Cardinal Announces its 2019 Operating and Capital Budget

CALGARY, Alberta, Feb. 28, 2019 -- (CJ:TSX) Cardinal Energy Ltd. ("Cardinal" or the "Company") is pleased to announce that its Board of Directors has approved a base operating budget for 2019 that will focus on a sustainable dividend, long-term operating cost reduction initiatives, debt repayment and maintaining our production volumes at 2018 levels.

Highlights of 2019 Budget

- Operating cost reduction initiatives targeting an 8% reduction in operating costs within 2019;
- Forecasting debt repayment of 10% to 15% of total debt by year-end;
- Low corporate decline rate allows for a conservative capital program to maintain production levels which are currently curtailed by the Alberta Government; and
- As oil prices stabilize, dividend level to be re-evaluated in April 2019.

As the Company's ability to increase production is limited by the Government of Alberta's oil production curtailment initiative, Cardinal's 2019 capital budget focuses on operating cost reduction projects and proactively reducing our environmental impact to ensure long-term sustainable development of our properties. In addition, with production growth limited during 2019, the budget forecasts a 10% to 15% reduction in total debt by the end of 2019. Pursuant to the Company's normal course issuer bid announced in December 2018, Cardinal confirms that in 2019, it has purchased and cancelled the maximum allowable of 10% of the outstanding balance of debentures, below par redemption value, saving approximately $0.3 million of future interest and redemption costs.

2019 Budget

Cardinal's 2019 base budget is expected to produce adjusted funds flow of approximately $90 to $100 million, 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 $1.47/mcf AECO natural gas price. With the Company's operating cost reduction initiatives, Cardinal is forecasting to reduce operating costs per boe throughout 2019 by approximately 8% comparing first quarter to fourth quarter 2019 estimated operating expenses.

Cardinal's capital program is structured to take advantage of our top tier low decline rate and contemplates drilling eight wells to sustain our current level of mandated curtailed oil production and fulfill previous drilling commitments on our lands. Approximately 20% of our capital budget is allocated to long-term operating costs reduction initiatives which include reducing our electricity and facility costs. The remainder of our $47 million capital budget is directed to well optimization, drilling, facility upgrades and continuing the expansion of enhanced oil recovery projects at Midale.

Our base capital program includes the drilling of six (6.0 net) oil wells in the Company's Bantry, Alberta area to take advantage of a land earning farm-in opportunity. Cardinal also expects to drill two (1.5 net) wells in our Midale, Saskatchewan area where provincially mandated production curtailments are not in place.

The base capital program results in adjusted funds flow net of development capital expenditures of approximately $43 to $53 million to fund dividend payments and for debt repayment. Cardinal's total payout ratio, which is represented by the capital program plus dividend payments divided by adjusted funds flow is expected to be 65%. As production growth is expected to be limited by the Alberta oil curtailment program, production is forecasted to average 20,400 to 20,800 boe/d for 2019.

2019 Budget Assumptions

US$ WTI	$55
US/CAD Exchange Rate	0.76
US$ WTI-WCS Basis Differential	$15.50
Operating costs	$20.75 - $21.25
G&A	$2.25 - $2.50

Risk Management

During the first quarter of 2019, with significantly narrower Canadian oil price differentials as compared with late 2018, in order to protect the capital program and the dividend, Cardinal has been opportunistic with its hedging activity. For the remainder of

2019, we have hedged approximately 73% of forecasted medium oil production including 3,225 bbl/d of Western Canadian Select ("WCS") hedged at an average price of CAD$52 and WCS basis differential fixed on 3,500 bbl/d at an average differential price of US$16.94/bbl which is approximately US$27/bbl better than the average differential experienced in December 2018. Cardinal has also protected the downside of oil price fluctuations on approximately 40% of its light oil by hedging the WTI on production of 3,600 bbl/d hedged at an average floor price over CAD$70/bbl. The Company has also retained most of the upside on WTI pricing as 62% of our WTI hedges are collared with a ceiling average of approximately CAD$85/bbl and 38% of the light oil hedges do not have a ceiling on the WTI price. Cardinal also has fixed the price of 16% of its natural gas at an average AECO price of $1.55/gj.

ARO

Cardinal has budgeted $5.0 million for abandonments and reclamations in 2019 and has opted into an area based program approach implemented by the Alberta Government and plans to focus its 2019 abandonment and reclamation activities in our Southern Alberta areas.

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.

Sensitivities

Input	Effect on adjusted funds flow
US$1 change in WTI	$4.0 million
CAD$1 MSW basis	$1.2 million
CAD$1 WCS basis	$0.9 million
FX $0.01	$2.6 million

Outlook

With Canadian oil differentials narrowing significantly in the first quarter of 2019, Cardinal is cautiously optimistic about the coming year. Although not a long-term solution, the Alberta oil curtailment program has provided a much needed boost to Canadian oil prices in 2019. There are positive signs within the industry with recent approvals and ongoing projects which should help the Canadian oil and gas industry with additional safe and reliable egress options. Cardinal has taken a conservative approach with our 2019 budget and has locked in a portion of our adjusted funds flow with our risk management program which is intended to protect our capital program and dividend payment. Our conservative budget gives us the flexibility to increase our capital program, pay down additional debt and/or increase our dividend if commodity prices increase.

At our budgeted simple dividend payout ratio of approximately 15%, we are now in a position where the dividend level allows us to strengthen the Company with projects that improve both the short-term cash flows as well as improving the long-term viability of the business.

As stated in our December 6, 2018 press release, the Company's Board of Directors will review the dividend level in April, 2019 to determine the appropriate level for the remainder of the year.

We are excited about our operating cost reduction initiatives which we expect will reduce our long-term operating cost levels to ensure sustainability through a fluctuating commodity price environment. Although growth will be muted by the curtailment program, our 2019 budget gives us the ability to solidify our balance sheet and set the Company up for future growth.

We would like to thank our employees and Board of Directors for their ongoing contributions to the success of Cardinal and our shareholders for their support through challenging times.

Cardinal's annual reserve results will be released on March 5, 2019 with the financial and operating results to be released on March 19, 2019.

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, hedging plans, total payout ratio, capital expenditure plans including the 2019 capital expenditure budget and the allocation thereof and results therefrom, future operating costs, future debt repayment and total debt, expected development capital, future average production volumes, adjusted funds flow, adjusted funds flow net of development capital expenditures, total payout ratio, development capital required to maintain production, free cash flow, future drilling, completion and optimization plans and results, abandonment and reclamation obligations and plans, 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, 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 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.

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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