Cardinal Announces Its 2020 Operating and Capital Budget, Renewal of the Convertible Debenture Normal Course Issuer Bid and the Monthly Dividend for December

CALGARY, Alberta, Dec. 09, 2019 -- (CJ:TSX) Cardinal Energy Ltd. ("Cardinal" or the "Company") is pleased to announce that its Board of Directors has approved an operating and capital budget for 2020 that will focus on debt reduction, a sustainable dividend, operating costs reductions and increasing production volumes. Cardinal also announces that the Toronto Stock Exchange (the "TSX") has accepted the notice of Cardinal's intention to commence a normal course issuer bid (the "NCIB").

Highlights of 2020 Budget

- Forecasting net debt reduction of 15% by year-end;
- Low corporate production decline rate allows for a conservative $60 to $65 million development capital expenditure budget;
- Generates free cash flow of $40 to $45 million for debt repayment, asset retirement obligation ("ARO") expenditures or normal course issuer bid ("NCIB") activity;
- Forecasting 6% debt adjusted production per share growth;
- Targeting a 5% decrease in operating and general and administrative ("G&A") expenses;
- Reduction of our total 2020 net debt to annual adjusted funds flow ratio to 1.7x; and
- Increased adjusted funds flow results in a total payout ratio of approximately 65% to 70%.

Cardinal's 2020 capital budget follows up on the success of our ongoing asset development with particular focus on drilling in Southern Alberta, which earns additional lands in our core area. Additionally, we plan to increase expenditures in our CO_2 enhanced recovery project at Midale, continue with ongoing operating cost reduction projects including additional power generation projects throughout our operating areas, and proactively upgrading our pipeline and facility infrastructure. Cardinal's 2020 budget includes the abandonment of over 80 non-producing wells and reclamation of 100 inactive leases as we continue to reduce our environmental footprint for the long-term sustainable development of our Company. In addition, the budget forecasts a 15% reduction in net debt. The Company has renewed its NCIB to purchase and cancel the maximum allowable 10% of the outstanding balance of convertible debentures (the "Convertible Debentures") and will opportunistically repurchase and cancel common shares through our ongoing common share NCIB.

2020 Budget

Cardinal's 2020 operating budget is expected to produce adjusted funds flow of approximately $125 to $130 million ($1.11 per share), assuming a royalty rate of 17%, a West Texas Intermediate ("WTI") oil price of US$55/bbl, US/CAD exchange rate of 0.76 and a $1.75/mcf AECO natural gas price. During 2020, Cardinal's operating expenses per boe are forecasted to decrease by approximately 5% over 2019 levels due to the Company's 2019 cost reduction projects in operation for 2020 combined with new cost reduction projects being forecasted to be implemented in 2020.

Cardinal's 2020 capital budget is structured to take advantage of our top tier low decline rate and includes drilling and completing 17 (14.6 net) wells and completing three (3.0 net) additional wells which were drilled in 2019. The drilling is focused on farm-in wells in our Alberta South business unit along with select development wells across our asset base and new CO_2 injection wells at Midale, Saskatchewan. In addition, Cardinal will continue to optimize our multiple existing water flood projects and our carbon sequestration development at Midale where we sequester more CO_2 than we directly emit throughout the entire Company. Approximately 80% of the Company's oil's production is under secondary recovery schemes including water and miscible floods. The Company's 2020 capital budget will continue the successful operating cost reduction program initiated in 2019 which includes reducing our dependence on the power grid and upgrading our infrastructure to facilitate the handling of additional volumes through our underutilized facilities. The capital budget is allocated as follows:

Capital budget	$ mm
Drill, complete and tie-in new wells	**$26 – $28**
Enhanced oil recovery, facility & pipeline upgrades	**20 – 22**
Maintenance capital	**14 – 15**
Total development capital expenditures	**$60 – $65**
Capitalized G&A and other	**3 – 4**
Total capital expenditures	**$63 – $69**

The capital budget results in free cash flow of approximately $40 to $45 million for debt repayment, ARO expenditures or NCIB activity for our common share and Convertible Debenture buybacks and cancellations.

Cardinal's total payout ratio, which is represented by the development capital expenditures plus dividend payments divided by adjusted funds flow is expected to be 65% to 70%. Production is forecasted to average 20,500 to 20,800 boe/d for 2020, which is approximately 3% higher than our estimated 2019 average. Forecasted production takes into account all planned facility turnarounds and downtime.

2020 Budget Summary

Average production (boe/d)	**20,500 to 20,800**
Adjusted funds flow ($ mm)	**$125 to $130**
Closing net debt ($ mm)	**$215 - $220**
Debt adjusted per share production growth [(1)]	**6%**
Total capital expenditures ($ mm)	**$63 - $69**
Operating costs ($/boe)	**$19.75 - $20.25**
Transportation costs ($/boe)	**$0.30 - $0.40**
G&A ($/boe)	**$2.05 - $2.25**
US$ WTI ($/bbl)	**$55.00**
US/CAD Exchange Rate	**0.76**
US$ WTI-WCS Basis Differential ($/bbl)	**($15.00)**
US$ WTI-MSW Basis Differential ($/bbl)	**($5.00)**
AECO ($/mcf)	**$1.75**

(1) Debt adjusted shares are calculated with weighted average outstanding shares adjusted for the change in net debt divided by an average share price of $2.50 for forecasted 2019 and the 2020 budget.

ARO

Cardinal has budgeted approximately $7.0 million for abandonments and reclamations in 2020 and has opted into the Area Based Closure ("ABC") program approach implemented by the Alberta Government and plans to focus its 2020 abandonment and reclamation activities in our Southern Alberta business unit. The Company's current plans are to abandon over 80 non-producing wells and reclaim at least 100 inactive leases in 2020.

We are committed to the environmentally responsible development of our resources and will continue to manage our abandonment and reclamation obligations with a view of long-term sustainability. In 2019, the Company exceeded our required spend under the ABC program to proactively reduce our environmental footprint by abandoning and reclaiming inactive sites and wells. Over the last five years, Cardinal has abandoned over 230 wells and reclaimed 384 locations.

Sensitivities

Input	Effect on adjusted funds flow ($ mm)
US $1/bbl change in WTI	$7.0
US $1/bbl MSW basis	$1.9
US $1/bbl WCS basis	$4.0
CAD $0.25/mcf	$1.0
FX $0.01	$4.0

Summary

Our 2020 budget is expected to generate approximately $40 to $45 million of free cash flow which will be used to reduce debt, provide returns to our shareholders with NCIB activity and reduce our environmental footprint through ARO expenditures. Our 2020 production is expected to increase by approximately 3% over average 2019 production levels while operating costs per boe are forecasted to decrease by 5%. Cardinal plans to exit the year with a healthy balance sheet targeting a 1.7x net debt to annual adjusted funds flow ratio and a 65% to 70% total payout ratio. Our conservative spending and cost reduction program during 2019 and budgeted into 2020 is intended to maintain ample liquidity, allowing us to reduce both our overall debt and our higher cost borrowings through the repayment of our Convertible Debentures when they become due.

During 2020, we plan to continue with our environmental stewardship and reduce our future liabilities by increasing our ARO spending to approximately $7.0 million by abandoning and reclaiming non-producing wells and inactive facilities.

Our conservative budget gives us the flexibility to increase our capital program, pay down additional debt and/or provide increased returns to our shareholders through our NCIB or increased dividend payments if commodity prices increase. Cardinal's shares represent a compelling investment with a projected 6% debt adjusted production per share growth and an approximate 9% dividend yield.

Cardinal's annual 2019 reserve results will be released on February 26, 2020 with the 2019 financial and operating results to be released on March 17, 2020.

Renewal of Normal Course Issuer Bid

The NCIB allows the Company to purchase up to $4.45 million aggregate principal amount of its 5.50% convertible unsecured subordinated debentures ("Convertible Debentures") (representing approximately 10% of its public float of $44.5 million aggregate principal amount of the issued and outstanding Convertible Debentures as of December 5, 2019), in each case, over a period of twelve months commencing on December 19, 2019. The NCIB will expire no later than December 18, 2020.

Under the NCIB, Convertible Debentures may be repurchased in open market transactions on the TSX, and/or alternative Canadian trading systems, or by such other means as may be permitted by the TSX and applicable securities laws and in accordance with the rules of the TSX governing NCIB's. The average daily trading volume of the Convertible Debentures is $40,000. As a result, the total number of Convertible Debentures that Cardinal is permitted to purchase is subject to a daily purchase limit of $10,000 aggregate principal amount of Convertible Debentures however, Cardinal may make one block purchase per calendar week which exceeds the daily repurchase restrictions. Any Convertible Debentures that are purchased under the NCIB will be cancelled upon their purchase by the Company.

The Company's previous NCIB for Convertible Debentures will expire on December 18, 2019 (the "Previous NCIB"). Under the Previous NCIB, Cardinal obtained the approval of the TSX to purchase up to $5 million principal amount of Convertible Debentures, which represented 10% of the "public float" at the time of approval. The Company purchased the maximum amount of Convertible Debentures under the Previous NCIB.

Management of Cardinal believes that, from time to time, the market price of its Convertible Debentures may not fully reflect the underlying value of the Convertible Debentures and that at such times the purchase of Convertible Debentures would be in the best interests of Cardinal. The purchase of Convertible Debentures will increase the proportionate interest of, and be advantageous to, all remaining security holders.

December Dividend

Cardinal confirms that our dividend of $0.015 per common share will be paid on January 15, 2020 to shareholders of record on December 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.

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 2020 operating and capital budget, allocation and focus, including, net debt reduction, dividend sustainability, increasing production volumes, fulfilling land earning drilling and completion farm-in commitments in the Company's Southern Alberta business unit, operating cost reduction projects including power generation projects, pipeline and facility infrastructure upgrades, abandonment and reclamation plans, drilling, completion and optimization plans, year end net debt and plans to reduce net debt, corporate decline rate, the 2020 development capital expenditure budget, anticipated free cash flow and plans to allocate such free cash flow for debt repayment, additional ARO expenditures, to fund dividend payments or NCIB activity, forecasted debt adjusted production per share growth and dividend yield, targeted operating and expense decreases, 2020 total net debt to annual adjusted funds flow ratio, 2020 adjusted funds flow and adjusted funds flow per share, total payout ratio, 2020 production, expectations regarding the long-term sustainable development of the Company, plans with respect to our NCIBs and the benefits to be obtained therefrom, plans to manage our abandonment and reclamation obligations with a view of long-term sustainability, targeted net debt to annual adjusted funds flow ratio, expectation regarding our future liquidity and our ability to repay the Convertible Debentures when they become due and the flexibility of our capital program.

Forward-looking statements regarding Cardinal are based on certain key expectations and assumptions of Cardinal concerning anticipated financial performance, business prospects, strategies, regulatory developments, including 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 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 our 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.

Advisory Regarding Oil and Gas Information

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: 1 Bbl 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", "free cash flow", "total payout ratio", "net debt", "net debt to annual adjusted funds flow" and "debt adjusted production per share" 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, free cash 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 flow from operating activities adjusted for changes in non-cash working capital and decommissioning expenditures. "Adjusted funds flow per share" is calculated as adjusted funds flow divided by the weighted average common shares outstanding. "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. "Free cash flow" is calculated as adjusted funds flow less development capital expenditures less dividends. "Total payout ratio" represents the ratio of the sum of dividends declared 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. "Debt adjusted production per share" is calculated as average production divided by the weighted average shares outstanding adjusted for the change in net debt divided by a share price. It is a key metric utilized in calculating production growth or declines taking into account the change in outstanding common shares and net debt.

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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