Cardinal Energy Ltd. Announces Third Quarter 2018 Results

CALGARY, Alberta, Nov. 01, 2018 -- (TSX: CJ) Cardinal Energy Ltd. ("Cardinal" or the "Company") is pleased to announce its operating and financial results for the quarter ended September 30, 2018.

The Company's unaudited financial statements and management's discussion and analysis for the quarter ended September 30, 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 third quarter of 2018:

- During the third quarter of 2018, cash flow from operating activities and adjusted funds flow increased 18% and 15%, respectively, over the same period in 2017.
- Adjusted funds flow per share increased 14% to $0.24 per share in the third quarter of 2018 as compared to $0.21 per share in the same period in 2017.
- Revenue increased 32% in the third quarter of 2018 compared to the same period in 2017, which included 46% and 25% increases in light oil and medium/heavy oil pricing, respectively.
- Despite an increasing regulatory cost environment, during the third quarter Cardinal reduced operating costs per boe by 1% over the same period in 2017 and by 3% over the second quarter of 2018.
- Cardinal's debt reduction strategy continued by decreasing third quarter 2018 closing net bank debt by $43 million over the same period in 2017, which resulted in a decrease of the net debt to adjusted funds flow ratio from 4.2x to 2.3x.
- Production for the first nine months of 2018 averaged 21,024 boe/d, a 17% increase over the same period in 2017.
- Cardinal expanded its prospect inventory through a large scale farm-in in our Bantry core area and land purchases to augment our emerging Clearwater area in Northern Alberta.

Financial and Operating Highlights

($ 000's except shares, per share and operating amounts)

	Three months ended September 30,			**Nine months ended September 30,**		
	2018	2017	% Change	2018	2017	% Change
Financial						
Petroleum and natural gas revenue	113,551	86,022	32	320,177	216,198	48
Cash flow from operating activities	28,074	23,719	18	81,799	52,088	57
Adjusted funds flow[1]	27,072	23,521	15	79,708	55,251	44
basic	0.24	0.21	14	0.70	0.60	17
diluted	0.23	0.21	10	0.70	0.60	17
Earnings (loss)	9,068	(12,070)	n/m	(24,216)	(3,290)	n/m
basic and diluted per share	0.08	(0.11)	n/m	(0.21)	(0.04)	n/m
Dividends declared	12,467	11,584	8	37,107	29,008	28
per share	0.105	0.105	-	0.32	0.32	-
Net bank debt [1]	200,728	243,516	(18)	200,728	243,516	(18)
Development capital expenditures	21,280	14,048	51	48,139	50,552	(5)
Acquisitions, net	(10,928)	(437)	n/m	(28,170)	300,678	n/m
Total capital expenditures	10,801	14,284	(24)	32,701	380,996	(91)
Weighted average shares outstanding						
basic (000s)	114,823	110,278	4	114,142	88,610	29
diluted (000s)	116,411	110,278	6	114,142	88,610	29

Operating						
Average daily production						
Light oil (bbl/d)	8,580	8,174	5	8,835	4,713	87
Medium/heavy oil (bbl/d)	8,842	9,469	(7)	8,718	9,794	(11)
NGL (bbl/d)	741	712	4	701	573	22
Natural gas (mcf/d)	16,718	18,650	(10)	16,619	17,228	(4)
Total (boe/d)	20,949	21,463	(2)	21,024	17,951	17
Netback[(1)]						
Petroleum and natural gas revenue	58.92	43.56	35	55.79	44.12	26
Royalties	10.94	6.38	71	9.79	6.27	56
Operating expenses	20.24	20.38	(1)	20.66	21.16	(2)
Netback	27.74	16.80	65	25.34	16.69	52

[(1)] See non-GAAP measures

Third Quarter Overview

Cardinal continues to execute on its business plan. The third quarter of 2018 saw net bank debt reduced by $13 million from the second quarter of 2018 and operating costs decrease by $0.57/boe over the second quarter of 2018 to $20.24/boe.

During the quarter, we added 58 net sections of undeveloped land in our core Bantry area via farm-in with favourable farm-in terms and expanded our position in the emerging Clearwater oil play in Northern Alberta.

Cardinal sold the last of our previously announced royalty assets for $12.5 million in the quarter, which concludes our royalty disposition process.

Our low decline conventional base production continued to perform to expectation. Production for the quarter was up slightly from the second quarter of 2018 and is expected to continue to increase moving into the fourth quarter. We expect to end 2018 with full year production coming in within our guidance of 21,000 to 21,500 boe/d.

Cardinal drilled three (2.9 net) wells in the third quarter as well as two stratigraphic test wells at Bantry. The wells drilled included two (1.9 net) Dunvegan horizontal oil wells at Grande Prairie and one (1.0 net) Glauconitic channel well at Bantry. All three wells are producing at or above our expectations. Our 16-36 Ellerslie well in Bantry, which was drilled in June of 2018 as a three-leg open hole horizontal, continues to outperform our expectations. The IP 60 rate for the well is in excess of 480 boe/d and this well currently continues to flow at strong rates.

In addition to drilling, we spent an additional $5 million on facility optimization and power generation projects in the quarter. We do not expect to see the full benefits from this initial power generation project until the first quarter of 2019.

Outlook

The fourth quarter of 2018 has presented continued headwinds for the Canadian Oil and Gas Industry with the effects of limited egress showing up in a drastic fashion. While the Company believes that the differentials for both Edmonton light and Western Canadian Select ("WCS") differentials will improve in 2019, the effect of the wide differentials are expected to significantly impact fourth quarter adjusted funds flow. Current forward average fourth quarter pricing differentials have widened over the third quarter of 2018 by approximately US$15/bbl for both Edmonton light and WCS oil.

In order to deal with the pricing uncertainty in the current environment, Cardinal is taking a proactive approach on multiple fronts to maintain our strong balance sheet. The Company is reducing workovers and non-essential services in order to reduce operating costs in the quarter and we are assessing and reducing discretionary capital spending in the quarter. On the pricing side, Cardinal is proactively increasing its netback by finding alternate routes to market through trucking both to receipt points that are not as heavily penalized with differentials and to areas where we can blend our oil into more attractive pricing streams.

Our mandate for 2018/2019 will be to continue to focus on three areas: maintaining our dividend and our total payout ratio below 100%, reducing our debt levels to 1x run rate adjusted funds flow and reducing our operating costs through larger long lead time capital projects. In addition, we will proactively upgrade our infrastructure to minimize our future environmental impact and continue to accelerate our future abandonment obligation expenditures.

Cardinal is able to provide shareholders with a sustainable dividend, modest growth and a continually improving asset base all supported by funds flow.

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: Cardinal's debt reduction plans, future production and decline rates, the benefits to be obtained from our power generation projects, future commodity prices and differentials, future adjusted funds flow and payout ratio, Cardinal's egress initiatives and cost cutting plans and the results therefrom, our dividend policy, capital expenditure plans including infrastructure upgrades, plans to accelerate future abandonment obligation expenditures and net bank debt to adjusted funds flow and 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 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; 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 financial outlook information about our prospective results of operations, adjusted funds flow, 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. Financial outlook information 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 financial outlook information 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 financial outlook information 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.

Any references in this news release to initial production rates (IP 60) 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. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Cardinal.

Non-GAAP measures

This press release contains the terms "adjusted funds flow", "adjusted funds flow per share", "adjusted funds flow per diluted share", "run rate adjusted funds flow", "net debt to adjusted funds flow ratio", "net debt", "payout ratio", "net bank debt" and "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, net debt to adjusted funds flow ratio and total payout ratio to analyze its capital structure and assess leverage. Cardinal feels these benchmarks are a key measure of 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 since Cardinal believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and variability. Expenditures on decommissioning obligations vary from period to period depending on the maturity of the Company's operating areas, availability of adjusted funds flow and are viewed as part of the Company's capital budgeting process. Payout ratio represents the ratio of the sum of dividends declared (net of participation in the SDP) plus development capital expenditures divided by adjusted funds flow. "Development capital expenditures" represent expenditures on property, plant and equipment (excluding capitalized G&A, other assets and acquisitions). "Run rate adjusted funds flow" is quarterly adjusted funds flow, presented on an annualized basis. 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 is 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			**Six months ended**		
	September 30, 2018	September 30, 2017	Change %	**September 30, 2018**	September 30, 2017	Change %
Cash flow from operating activities	**28,074**	23,719	18	**81,799**	52,088	57
Change in non-cash working capital	**(2,130)**	(2,502)	(15)	**(7,693)**	(1,387)	n/m
Funds flow	**25,944**	21,217	22	**74,106**	50,701	46
Decommissioning expenditures	**1,128**	1,983	(43)	**5,243**	2,866	83
Transaction costs	**-**	321	(100)	**359**	1,684	(79)
Adjusted funds flow	**27,072**	23,521	15	**79,708**	55,251	44

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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