



## Cardinal Energy Ltd. Announces Second Quarter 2019 Results and Normal Course Issuer Bid

CALGARY, Alberta, July 30, 2019 -- (TSX: CJ) Cardinal Energy Ltd. ("Cardinal" or the "Company") is pleased to announce its operating and financial results for the quarter ended June 30, 2019 and that the Toronto Stock Exchange (the "TSX") has accepted the notice of Cardinal's intention to commence a normal course issuer bid (the "NCIB").

The Company's unaudited financial statements and management's discussion and analysis for the quarter ended June 30, 2019, will be available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com) and on Cardinal's website at [www.cardinalenergy.ca](http://www.cardinalenergy.ca).

### Highlights from the second quarter of 2019:

- Record second quarter 2019 adjusted funds flow of \$35.7 million increased 21% over Cardinal's previous high of \$29.6 million in first quarter of 2019 while adjusted funds per diluted share increased to \$0.31/share, an increase of 24% over the first quarter.
- Cardinal's initial power-generating projects came online during the second quarter, which helped contribute to the 10% decrease in operating expenses per boe compared to the first quarter of 2019.
- Cardinal completed the annual review of its credit facility in the quarter, which saw the bank line unchanged at \$325 million while extending the term by a year. We continue to deliver our balance sheet and have decreased our net debt by \$20 million or 7% in 2019.
- Reduced the net debt to second quarter annualized adjusted funds flow ratio to 1.7x from 2.2x in the first quarter of 2019.
- Total payout ratio was 58% and 54%, respectively, for the three and six months ended June 30, 2019, resulting in significant free cash flow which was used to reduce debt by \$20 million and to purchase \$6.2 million of Cardinal shares in the public market to settle the future vesting of restricted awards.

### Financial and Operating Highlights

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

	Three months ended June 30,			Six months ended June 30,		
	2019	2018	% Chg	2019	2018	% Chg
<b>Financial</b>						
Petroleum and natural gas revenue	106,166	111,847	(5)	200,216	206,626	(3)
Cash flow from operating activities	35,923	21,923	64	63,429	53,725	18
Adjusted funds flow <sup>(1)</sup>	35,736	27,085	32	65,375	52,636	24
per share <sup>(2)</sup>	0.31	0.24	29	0.56	0.46	22
Earnings (loss)	(3,099)	(19,970)	n/m	(19,605)	(33,284)	n/m
per share <sup>(2)</sup>	(0.03)	(0.17)	n/m	(0.17)	(0.29)	n/m
Dividends declared	3,606	12,359	(71)	7,225	24,640	(71)
per share	0.03	0.105	(71)	0.06	0.21	(71)
Net debt <sup>(1)</sup>	249,627	263,133	(5)	249,627	263,133	(5)
Exploration and development capital	17,041	14,059	21	28,193	26,859	5
Other capital expenditures	393	524	(25)	825	1,033	(20)
Acquisitions, net	232	(963)	n/m	232	(5,992)	n/m
Total capital expenditures	17,666	13,620	30	29,250	21,900	34
Common shares, net of treasury shares (000s)	115,203	114,228	1	115,203	114,228	1
<b>Operating</b>						
Average daily production						
Light oil and NGL (bbl/d)	8,982	9,600	(6)	9,096	9,645	(6)

Medium/heavy oil (bbl/d)	<b>8,954</b>	8,510	5	<b>8,749</b>	8,655	1
Natural gas (mcf/d)	<b>15,906</b>	16,632	(4)	<b>15,918</b>	16,569	(4)
Total (boe/d)	<b>20,587</b>	20,882	(1)	<b>20,498</b>	21,062	(3)
Netback (\$/boe) <sup>(1)</sup>						
Petroleum and natural gas revenue	<b>56.67</b>	58.86	(4)	<b>53.97</b>	54.20	-
Royalties	<b>8.97</b>	9.98	(10)	<b>8.18</b>	9.21	(11)
Net operating expenses	<b>20.28</b>	20.62	(2)	<b>21.44</b>	20.67	4
Transportation	<b>0.49</b>	0.19	158	<b>0.34</b>	0.20	70
Netback	<b>26.93</b>	28.07	(4)	<b>24.01</b>	24.12	-
Realized loss on commodity contracts	<b>4.03</b>	9.78	(59)	<b>2.43</b>	6.19	(61)
Netback after risk management <sup>(1)</sup>	<b>22.90</b>	18.29	25	<b>21.58</b>	17.93	20
Interest and other	<b>1.82</b>	1.55	17	<b>1.82</b>	1.57	16
G&A	<b>2.02</b>	2.49	(19)	<b>2.14</b>	2.56	(16)
Adjusted funds flow netback <sup>(1)</sup>	<b>19.06</b>	14.25	34	<b>17.62</b>	13.80	28

1. See non-GAAP measures
2. Weighted average diluted shares

## Q2 Overview

Cardinal's second quarter results were highlighted by record adjusted funds flow due to strong oil prices combined with decreased operating costs. The Company's recorded \$35.7 million, (\$0.31 per diluted share) of adjusted funds flow, which increased from our previous high of \$29.6 million (\$0.25 per diluted share) in the first quarter of 2019. The Alberta Government's mandatory curtailment program limited our average daily production for the second quarter of 2019 to 20,587 boe/d.

A combination of stronger West Texas Intermediate ("WTI") oil pricing and narrower Western Canadian Select ("WCS") and Edmonton Light differentials increased the Company's realized oil prices in the second quarter as compared to the first quarter of 2019. Increased WCS and Edmonton Light oil prices were the combined result of increased crude by rail deliveries, increased export pipeline capacity and the decrease in basin wide oil production associated with the Alberta government mandated curtailment program. Cardinal's light oil and medium/heavy oil price both increased 13% over the first quarter of 2019. Light oil prices averaged \$69.32 per barrel while the Company's medium/heavy oil price averaged \$64.24 per barrel, which contributed to a 13% increase in revenue in the second quarter compared to the first quarter of 2019.

Operationally, Cardinal accelerated approximately \$7 million of its capital program originally planned for the third quarter into the second quarter to take advantage of continuity and pricing on services. The Company also focused on operating cost reduction initiatives, completing power generation projects to reduce our Alberta electrical grid usage and to take advantage of government incentive programs. During the second quarter, four of these projects successfully came online in our Central area. With the success of these projects, the Company is currently expanding the program and implementing power generation projects at additional sites. Additionally, Cardinal continues to reduce our environmental footprint by proactively upgrading and replacing pipelines and continued our enhanced oil recovery scheme with CO<sub>2</sub> injection at Midale.

In the second quarter of 2019, Cardinal's operating costs decreased 9% to \$20.28/boe as compared to the prior quarter. This was primarily a result of reduced workover and Alberta electricity costs combined with increased production. With electricity costs currently making up approximately 20% to 25% of our total operating costs, Cardinal's power generation program is expected to significantly reduce our electricity costs as more projects are brought on in the future.

In a growth-restricted environment, Cardinal continues to focus on cost reduction, which includes general and administrative ("G&A") costs. During the second quarter, we reduced our G&A costs per boe by 19% over the same period in 2018 and 11% over the first quarter of 2019. We continually scrutinize our costs to ensure we operate our assets in an efficient manner.

During the quarter, Cardinal continued to focus on debt repayment to solidify our balance sheet as the increase in adjusted funds flow was allocated to reducing net debt by \$8.3 million in the second quarter. In the first six months of 2019, the Company has reduced net debt by \$20 million or 7%. The debt repayment has taken the form of the maximum allowable buyback and cancellation of \$5 million of convertible debentures through the normal course issuer bid in the first quarter and the repayment of approximately \$15 million of net bank debt in the first and second quarters of 2019. Our lower net debt and increased second quarter adjusted funds flow reduced the Company's second quarter annualized run rate net debt to adjusted funds flow ratio to 1.7x while our total payout ratio for the first six months of 2019 is 54%. As our goal is to make the Company's stock-based compensation program non-dilutive to the shareholders going forward, Cardinal has established a trust to buy treasury shares on the open market through an independent trustee. During the first six months of 2019, the trustee bought 2.2 million common shares for \$6.2 million, which can be used at our option, to settle the future vesting of restricted awards. These common shares are currently estimated to be sufficient to settle the vesting of existing restricted awards for approximately two years.

Cardinal's risk management program is an important component of our business strategy as it is designed to mitigate the volatility in oil and gas prices experienced throughout the year and fix the downside of commodity prices to support our capital program and dividend. The Company was opportunistic with the Canadian oil pricing increases experienced in early 2019, as

we were able to lock in differentials and pricing for a significant portion of our oil production for 2019 and into 2020. Cardinal has 3,500 bbl/d hedged with WTI-WCS pricing differential hedges averaging approximately US\$17 and 3,250 bbl/d at an average wellhead CAD\$57 WCS pricing for the remainder of 2019. The Company has also protected the downside with pricing floors averaging over CAD\$69/bbl but retained upside on WTI pricing by locking in 4,750 bbl/d of our light oil with an average ceiling price of over CAD\$85/bbl or with no ceiling at all through various puts. This risk management program has given Cardinal the ability to achieve its budgeted capital expenditures and asset retirement obligations and support our dividend program while continuing to reduce our debt or acquire our shares on the open market.

## **Outlook**

Strong realized pricing and lower operating costs from our cost reduction initiatives combined with controlled capital spending have allowed Cardinal to execute our debt reduction strategy through the first half of 2019. The Company plans to continue with this strategy through 2019 and into 2020 and will be disciplined with our capital spending but also plans to take advantage of opportunities that may arise in a challenging industry environment. The low decline of our asset base allows us to be selective with our capital spending to take advantage of our land base and infrastructure. In addition, Cardinal continues to proactively upgrade our infrastructure to minimize our future environmental impact and to accelerate our future abandonment and site remediation obligations.

We expect our second half adjusted funds flow will continue to support our debt reduction strategy, disciplined capital program and maintain our dividend, which was increased in July 2019 while keeping our total payout ratio well below 100%. The Company has also implemented an NCIB, as described below, which we expect to utilize to assist us in achieving per share growth in an era of curtailed oil production.

Cardinal is able to provide shareholders with a sustainable dividend and a continually improving asset base all supported by free cash flow. We would like to thank our employees and Board of Directors for their contributions and our shareholders for their continuing confidence and support of Cardinal.

## **Commencement of Normal Course Issuer Bid for Common Shares**

Cardinal is pleased to announce that the Toronto Stock Exchange (the "TSX") has accepted the notice of Cardinal's intention to commence an NCIB.

The NCIB allows the Company to purchase up to 11,128,148 common shares ("Common Shares") (representing approximately 10% of its public float as of July 23, 2019) over a period of twelve months commencing on August 2, 2019. The NCIB will expire no later than August 2, 2020.

Under the NCIB, Common Shares 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 total number of Common Shares that Cardinal is permitted to purchase is subject to a daily purchase limit of 131,082 Common Shares, representing 25% of the average daily trading volume of 524,329 Common Shares on the TSX calculated for the six-month period ended June 20, 2019, however, Cardinal may make one block purchase per calendar week which exceeds the daily repurchase restrictions. Any Common Shares that are purchased under the NCIB will be cancelled upon their purchase by the Company.

There are currently 117,146,075 Common Shares issued and outstanding.

Management of Cardinal believes that the market price of its Common Shares does not fully reflect the underlying value of the Common Shares and that the purchase of Common Shares would be in the best interests of Cardinal. We will continue to focus on debt reduction and use the NCIB as free cash flow permits. The purchase of Common Shares will increase the proportionate interest of, and be advantageous to, all remaining shareholders.

## **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 business strategies, plans and objectives, our drilling plans and inventory, expected future operating costs and other costs, plans to expand our power projects, plans to continue to reduce our environmental footprint, expected realized pricing, the benefits of our risk management program, future adjusted funds flow, and the total payout ratio, plans to reduce debt and planned capital expenditures and the allocation thereof, our future dividend policy, plans to implement the NCIB and the benefits to be achieved from the NCIB.

Forward-looking statements regarding Cardinal are based on certain key expectations and assumptions of Cardinal concerning anticipated financial performance, business prospects, strategies, regulatory developments, 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 timing and success of our cost cutting initiatives and power projects, the availability and cost of labor and services, the impact of competition,

conditions in general economic and financial markets, availability of drilling and related equipment, effects of regulation by governmental agencies including curtailment, 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 and the ability of Cardinal to achieve the benefits of the NCIB.

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 including government curtailment programs; 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.

### Non-GAAP measures

This press release contains the terms "development capital expenditures", "free cash flow", "adjusted funds flow", "adjusted funds flow per diluted share", "annualized run rate net debt to adjusted funds flow ratio", "net debt", "total payout ratio", "net bank debt", "net operating expenses", "netback", "netback after risk management" and "adjusted funds flow 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, free cash flow, adjusted funds flow per diluted share, annualized run rate net debt to adjusted funds flow ratio and total payout ratio to analyze operating performance and assess leverage. Cardinal feels these benchmarks are a key measure 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. 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 transaction costs. Free cash flow represents adjusted funds flow less dividends declared and less development capital expenditures. Development capital expenditures represents expenditures on property, plant and equipment (excluding capitalized G&A, other assets and acquisitions). Total payout ratio represents the ratio of the sum of dividends declared plus development capital expenditures divided by adjusted funds flow. 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, the current portion of lease liabilities 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, the current portion of lease liabilities and the current portion of the decommissioning obligation). Net debt and net bank debt are used by management to analyze the financial position, liquidity and leverage of Cardinal. Run rate net debt to adjusted funds flow ratio is calculated as net debt divided by current quarter adjusted funds flow annualized. Net operating expenses is calculated as operating expense less processing and other revenue primarily generated by processing third party volumes at processing facilities where the Company has an ownership interest, and can be expressed on a per boe basis. As the Company's principal business is not that of a midstream entity, management believes this is a useful supplemental measure to reflect the true cash outlay at its processing facilities by utilizing spare capacity through processing third party volumes. Netback is calculated on a boe basis and is determined by deducting royalties, transportation costs and net operating expenses from petroleum and natural gas revenue. Netback after risk management includes realized gains or losses on commodity contracts in the period on a boe basis. Adjusted funds flow netback is calculated as netback after risk management and also includes interest and other costs and G&A costs on a boe basis. Netback, netback after risk management and adjusted funds flow netback are utilized by Cardinal to better analyze the operating performance of our petroleum and natural gas assets taking into account our risk management program and interest and G&A costs against prior periods.

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Cash flow from operating activities	35,923	21,923	63,429	53,725
Change in non-cash working capital	(1,685)	4,264	(443)	(5,563)
<b>Funds flow</b>	<b>34,238</b>	<b>26,187</b>	<b>62,986</b>	<b>48,162</b>
Decommissioning expenditures	1,498	898	2,389	4,115
Transaction costs	-	-	-	359

**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.

**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 on low decline light and medium quality oil in Alberta and Saskatchewan.

**For further information:**

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