Cardinal Energy Ltd. Announces Second Quarter 2017 Results and Appointment of New Director

CALGARY, Alberta, Aug. 01, 2017 (GLOBE NEWSWIRE) -- (TSX:CJ) Cardinal Energy Ltd. ("Cardinal" or the "Company") is pleased to announce its operating and financial results for the quarter ended June 30, 2017, as well as the appointment of a new member to its Board of Directors.

The Company's unaudited financial statements and management's discussion and analysis for the quarter ended June 30, 2017, 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 2nd Quarter of 2017

During the quarter we:

- Closed a strategic acquisition of light oil low decline properties at House Mountain and Midale for an adjusted purchase price of $297 million;
- Increased our light oil and NGL weighting to 45% of our total oil and NGL production with the acquired assets;
- Raised new equity for gross proceeds of approximately $170 million;
- Increased our credit facilities to $325 million;
- Increased production for Q2 2017 versus Q2 2016 by 17% to 17,154 boe/d;
- Reduced operating costs on a unit basis by 10% from Q1 2017 to $20.57 per boe; and
- Initiated a process to identify for sale certain royalty interests and fee title lands to reduce our bank debt.

Subsequent to the quarter we added 27 net sections of undeveloped lands in our core Bantry area which are prospective for Mannville oil.

Acquisition

On June 30, 2017, Cardinal closed its previously announced light oil acquisition for an adjusted purchase price of $297 million. The adjusted purchase price further increases certain of the previously announced positive metrics of the acquisition, being: 5.5X (estimated 2017) adjusted funds flow (based on $55 million of annualized operating income from the assets) and a recycle ratio of 2.1X.

Cardinal considers House Mountain and Midale to be top quality light oil assets. These long life low decline light oil assets also include significant light oil drilling inventory and other potential optimization opportunities.

The higher netbacks associated with these assets is expected to improve Cardinal's overall sustainability which will be further enhanced with anticipated royalty sales.

We have begun the process of understanding and integrating the newly acquired assets into Cardinal and welcome the addition of 54 employees, both in the Midale and House Mountain field offices and our Calgary office.

We feel confident in our ability to reduce operating costs on the acquired assets. We also see areas for field optimization and will continue to work on our plans to expand our drilling inventory for 2018.

Operating Costs

Operating costs have begun the trend back to normalized values in Q2, decreasing on a unit basis from $22.96/boe in Q1 to $20.57/boe, a 10% decrease and trending towards our goal of second half 2017, $20/boe operating costs. Reduced workover frequency was the key driver behind operating cost per boe reductions.

Cardinal will continue to focus on reducing operating costs per boe in 2017. We expect to see operating synergies and per boe cost reductions on the recently acquired assets in the second half of 2017 and into 2018.

Credit Facility

Concurrent with the closing of the asset acquisition, Cardinal increased its credit facilities to $325 million and as at June 30, 2017 we had bank debt of $233 million. The increase funded the portion of the acquisition not funded by equity until the proceeds on royalty sales can be realized. On a run rate adjusted funds flow basis, we are currently at 2.1 net bank debt to adjusted funds flow ratio, above our targeted net debt to adjusted funds flow ratio of less than 2.0 and our targeted net bank debt to adjusted funds flow ratio of less than 1.0. We expect to reduce the amount drawn on our credit facilities with potential royalty sales and expected free cash flow in the second half of 2017.

Appointment of New Director

We would like to announce the appointment of Stephanie Sterling to the Board of Directors. She holds a Bachelor of Science (Mechanical Engineering) degree and an MBA from the University of Alberta. Ms. Sterling is a recently retired senior executive with Shell Canada with over 25 years' experience in engineering, large project start-up and operations, governance, joint venture negotiations and relationships, risk management, business development and strategic planning. She has served as General Manager for Non-Technical Risk Integration, Community and Indigenous Relations for Shell in Canada, USA and Latin America where she was responsible for integrating risk management into new projects. She also served as the Vice President Business and Joint Ventures for Shell's Heavy Oil business, where she was responsible for the joint venture governance, commercial negotiations and relationships for two significant joint ventures: the Athabasca Oil Sands Project among Shell, Chevron and Marathon; and the AERA joint venture in California between Shell and Exxon.

Guidance

Based on our expectation for continued lower commodity prices (including the effect of recent increases in the US/Cdn exchange rate) and lower realized prices in the first half of 2017 compared to those used in our guidance for the House Mountain and Midale Acquisition Cardinal is revising its second half and annual 2017 guidance for adjusted funds flow and related financial information. Due to the expected reduction in adjusted funds flow we are also revising our annual guidance for development capital expenditures to maintain a total payout ratio of less than 100% for the second half of 2017. We have adjusted our pricing to $47.50 WTI for the second half of 2017 and reduced our capital spending by $8 million for the same period. Refer to our Management's Discussion and Analysis for a full description of the revised guidance.

Outlook

The second quarter of 2017 was transformational for Cardinal with the successful closing of the House Mountain and Midale acquisition. A more balanced crude oil production mix of approximately 45% light oil and liquids after the acquisition is expected to improve our netback.

We remain focused on our goal to create long term shareholder value through accretive growth and regular dividends.

The low decline rate of our base assets (including the recently acquired assets) require minimal capital to maintain production. We have a large inventory of economic projects including opportunities arising from the recent acquisition of Midale and House Mountain and a recent large land acquisition in the Bantry area. However, current commodity prices (including the effect of the Canada-US exchange rate) has led the Board to consider whether expending growth capital to bring on production is the best use of available funds. Cardinal has opted to use a conservative price forecast for budgeting purposes, to reduce expenditures which would have resulted in growth and to apply free cash flow to debt reduction.

Financial and Operating Highlights

($ 000's except shares, per share and operating amounts)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Financial						
Petroleum and natural gas revenue	67,602	50,124	35	130,176	83,548	56
Cash flow from operating activities	12,986	11,167	16	28,369	29,142	(3)
Adjusted funds flow(1)	15,781	16,922	(7)	30,367	24,680	23
basic and diluted per share	0.20	0.25	(20)	0.39	0.37	5
Earnings (loss)	1,218	(35,317)	(103)	8,780	(50,961)	(117)
basic and diluted per share	0.02	(0.52)	(104)	0.11	(0.77)	(114)
Dividends declared	9,406	7,202	31	17,424	14,119	23
per share	0.105	0.105	-	0.21	0.21	-
Net bank debt (1)	238,652	31,908	n/m	238,652	31,908	n/m
Exploration and development capital	15,285	12,077	27	36,504	14,154	158
Acquisitions, net	297,114	160	n/m	301,115	335	n/m
Total capital expenditures	313,004	12,395	n/m	366,712	14,801	n/m
Weighted average shares outstanding						
basic (000s)	79,612	67,356	18	77,596	66,541	17
diluted (000s)	80,511	67,356	20	78,782	66,541	18
Operating						
Average daily production						
Crude oil and NGL (bbl/d)	13,817	12,870	7	13,415	12,734	5
Natural gas (mcf/d)	20,021	10,506	91	16,506	10,196	62
Total (boe/d)	17,154	14,621	7	16,166	14,433	12
Netback(1)						
Petroleum and natural gas revenue	43.31	37.67	15	44.49	31.81	40
Royalties	6.01	4.26	41	6.19	3.92	58
Operating expenses	20.57	20.23	2	21.69	20.86	4
Netback	16.73	13.18	27	16.61	7.03	136
Realized gain (loss)	(2.51)	2.29	(210)	(2.43)	5.29	(146)
Netback after risk management (1)	14.22	15.47	(8)	14.18	12.32	15

(1) See non-GAAP measures

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 the anticipated achievements of the Company's' 2017 second half budget and the funding of the same, our dividend policy, payout ratios, capital expenditure plans including the 2017 capital expenditure budget, potential for the sale of royalty interests, the use of proceeds therefrom and the anticipated benefits therefrom, expected development capital, anticipated cost reductions, adjusted funds flow, net bank debt, net bank debt to adjusted funds flow, future drilling, completion and optimization results and opportunities, operating costs, targeted corporate decline rates, the matters set forth under "Guidance" and "Outlook", Cardinal’s asset base and future prospects for development and growth therefrom.

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 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 ability to market and monetize the Company's royalty interests in a manner, and for proceeds, acceptable to the Company, the sufficiency and timing of budgeted capital expenditures in carrying out planned activities, the availability and cost of labor and services, the impact of increasing 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; the royalty interests may not be monetized in the manner, timing or for proceeds expected by the Company, 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.

This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about our prospective results of operations, cash flows, payout ratios 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 were made as of the date hereof and is provided for the purpose of describing our anticipated future business operations. We disclaim 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.

Oil and Gas Advisories

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 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.

Non-GAAP measures

This press release contains the terms "development capital expenditures", "adjusted funds flow" "run rate adjusted funds flow", "adjusted funds flow per share", "total payout ratio", "free cash flow", "net bank debt", "net bank debt to adjusted funds flow", "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 and total payout ratio to analyze operating performance. Cardinal feels these benchmarks are key measures 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. Adjusted funds flow is calculated as cash flows from operating activities adjusted for changes in non-cash working capital and decommissioning expenditures. "Run rate adjusted funds flow" is adjusted funds flow, presented on an annualized basis. "Development capital expenditures" represent expenditures on property, plant and equipment (excluding corporate and other assets and acquisitions) to maintain and grow the Company's base production. "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. Total payout ratio is a key measure to assess our ability to finance operating activities, capital expenditures and dividends. The term "free cash flow" represents adjusted funds flow less dividends declared (net of participation in the DRIP and SDP) and less development capital expenditures. The term "net bank 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). "Net bank debt" is used by management to analyze the financial position, liquidity and leverage of Cardinal. "Net bank debt to adjusted funds flow" is calculated as net bank debt divided by adjusted funds flow for the most recent quarter, annualized. The ratio of net bank debt to adjusted funds flow 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 dividend levels. "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 after risk management" includes realized gains or losses in the period on a boe basis. Netback is utilized by Cardinal to better analyze the operating performance of its petroleum and natural gas assets against prior periods.

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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