Cardinal Energy Ltd. Announces Third Quarter 2017 Results

CALGARY, Alberta, Nov. 07, 2017 -- (TSX:CJ) Cardinal Energy Ltd. ("Cardinal" or the "Company") is pleased to announce its operating and financial results for the quarter ended September 30, 2017.

The Company's unaudited financial statements and management's discussion and analysis for the quarter ended September 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.

Financial and Operating Highlights

- Cash flow from operating activities increased by 82% to $23.7 million for the third quarter of 2017, up from $13.0 million in the second quarter of 2017.
- Adjusted funds flow increased to $23.2 million for the third quarter of 2017 an increase of 47% from $15.8 million for the second quarter of 2017.
- Average production of 21,463 boe/d for the third quarter of 2017, reflecting the first quarter that included the volumes from the light oil acquisition which closed on June 30, 2017.
- Production increased by 43% from the third quarter of 2016 and our light oil weighting increased to 40% of production from 18%.
- Netbacks increased 19% in the quarter to $16.80/boe from $14.07/boe in the third quarter of 2016.
- Operating costs per boe of $20.38 were down 1% from $20.57 per boe in the second quarter of 2017.
- Added 27 net sections of undeveloped land in our core Bantry area which is prospective for Mannville oil.
- Our planned divestiture of royalties and fee title lands is progressing, the first of the four planned sale packages has been completed subsequent to quarter end.

	Three months ended September 30,			Nine months ended September 30,		
($ 000's except shares, per share and operating amounts)	2017	2016	% Chg	2017	2016	% Chg
Financial						
Petroleum and natural gas revenue	86,022	53,673	60	216,198	137,221	58
Cash flow from operating activities	23,719	22,092	7	52,088	51,234	2
Adjusted funds flow[(1)]	23,200	18,177	28	53,567	42,857	25
basic and diluted per share	0.21	0.25	(16)	0.60	0.62	(3)
Loss	(12,070)	(4,366)	176	(3,290)	(55,327)	(94)
basic and diluted per share	(0.11)	(0.06)	83	(0.04)	(0.80)	(95)
Dividends declared	11,584	7,718	50	29,008	21,837	33
per share	0.105	0.105	-	0.315	0.315	-
Net bank debt [(1)]	243,516	35,148	n/m	243,516	35,148	n/m
Exploration and development capital	14,048	12,697	11	50,552	26,851	88
Acquisitions, net	(437)	671	(165)	300,678	1,006	n/m
Total capital expenditures	14,284	13,530	6	380,996	28,331	n/m
Weighted average shares outstanding						
basic (000s)	110,278	73,501	50	88,610	68,878	29
diluted (000s)	110,278	73,501	50	88,610	68,878	29
Operating						
Average daily production						
Crude oil and NGL (bbl/d)	18,355	13,027	41	15,080	12,833	18

Natural gas (mcf/d)	18,650	11,578	61	17,228	10,660	62
Total (boe/d)	21,463	14,957	43	17,951	14,610	23
Netback[1]						
Petroleum and natural gas revenue	43.56	39.01	12	44.12	34.28	29
Royalties	6.38	4.98	28	6.27	4.28	46
Operating expenses	20.38	19.96	2	21.16	20.55	3
Netback	16.80	14.07	19	16.69	9.45	77
Realized gain (loss)	(1.33)	1.74	(176)	(1.99)	4.07	(149)
Netback after risk management [1]	15.47	15.81	(2)	14.70	13.52	9

[1] See non-GAAP measures

Disposition

Cardinal has initiated a process, as part of its recent acquisition, to divest of both gross overriding royalties ("GOR's") and fee title lands acquired with the acquisition and GOR's created on some of its existing long life assets. On October 31, 2017, Cardinal closed a disposition of a 2.5% Gross Overriding Royalty ("GOR") on certain of its Wainwright properties for proceeds of $14.5 million which was within the anticipated sale metrics. Proceeds from the first disposition along with future GOR dispositions will be used to pay down Cardinal's credit facility. This sale is the first step in a previously announced process to reduce Cardinal's net bank debt to one times net bank debt to adjusted funds flow or lower. Cardinal currently has a second GOR sale package in the market and is expected to market its third of four packages in November.

Q3 Capital Spending

During the third quarter of 2017, Cardinal incurred $14.2 million of capital expenditures. Spending in the quarter included the items below:

- $2.7 million Acquisition of undeveloped land;
- $1.5 million Pipelines;
- $2.0 million Facilities; and
- $3.9 million Drilling and Completion of 2 Dunvegan wells.

Excluding one-time facility expenditures, pipelines and land acquisitions totalling approximately $5 million, Cardinal's total payout ratio would have been 89% in the quarter. Including these expenditures our total payout ratio was 110%. Cardinal's low decline of approximately 10% enabled it to spend minimal amounts on drilling and completions in the quarter.

Dividend

During the third quarter of 2017 Cardinal paid cash dividends of $0.105 per share for a total payment of $11.6 million to shareholders, resulting in a simple dividend payout ratio of 50%. Although this ratio is higher than our targeted range, the low decline nature of our asset base makes Cardinal sustainable at these levels. With increased oil pricing and a focus on increasing netbacks with light oil development, the simple dividend payout ratio is expected to decline in the upcoming quarters.

Drilling Program

In the quarter Cardinal drilled two light oil Dunvegan wells in the Grande Prairie area that were brought on production late in the third quarter. Both wells are tracking to initial production rates well ahead of our expectations for the play. Cardinal has purchased additional lands in the area and expects to be able to continue to grow this area in the future. Cardinal has begun a four well drilling program for the Dunvegan in the Grand Prairie area with production expected in Q1 2018 on the four new drills.

Liquidity

Cardinal was drawn $239 million on its $325 million bank facility at the end of the third quarter. Subsequent to the end of the quarter, we repaid $14.5 million of the facility with the proceeds of the GOR disposition. Our bank line redetermination is currently underway and Cardinal does not anticipate any changes to its credit facility as a result of this review.

Outlook

With the success of the ongoing GOR sales process and the increase in commodity prices, Cardinal looks forward to a strong 2018. We have undergone a tough period in the Canadian oil and gas industry. Low commodity prices have curtailed development on most of our properties. Our focus for 2018 will shift from a maintenance mode to one of more aggressively exploiting our properties while continuing to maintain the cost discipline developed through this downturn. We have managed to acquire several long life legacy assets at what we believe was the bottom of the commodity cycle. Our shareholders should see the rewards from these purchases in 2018 and beyond as it transforms Cardinal into a company that becomes sustainable without the need for further large scale acquisitions. We will continue to reduce our bank debt on a quarterly basis with the goal of getting our leverage levels back to our historical range of less than one times adjusted funds flow.

We look forward to conveying a 2018 budget later in the year and the renewed optimism in the oil markets.

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 dividend policy, total payout ratio and simple dividend payout ratio, anticipated GOR dispositions and the use of proceeds therefrom, future drilling plans, the outcome of Cardinal's current credit facility review, focus in 2018 decline rates, net bank debt, net bank debt to adjusted funds flow, and the matters set forth under "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' GOR divestitures 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 GOR divestitures 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.

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.

Non-GAAP measures

This press release contains the terms "development capital expenditures", "adjusted funds flow", "adjusted funds flow per share", "total payout ratio", "simple dividend payout ratio", "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, total payout ratio and simple dividend 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. "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. Simple dividend payout ratio represents the ratio of the amount of dividends declared (net of participation in the DRIP and SDP), divided by adjusted funds flow. 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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