be completed early in the third quarter of 2018 with further projects starting prior to yearend. Electrical charges currently make up a large portion of our fixed operating costs, as we complete these projects we expect them to significantly lower our operating costs. As commodity pricing improves it allows us to take on larger cost reduction projects and work to fundamentally reduce our operating cost structure.

During the quarter, Cardinal spent approximately 70% of its annual budgeted environmental and asset retirement obligation ("ARO") expenditures which included lease reclamation and remediation and the abandonment of approximately 55 (44 net) suspended wells. These expenditures were divided between increased operating costs estimated at $0.75 per boe and ARO costs of $3.2 million. This operating cost increase in the quarter is a non-recurring expense and the capital portion is part of our yearly mandate to improve our Liability Management Ratio ("LMR"). Cardinal continues to strive to minimize the impact that our operations have on the environment.

With these initiatives now behind us, and both cogeneration power projects and economies of scale expected to have a significant effect on our fixed cost structure, our per unit operating costs are expected to see consistent quarterly improvement. Further capital for the balance of 2018 will be largely directed to adding production and reserves.

First quarter 2018 adjusted funds flow was impacted by a hedging loss of $5.0 million reflecting increasing West Texas Intermediate ("WTI") pricing. The floor prices within Cardinal's current hedge book are higher in the second half of 2018 so in the current oil pricing environment, we expect that our net realizable pricing will continue to increase through the remainder of 2018. During the first quarter, our Western Canadian Select ("WCS") hedge position lessened the impact of significantly wider WTI to WCS differentials where the differential averaged approximately US$10 per bbl more than the same period in 2017. More recently in the second quarter of 2018, the WCS differential, which impacted approximately 42% of our production in the first quarter has narrowed towards historical levels.

Cardinal executed on a 10 well stratigraphic test drilling program in Bantry for exploration spending of $2.3 million of a budgeted $2.9 million. These exploration wells, although they do not add production, have led to both an increased drill ready inventory and a higher confidence on location quality in both Cardinal's historical Glauconitic channel targets as well as the emerging Ellerslie play which is being developed by offset operators.

Cardinal continued the development of our light oil property at Grande Prairie, drilling, completing and bringing on production from the balance of our five well winter drilling program. Initial production rates for the program remain above expectations and further drilling is planned for the second half of 2018. Secondary recovery enhancement through the initiation of a water flood is expected to commence in 2019.

Our solid low decline production base, which operates at a +- 10% decline, continues to deliver consistent results. A strategic light oil acquisition consolidating our interests in Midale and our targeted development capital program, which resulted in strong new well results from the drilling of one and completion of two Dunvegan light oil wells in Grand Prairie in the first quarter, enabled us to replace our declines and show production growth quarter over quarter.

Outlook

The combination of improved realized pricing on hedges, the increase in the price of WTI and the reduction of the WCS differential, along with reduced spending on ARO, environmental and exploration throughout the balance of 2018 is expected to result in significant increases in our free funds flow throughout the year. Cardinal plans to use its funds flow in excess of its dividend and capital program to maintain production, reduce our bank indebtedness and grow production in the back half of 2018.

Cardinal expects to complete its final divestment of a small non-core asset in the second quarter of 2018. The proceeds of which are expected to reduce the net bank debt to less than $200 million. With increased commodity prices, Cardinal is in a position to achieve its goal of 1x debt to run rate cash flow organically and no further asset sales are expected.

Cardinal has built a sustainable low decline asset base that is designed to deliver sustainable dividend payments and disciplined yearly production growth. Our inventory of quality light oil drilling opportunities continues to grow enabling our self-funding business model to excel in this improved commodity price environment.

May Dividend

Cardinal confirms that a dividend of $0.035 per common share will be paid on June 15, 2018 to shareholders of record on May 31, 2018. 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 drilling, completion and operating costs, future production and production decline rates, plans to reduce our dependence on the power grid and the effects of the Alberta carbon tax program, plans to implement larger cost reduction projects, plans to improve our LMR, expected realized pricing, planned capital expenditures and the allocation thereof and the pursuit of light oil acquisitions and drilling opportunities.

Forward-looking statements regarding Cardinal are based on certain key expectations and assumptions of Cardinal concerning anticipated financial performance, business prospects, strategies, regulatory developments, current 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 "adjusted funds flow", "adjusted funds flow per share", "net debt to adjusted funds flow ratio", "net debt", "total payout ratio", "net bank debt", "netback" and "netback after risk management" 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, net debt to adjusted funds flow 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 acquisition costs. 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 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 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. Netback is calculated on a boe basis and is determined by deducting royalties 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. Netback and netback after risk management are utilized by Cardinal to better analyze the operating performance of our petroleum and natural gas assets taking into account our risk management program against prior periods.

	Three months ended		
	Mar 31, 2018	Mar 31, 2017	Change %
Cash flow from operating activities	**32,492**	15,383	111
Change in non-cash working capital	**(10,517)**	(1,228)	n/m
Funds flow	**21,975**	14,155	55
Decommissioning expenditures	**3,217**	431	n/m
Transaction costs	**359**	-	-
Adjusted funds flow	**25,551**	14,586	75

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.

Certain production figures in this press release are based on initial, early and/or test or production/performance rates. Such rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter. Declines may occur as a result of, among other things, well stabilizations and natural declines and, as such, may be lower than the initial volume amounts reported herein.

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