Cardinal Announces Its 2018 Capital Budget and Monthly Dividend for December

CALGARY, Alberta, Dec. 12, 2017 -- Cardinal Energy Ltd. (TSX:CJ) ("Cardinal" or the "Company") announced today that its Board of Directors has approved a capital expenditure budget for 2018 that focuses on maintaining a sustainable dividend and development of our existing asset base.

The 2018 capital budget is designed to achieve significant growth in adjusted funds flow per share and maintaining the Company's annualized dividend at $0.42/share. Cardinal would also like to confirm that a dividend of $0.035 per common share will be paid on January 15, 2018 to shareholders of record on December 29, 2017. 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**.**

2018 Capital Budget

Cardinal's 2018 budget is expected to produce pre-hedging adjusted funds flow of $132 million, assuming a royalty rate of 15.8%, an oil price of $55/bbl, US/Cdn exchange rate of 0.78 and a $1.75/mcf AECO natural gas price. After taking into account Cardinal's current commodity hedging exposure, adjusted funds flow is expected to be approximately $125 million.

Our base capital program will consist of drilling 13.5 oil wells ($18 million), well optimization and production enhancement projects ($20 million) and facilities and pipelines ($17.5 million) for a total base budget of $55.5 million. This base capital program results in cash flow net of development capital expenditures of $69.5 million.

The free cash flow of $69.5 million will be used to fund the dividend and to fund the cash portion of future acquisitions within Cardinal's existing asset base. All acquisitions done in 2018 will be funded with excess operating adjusted funds flow and Cardinal will not incur additional debt for these acquisitions.

Cardinal's total payout ratio, which represents the capital program plus its dividend, is expected to be 84% prior to any acquisitions.

Production is expected to average 21,000 to 21,500 boe/d for 2018 with capital spending weighted to the first 6 months of 2018 and production growth is expected to occur in the fourth quarter of 2018.

Acquisition

Acquisitions are a part of Cardinal's business model and our acquisition strategy for 2018 will be to consolidate properties and working interests within existing properties in our core operating areas.

Under this strategy we have signed a Purchase and Sale Agreement ("PSA") to acquire an additional 10% working interest in our operated Midale Unit for $22.5 million (the "Acquisition"). The Acquisition which is expected to close on January 2, 2018, will be funded through the payment of $11.25 million in cash and the issuance of 2,314,815 Cardinal common shares. The Acquisition is subject to customary closing conditions including the Toronto Stock Exchange approval.

Based on the current netback in the Midale Unit the Acquisition has an asset recycle ratio in excess of 3x with the reserve additions of $9.50 per barrel. The Acquisition of this additional working interest in this long life low decline oil property will increase our working interest in the Midale Unit to 78%.

North Area

Our North area is comprised of the Mitsue, Grande Prairie and House Mountain properties. Approximately 37% of the capital expenditure budget is allocated to this area and includes the planned drilling of 6.5 net horizontal Elmworth Dunvegan wells targeting light oil. The ongoing capital project to downsize and replace much of the aging facilities in the Mitsue property will be completed before the end of the second quarter 2018. These multi-year projects were designed to reduce operating costs and better suit the infrastructure to current production volumes.

South Area

Cardinal expects to spend 17% of our capital expenditure budget, in the Bantry area of Alberta. We expect to drill six net Glauc horizontal oil wells in 2018. The Company continues to evaluate other Mannville opportunities in the area and along with an increased focus on well reactivations and optimization projects.

Central Area

Wainwright and Chauvin in eastern Alberta continue to be low decline properties and require minimal capital expenditures. These properties generate significant operating income which we are able to re-invest in other areas of the Company and provide funding for our dividend. We expect to spend 9% of our capital expenditure budget in this area in 2018. A large portion of the capital expenditures in this area will be to proactively replace aging large diameter pipelines.

Saskatchewan

Midale in south east Saskatchewan is our lowest decline property, aided by the enhanced recovery in the form of CO_2 and water injection. There has been no decline on the property since we acquired it in June of this year with no capital spending by Cardinal on the property. Including the Acquisition purchase price we expect to spend 37% of our total 2018 capital expenditures in this area. In 2018 the intent is to manage declines and incline production through workovers and increased CO_2 injection while building a plan for long term development. The budget includes 1 gross (0.78 net) drill in the second half of the year.

ARO

Cardinal has budgeted $4.8 million for abandonments and reclamations in 2018. This includes $3 million to fulfill our 2018 inactive well (D-13) requirements as well as some pro-active initiatives to reduce future abandonment and reclamation requirements.

Cardinal has taken an aggressive approach to managing its obligations since the Company's inception. We try to stay ahead of our spending requirement, to that effect we anticipate being able to reduce a portion of 2019 inactive well requirements (which is estimated at $3.6 million) prior to the start of 2019.

Risk Management

Cardinal employs various forms of hedging as part of our overall strategy to protect adjusted funds flows and lock in individual project economics. We hedge crude oil and natural gas prices, power and US/Canadian exchange rates. We currently have 8,500 bbl/d of our 2018 oil production hedged at a minimum average price of $66/bbl (CAD), and 5,333 GJ/d of natural gas at a minimum average price of $2.50/GJ.

Outlook

Cardinal has continued to evolve into a sustainable oil company. Our product mix (87% oil/13% natural gas) is expected to be 50/50 light oil versus medium oil at year end 2018. As we embark on the development of our Midale, House Mountain and Grande Prairie Dunvegan properties our light oil exposure, along with out netbacks, are expected to continue to increase. Our focus in 2018 will be on improving our netbacks, setting up long term cost reduction projects and beginning the development of our large light oil drilling inventory.

The Mitsue Facility downsizing was a large multi-year capital project that we will be able to complete in the first half of 2018. Upon completion our facilities will not require substantial capital investment for the foreseeable future allowing for additional funds to be allocated towards debt reduction, dividends or growth.

With oil trading at its highest levels since mid-2015, we expect to be in an environment where our assets and business model begin to stand out. Cardinal's peer leading low decline rate of approximately 10% allows Cardinal to sustain its production base and dividend and produce 2-3% growth in Q4 2018 versus Q4 2017 with limited drilling (13.3 net wells) activity.

Cardinal expects to finalize additional royalty and fee title asset sales in Q1 2018. All proceeds from these sales will be used to reduce our net bank debt from the 2018 budgeted ratio of 1.8x net bank debt to annualized adjusted funds flow to our goal of 1x net bank debt to annualized adjusted 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.

Statements relating to "reserves" are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.

Specifically, this press release contains forward-looking statements relating to our dividend policy, hedging plans, total payout ratio, capital expenditure plans including the 2018 capital expenditure budget and the allocation thereof and results therefrom, Cardinal's future plan focus and strategy, closing of the Acquisition and on the timing contemplated, expected development capital, future average production volumes and anticipated future growth, capital efficiencies, funds flow, free cash flow, net bank debt, net bank debt to adjusted funds flow, source of funding future dividends and acquisitions, future drilling, completion and optimization plans and results, abandonment and reclamation obligations, the matters set forth under "Outlook", commodity prices and differentials, anticipated dividend re-investment plan and stock dividend participation, 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, completion of the Acquisition on the terms and timing contemplated, 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 including the Acquisition 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.

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.

Other Oil and Gas Advisories

Based on Cardinal's internal evaluation in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* prepared by a member of Cardinal's management who is a qualified reserves evaluator, effective December 31, 2016, the assets have 3.4 million barrels of oil equivalent proved plus probable reserves.

Recycle ratio is calculated by dividing operating netback per boe (based on USD $55 WTI) by the acquisition costs for the relevant reserve category. The acquisition costs are calculated on a per boe basis by dividing by the reserves acquired. In this case, it excludes the consideration of future development costs.

Non-GAAP measures

This press release contains the terms "development capital expenditures", "adjusted funds flow", "adjusted funds flow per share", "total payout ratio", "net bank debt" and "net bank debt to adjusted funds flow" 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. "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 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.

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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