



CARDINAL
ENERGY LTD.



Q3 2017

FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEETS

As at <i>(Unaudited, thousands)</i>	Note	September 30, 2017	December 31, 2016
ASSETS			
Current assets			
Trade and other receivables		\$ 40,547	\$ 27,569
Deposits and prepaid expenses		6,685	1,265
Fair value of financial instruments	12	5,741	5,301
		52,973	34,135
Non-current assets			
Fair value of financial instruments	12	1,089	-
Exploration and evaluation assets	4	2,005	1,557
Property, plant and equipment	5	1,128,189	795,465
Deferred taxes		117,576	115,080
		1,248,859	912,102
Total Assets		\$ 1,301,832	\$ 946,237
LIABILITIES			
Current liabilities			
Trade and other payables		\$ 47,469	\$ 35,267
Dividends payable	10	3,861	2,595
Decommissioning obligation	8	875	875
Fair value of financial instruments	12	7,446	27,983
		59,651	66,720
Non-current liabilities			
Deferred flow-through share premium		45	127
Bank debt	6	239,418	61,272
Fair value of financial instruments	12	485	9,685
Liability component of convertible debentures	7	47,021	46,361
Decommissioning obligation	8	141,805	110,992
		428,774	228,437
Total Liabilities		488,425	295,157
SHAREHOLDERS' EQUITY			
Share capital	9	1,039,618	839,626
Warrants	9	-	1,420
Equity component of convertible debentures	7	1,729	1,729
Contributed surplus		14,477	18,424
Deficit		(242,417)	(210,119)
Total Shareholders' Equity		813,407	651,080
Total Liabilities and Shareholders' Equity		\$ 1,301,832	\$ 946,237
Subsequent events	13		

The accompanying notes are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

<i>(Unaudited, thousands except per share amounts)</i>	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
Revenue					
Petroleum and natural gas revenue		\$ 86,022	\$ 53,673	\$ 216,198	\$ 137,221
Royalties		(12,597)	(6,856)	(30,704)	(17,151)
Realized gain (loss) on commodity contracts	12	(2,631)	2,395	(9,749)	16,280
Unrealized gain (loss) on commodity contracts	12	(3,955)	2,886	31,289	(41,331)
		66,839	52,098	207,034	95,019
Expenses					
Operating		40,239	27,467	103,699	82,261
Unrealized gain (loss) on power contracts	12	33	(1)	23	(229)
General and administrative		4,141	2,508	11,028	7,886
Share-based compensation	11	2,441	2,718	7,321	7,691
Finance		5,590	3,399	12,899	10,631
Transaction costs		321	-	1,684	37
Depletion and depreciation	5	28,958	21,892	70,217	62,768
Loss on disposition and other income	5	-	-	1,754	(471)
		81,723	57,983	208,625	170,574
Loss before deferred tax		(14,884)	(5,885)	(1,591)	(75,555)
Deferred tax expense (reduction)		(2,814)	(1,519)	1,699	(20,228)
Loss and comprehensive loss for the period		\$ (12,070)	\$ (4,366)	\$ (3,290)	\$ (55,327)
Loss per share	9				
Basic and diluted		\$ (0.11)	\$ (0.06)	\$ (0.04)	\$ (0.80)

The accompanying notes are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(Unaudited, thousands except number of common shares)</i>	Number of Common Shares	Share Capital <i>(note 9)</i>	Warrants <i>(note 9)</i>	Equity Component of Convertible Debentures <i>(note 7)</i>	Contributed Surplus <i>(note 11)</i>	Deficit	Total Shareholders' Equity
January 1, 2016	65,124,209	\$ 756,998	\$ 1,456	\$ 1,729	\$ 13,476	\$ (93,213)	\$ 680,446
Issue of common shares	7,150,000	66,853	-	-	-	-	66,853
Issue of flow-through common shares	350,000	3,224	-	-	-	-	3,224
Exercise of options and warrants	100,605	496	(200)	-	(15)	-	281
Dividends (\$0.315 per share)	-	-	-	-	-	(21,837)	(21,837)
Issued pursuant to SDP and DRIP ⁽¹⁾	149,001	1,189	-	-	-	-	1,189
Settlement of RAs ⁽²⁾	643,887	6,862	-	-	(6,862)	-	-
Share-based compensation	-	-	122	-	8,502	-	8,624
Share issue costs, net of deferred tax of \$815	-	(2,203)	-	-	-	-	(2,203)
Loss for the period	-	-	-	-	-	(55,327)	(55,327)
September 30, 2016	73,517,702	\$ 833,419	\$ 1,378	\$ 1,729	\$ 15,101	\$ (170,377)	\$ 681,250
January 1, 2017	74,151,719	\$ 839,626	\$ 1,420	\$ 1,729	\$ 18,424	\$ (210,119)	\$ 651,080
Issue of common shares	30,910,000	170,005	-	-	-	-	170,005
Common shares issued in connection with acquisition (note 3)	4,033,708	27,631	-	-	-	-	27,631
Exercise of options and warrants	488,470	2,623	(853)	-	(178)	-	1,592
Dividends (\$0.315 per share)	-	-	-	-	-	(29,008)	(29,008)
Issued pursuant to SDP and DRIP ⁽¹⁾	89,007	756	-	-	-	-	756
Settlement of RAs ⁽²⁾	651,141	4,369	-	-	(10,857)	-	(6,488)
Settlement of warrants	-	-	(567)	-	-	-	(567)
Share-based compensation	-	-	-	-	8,122	-	8,122
Adjustment to excess value of RAs	-	-	-	-	(1,034)	-	(1,034)
Share issue costs, net of deferred tax of \$1,993	-	(5,392)	-	-	-	-	(5,392)
Loss for the period	-	-	-	-	-	(3,290)	(3,290)
September 30, 2017	110,324,045	\$ 1,039,618	-	\$ 1,729	\$ 14,477	\$ (242,417)	\$ 813,407

(1) Stock Dividend Program ("SDP") and Dividend Reinvestment Plan ("DRIP")

(2) Restricted Bonus Awards ("RAs")

The accompanying notes are an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

<i>(Unaudited, thousands)</i>	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
Cash provided by (used in)					
Operating activities					
Loss for the period		\$ (12,070)	\$ (4,366)	\$ (3,290)	\$ (55,327)
Adjustments for					
Share-based compensation	11	2,441	2,718	7,321	7,691
Depletion and depreciation	5	28,958	21,892	70,217	62,768
Unrealized (gain) loss on commodity contracts	12	3,955	(2,886)	(31,289)	41,331
Unrealized (gain) loss on power contracts	12	33	(1)	23	(229)
Deferred tax expense (reduction)		(2,814)	(1,519)	1,699	(20,228)
Accretion	7,8	2,697	2,339	7,132	6,851
Loss on disposition	5	-	-	1,754	-
Decommissioning obligation settled	8	(1,983)	(469)	(2,866)	(842)
Change in non-cash working capital		2,502	4,384	1,387	9,219
		23,719	22,092	52,088	51,234
Investing activities					
Exploration and evaluation expenditures		(19)	(867)	(448)	(898)
Property, plant and equipment expenditures		(14,702)	(11,992)	(51,696)	(26,427)
Property acquisitions	3	437	(671)	(300,678)	(1,006)
Change in non-cash working capital		(3,485)	227	(5,852)	(177)
		(17,769)	(13,303)	(358,674)	(28,508)
Financing activities					
Issue of common shares	9	-	-	170,005	66,853
Issue of flow-through common shares		-	-	-	3,885
Share issue costs		(24)	(19)	(7,385)	(3,018)
Settlement of RAs	11	-	-	(6,488)	-
Settlement of warrants	11	(567)	-	(567)	-
Options and warrants exercised	9	378	1	1,592	281
Dividends	10	(11,584)	(7,400)	(28,252)	(20,648)
Increase (decrease) in bank debt		6,189	(1,925)	178,146	(68,725)
Change in non-cash working capital		(342)	554	(465)	(1,354)
		(5,950)	(8,789)	306,586	(22,726)
Change in cash and cash equivalents		-	-	-	-
Cash and cash equivalents, beginning of period		-	-	-	-
Cash and cash equivalents, end of period		\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these condensed interim financial statements.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2017 and 2016

(Unaudited, thousands of dollars, except per share amounts or unless otherwise stated)

1 REPORTING ENTITY

Cardinal Energy Ltd. ("Cardinal" or the "Company") was incorporated pursuant to the Business Corporations Act (Alberta) on December 21, 2010 and commenced activity on May 30, 2012. The Company's principal business activity is the acquisition, exploration and production of petroleum and natural gas in the provinces of Alberta and Saskatchewan. Cardinal's principal place of business is located at 600, 400 – 3rd Avenue SW, Calgary, Alberta, Canada, T2P 4H2.

2 BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements ("financial statements") have been prepared in accordance with statement IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"). The financial statements were prepared using the same accounting policies, critical judgments and key estimates which the Company applied in its annual financial statements for the year ended December 31, 2016 and do not include certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted. Accordingly, these financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016.

The financial statements were authorized for issue by the Board of Directors on November 7, 2017.

Use of Estimates and Judgements

The timely preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. As such, actual results may differ from these estimates as future confirming events occur. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3 ACQUISITIONS

On **March 17, 2017**, Cardinal acquired petroleum and natural gas properties in Northwest Alberta (the "Grande Prairie Acquisition") to expand its core area and increase its light oil development opportunities. Total consideration provided, after preliminary closing adjustments, consisted of approximately 4.0 million common shares valued at \$6.85 per share and \$3.6 million in cash. The Company recorded a deferred tax asset due to temporary differences in the carrying amount of the acquired properties and their tax bases. This property acquisition has been accounted for as a business combination in accordance with IFRS 3.

Net assets acquired	
Petroleum and natural gas properties	\$ 33,363
Deferred tax asset	3,465
Decommissioning obligation	(5,591)
	<u>\$ 31,237</u>
Consideration	
Share consideration	\$ 27,631
Cash	3,606
	<u>\$ 31,237</u>

The Grande Prairie Acquisition has contributed petroleum and natural gas revenue of \$9.1 million and operating income (petroleum and natural gas revenue less royalties and operating expenses) of \$3.9 million since March 17, 2017. Had the Grande Prairie Acquisition closed on January 1, 2017, the Company's estimated petroleum and natural gas revenue would have been \$220 million and estimated operating income would have been \$83.9 million for the nine months ended September 30, 2017. Pro forma information is not necessarily representative of future revenue and operations.

On **June 30, 2017**, Cardinal acquired light oil and natural gas properties in House Mountain, Alberta and Midale, Saskatchewan (the "House Mountain and Midale Acquisition") to expand its Northwest Alberta core area, establish a new core area in Southeast Saskatchewan and significantly increase the light oil weighting of our production mix. Total consideration provided was \$297 million in cash, after preliminary closing adjustments, with an associated decommissioning obligation of \$20.0 million. This property acquisition has been accounted for as a business combination in accordance with IFRS 3.

The House Mountain and Midale Acquisition has contributed petroleum and natural gas revenue of \$26.1 million and operating income of \$11.4 million since June 30, 2017. Had the House Mountain and Midale Acquisition closed on January 1, 2017, the Company's estimated petroleum and natural gas revenue would have been \$272 million and estimated operating income would have been \$108 million for the nine months ended September 30, 2017. Pro forma information is not necessarily representative of future revenue and operations.

The preceding estimates of fair value were made by management at the time of the preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

4 EXPLORATION AND EVALUATION ASSETS

	Exploration and Evaluation Assets
At December 31, 2015	\$ 3,680
Additions	3,716
Impairment	(5,839)
At December 31, 2016	1,557
Additions	448
At September 30, 2017	\$ 2,005

Cardinal's exploration and evaluation ("E&E") assets consist of undeveloped land and exploration projects which are pending technical feasibility and commercial viability. Additions represent costs incurred during the period to acquire additional E&E assets.

5 PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Corporate assets	Total
Cost			
At January 1, 2016	\$ 1,128,320	\$ 2,941	\$ 1,131,261
Additions	27,994	38	28,032
Acquisitions, net	38,024	-	38,024
At December 31, 2016	1,194,338	2,979	1,197,317
Additions	53,840	881	54,721
Acquisitions	351,013	-	351,013
Disposition	(8,941)	-	(8,941)
At September 30, 2017	\$ 1,590,250	\$ 3,860	\$ 1,594,110
Accumulated depletion and depreciation			
At January 1, 2016	\$ (311,145)	\$ (666)	\$ (311,811)
Depletion and depreciation	(82,704)	(337)	(83,041)
Impairment	(7,000)	-	(7,000)
At December 31, 2016	(400,849)	(1,003)	(401,852)
Depletion and depreciation	(69,922)	(295)	(70,217)
Disposition	6,148	-	6,148
At September 30, 2017	\$ (464,623)	\$ (1,298)	\$ (465,921)
Net book value			
At December 31, 2016	\$ 793,489	\$ 1,976	\$ 795,465
At September 30, 2017	\$ 1,125,627	\$ 2,562	\$ 1,128,189

The calculation of depletion for the nine months ended September 30, 2017 includes estimated future development costs of \$168 million (2016 - \$64.9 million) associated with the development of the Company's proved plus probable reserves. For the nine months ended September 30, 2017, Cardinal capitalized \$0.7 million of general and administrative (2016 - \$0.5 million) and \$0.8 million (2016 - \$0.9 million) of share-based compensation.

In connection with a 2016 farm-out agreement the farmee drilled, completed and brought on production two vertical wells during the nine months ended September 30, 2017. In this non-monetary exchange, the value of the royalties that Cardinal expects to receive of \$0.5 million was recorded as an acquisition of petroleum and natural gas properties with an after tax gain on the farm-out of \$0.4 million.

For the nine months ended September 30, 2017, the Company quit claimed non-core assets with a carrying value of \$2.8 million and an associated decommissioning obligation of \$0.6 million and recognized a loss of \$2.2 million.

6 BANK DEBT

As at September 30, 2017 Cardinal had a reserves-based revolving credit facility of \$325 million comprised of a \$295 million syndicated term credit facility and a \$30 million non-syndicated operating term credit facility (the "Facilities"). The Facilities are available on a revolving basis until May 25, 2018 and may be extended for a further 364 day period, subject to approval by the syndicate. If not extended, the Facilities will cease to revolve, the applicable margins will increase by 0.5% and all outstanding advances will be repayable on May 24, 2019.

The available lending limits of the Facilities are reviewed semi-annually based on the syndicate's interpretation of the Company's reserves, future commodity prices and costs. As the available lending limit of the Facilities is based on the syndicate's interpretation of the Company's reserves and future commodity prices and costs, there can be no assurance that the amount of the Facilities will not decrease at the next scheduled review.

Advances under the Facilities are available by way of either prime rate loans, which bear interest at the banks' prime lending rate plus 0.7 to 2.0%, and bankers' acceptances and/or LIBOR loans, which are subject to fees and margins ranging from 1.7 to 3.0%. Interest and standby fees on the undrawn amounts of the Facilities depend upon certain ratios. The Facilities are secured by a general security agreement over all of the Company's assets. There are no financial or other restrictive covenants related to the Facilities provided that Cardinal is not in default of the terms of the Facilities.

A letter of credit for \$1.4 million was outstanding at September 30, 2017 (2016 – nil) that reduced the amount otherwise available to be drawn on the operating term credit facility.

Cardinal was in compliance with the terms of the Facilities at September 30, 2017. For the nine months ended September 30, 2017 the effective interest rate on the Company's bank debt was 3.1% (2016 – 2.8%).

7 CONVERTIBLE DEBENTURES

	Number of Convertible Debentures	Liability Component	Equity Component
Balance at December 31, 2015	50,000	\$ 45,493	\$ 1,729
Accretion	-	868	-
Balance at December 31, 2016	50,000	\$ 46,361	\$ 1,729
Accretion	-	660	-
Balance at September 30, 2017	50,000	\$ 47,021	\$ 1,729

The Company has subordinated unsecured convertible debentures (the "convertible debentures") that bear interest at 5.5% payable semi-annually and have a maturity date of December 31, 2020. The convertible debentures are convertible into common shares of the Company at the option of the holder at a conversion price of \$10.50 per common share at any time prior to the maturity date. The convertible debentures are redeemable by the Company after January 1, 2019 subject to certain conditions.

The convertible debentures have been classified as a liability, net of issue costs and net of the fair value of the conversion feature at the date of issue which has been classified as shareholders' equity. The liability component will accrete up to the principal balance at maturity. The accretion of the liability component and interest payable are expensed on the statements of earnings and comprehensive earnings. If the convertible debentures are converted to common shares, a portion of the value of the conversion feature included in shareholders' equity and the liability component will be reclassified to shareholders' equity along with the conversion price.

For the nine months ended September 30, 2017 Cardinal recognized \$2.1 million of interest (2016 - \$2.1 million) and \$0.7 million of accretion (2016 - \$0.6 million) related to the convertible debentures. At September 30, 2017, the fair value of the convertible debentures was \$49.8 million (2016 - \$59.3 million).

8 DECOMMISSIONING OBLIGATION

	Nine months ended		Year ended	
	September 30, 2017		December 31, 2016	
Balance, beginning of period	\$	111,867	\$	114,060
Liabilities incurred		151		129
Liabilities acquired		25,626		3,789
Liabilities disposed		(643)		-
Change in estimates		2,073		(11,661)
Decommissioning expenditures		(2,866)		(2,727)
Accretion		6,472		8,277
Balance, end of period		142,680		111,867
Less current portion		(875)		(875)
	\$	141,805	\$	110,992

The Company's decommissioning obligation results from its ownership interest in crude oil and natural gas assets including well sites, facilities and gathering systems. At September 30, 2017, the total estimated amount to settle Cardinal's decommissioning obligation was \$363 million (2016 - \$309 million) on an uninflated and undiscounted basis and \$646 million (2016 - \$543 million) on an inflated and undiscounted basis.

The decommissioning obligation was determined by applying an inflation factor of 2.0% (2016 – 2.0%) and discounting the inflated amount using Cardinal's credit-adjusted rate of 7.0% (2016 – 7.0%) over the expected useful life of the underlying assets of 20 to 50 years (2016 – 20 to 50 years). The change in estimates as at September 30, 2017 consists of an increase due to a decrease in expected useful life of \$7.1 million (2016 – decrease of \$7.7 million) partially offset by a decrease in costs of \$5.0 million (2016 – \$3.9 million).

9 SHARE CAPITAL AND WARRANTS

At September 30, 2017, the Company was authorized to issue an unlimited number of common voting shares without nominal or par value. Holders of common shares are entitled to one vote per share.

	Nine months ended		Year ended	
	September 30, 2017		December 31, 2016	
	Number of shares	Amount	Number of shares	Amount
Common shares, beginning of period	74,151,719	\$ 868,901	65,124,209	\$ 784,059
Issue of common shares	30,910,000	170,005	7,150,000	66,853
Common shares issued in connection with acquisition	4,033,708	27,631	500,000	4,840
Issue of flow-through common shares	-	-	350,000	3,224
Settlement of SARs	-	-	36,491	318
Settlement of RAs	651,141	4,369	667,504	7,219
Issued pursuant to SDP and DRIP	89,007	756	216,799	1,826
Exercise of options and warrants	488,470	2,623	106,716	562
Common shares, end of period	110,324,045	\$ 1,074,285	74,151,719	\$ 868,901
Cummulative share issue costs, net of tax	-	(34,667)	-	(29,275)
Total shareholders' capital, end of period	110,324,045	\$ 1,039,618	74,151,719	\$ 839,626

Warrants

In 2012 Cardinal issued 2,833,333 units consisting of one common share and one half warrant (1,416,654 warrants) at \$3.00 per unit. All warrants have vested and expired on July 30, 2017. The warrants were exercisable at \$3.00 per warrant subject to an optional adjustment for dividends declared (see note 11).

Flow-through shares

On May 25, 2016 and May 27, 2016, Cardinal issued an aggregate of 350,000 flow-through common shares pursuant to a private placement at \$11.10 per common share for gross proceeds of \$3.9 million. The Company recorded a deferred liability for the related premium in the amount of \$0.7 million. The Company is committed to incur qualifying Canadian Exploration Expenditures prior to December 31, 2017 (see note 12).

Loss per share

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Loss for the period	\$ (12,070)	\$ (4,366)	\$ (3,290)	\$ (55,327)
Loss per share				
- Basic and diluted	\$ (0.11)	\$ (0.06)	\$ (0.04)	\$ (0.80)
Weighted average number of common shares				
- Basic and diluted	110,277,990	73,501,130	88,609,534	68,877,709

For the nine months ended September 30, 2017, 3,064,241 RAs (2016 – 2,665,541), 4,761,905 (\$50.0 million at \$10.50) convertible debentures (2016 – 4,761,905), 136,392 stock options (2016 – 190,837), nil warrants (2016 – 719,354), and nil SARs (2016 – 30,329) were excluded from the calculation of diluted loss per share as their effect was anti-dilutive.

10 DIVIDENDS

During the nine months ended September 30, 2017, \$29.0 million of dividends (\$0.315 per common share) were declared of which \$24.7 million was paid in cash, \$3.9 million was recognized as a liability at September 30, 2017, and \$0.4 million was settled on the issuance of 59,559 common shares pursuant to the Company's DRIP and SDP. The dividend payable was settled on October 16, 2017. On March 13, 2017, Cardinal announced the suspension of the DRIP and SDP, effective for the April 2017 dividend paid on May 15, 2017.

11 SHARE-BASED COMPENSATION

The maximum number of common shares issuable under the Company's stock option plan and restricted bonus award plan, in aggregate, cannot exceed five percent of the outstanding common shares. The Company's common shares traded at a weighted average share price of \$5.72 (2016 - \$8.44) during the nine months ended September 30, 2017.

Stock Options

The Company has a stock option plan that entitles officers, directors and employees to purchase common shares in the Company. Stock options are granted at the market price of the common shares at the date of grant and vest equally over three years with each tranche expiring three years following the vesting date. The following tables summarize information about stock options outstanding at September 30, 2017:

	Number of stock options	Weighted average exercise price
Balance at December 31, 2015	194,727	\$ 7.62
Exercised	(9,445)	\$ 6.75
Forfeited	(556)	\$ 8.25
Balance at December 31, 2016	184,726	\$ 7.66
Exercised	(40,000)	\$ 6.75
Forfeited	(8,334)	\$ 6.75
Balance at September 30, 2017	136,392	\$ 7.99

Exercise price	Outstanding and Exercisable	
	Number of Stock Options	Weighted average remaining life (years)
\$ 6.75	80,002	0.9
\$ 8.25	18,890	1.1
\$ 10.50	37,500	1.0
\$ 7.99	136,392	1.0

Warrants

	Number of Warrants
Balance at December 31, 2015	792,120
Exercised	(97,271)
Adjustment for dividends declared	32,951
Balance at December 31, 2016	727,800
Exercised	(448,470)
Settled	(172,018)
Expired	(8,333)
Adjustment for dividends not recognized	(98,979)
Balance at September 30, 2017	-

During the nine months ended September 30, 2017, certain warrants were exercised without an adjustment for dividends declared.

Restricted Bonus Awards ("RAs")

The Company has a restricted bonus award plan whereby awards may be granted to officers, directors and employees. Awards granted according to the plan vest equally over three years from the date of grant and expire on December 15th of the third year following the year in which the award was granted. Awards are adjusted for dividends declared and are to be settled with either cash, common shares or a combination thereof at the Company's discretion.

	Number of RAs
Balance at December 31, 2015	1,453,196
Granted	1,882,960
Settled	(667,504)
Adjustment for dividends declared	81,649
Forfeited	(61,578)
Balance at December 31, 2016	2,688,723
Granted	1,660,462
Settled	(1,268,913)
Adjustment for dividends declared	113,068
Forfeited	(129,099)
Balance at September 30, 2017	3,064,241

For the nine months ended September 30, 2017 the Company settled 617,772 RAs (2016 – nil) for \$6.5 million in cash and 651,141 RAs (2016 – 643,887) with the issuance of common shares.

The fair value of the RAs was determined based on the value of the Company's common shares at the grant date. The weighted average market price of the Company's common shares used to value the RAs granted was \$7.94 (2016 - \$6.83).

Share-based Compensation

Share-based compensation for the nine months ended September 30, 2017 of \$7.3 million was expensed (2016 - \$7.7 million) and \$0.8 million (2016 - \$0.9 million) was capitalized.

12 FINANCIAL RISK MANAGEMENT

Cardinal's financial assets and liabilities consist of trade and other receivables, trade and other payables, risk management assets and liabilities, dividends payable, bank debt and convertible debentures. Risk management assets and liabilities arise from the use of derivative financial instruments.

The Company classifies fair value according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 - Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - Fair value is based on inputs for the asset or liability that are not based on observable market data.

As at September 30, 2017 and 2016, the only assets or liabilities measured at fair value were the fair value of financial instruments which are classified as level 2 and the convertible debentures which are classified as Level 1.

Carrying amount and fair value of financial assets and liabilities

Trade and other receivables are classified as financial assets at amortized cost and are reported at amortized cost. Trade and other payables, dividends payable, liability component of the convertible debentures and bank debt are classified as financial liabilities at amortized cost and are reported at amortized cost. The fair values of trade and other receivables, trade and other payables and dividends payable approximate their carrying amount due to the short-term maturity of these instruments. The fair value of bank debt approximates the carrying amount due to the floating rate of interest and the margin charged by the syndicate is indicative of current credit spreads. The fair value of convertible debentures was determined based on the trading value on the Toronto Stock Exchange at the reporting date.

Commodity price risk

The Company is exposed to commodity price risk on petroleum and natural gas sales as well as power on electricity consumption. Commodity prices for crude oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar, but also by world economic events that dictate the levels of supply and demand.

At September 30, 2017 Cardinal had the following commodity and power financial derivative contracts outstanding:

Type of Instrument	Remaining Term	Average Quantity	Average Strike Price	Fair Value
CDN WTI Swap	October 1, 2017 - December 31, 2017	500 bbl/d	\$ 78.60	631
CDN WTI Swap	October 1, 2017 - December 31, 2017	2,500 bbl/d	\$ 59.94	(1,117)
CDN WTI Swap	October 1, 2017 - June 30, 2018	500 bbl/d	\$ 57.50	(1,001)
CDN WTI Swap	October 1, 2017 - June 30, 2018	1,000 bbl/d	\$ 66.25	361
CDN WTI Swap	October 1, 2017 - December 31, 2018	500 bbl/d	\$ 63.00	(318)
CDN WTI Swap	January 1, 2018 - December 31, 2018	2,000 bbl/d	\$ 68.69	2,975
CDN WTI Call	January 1, 2018 - December 31, 2018 ⁽¹⁾	1,000 bbl/d	\$ 70.00	(1,167)
CDN WTI Collar	October 1, 2017 - June 30, 2018	1,500 bbl/d	\$ 65.67	1,405
			\$ 77.00	
CDN WTI Collar	October 1, 2017 - December 31, 2018	500 bbl/d	\$ 60.00	(47)
			\$ 67.00	
CDN WTI Collar	January 1, 2018 - December 31, 2018	500 bbl/d	\$ 60.00	366
			\$ 75.00	
WCS Differential Swap	October 1, 2017 - December 31, 2017	4,000 bbl/d	\$ 18.88	(1,547)
WCS Differential Swap	October 1, 2017 - May 31, 2018	2,000 bbl/d	\$ 19.75	(1,628)
WCS Differential Swap	October 1, 2017 - June 30, 2018	1,000 bbl/d	\$ 19.75	(869)
WCS Differential Swap	January 1, 2018 - March 31, 2018	1,000 bbl/d	\$ 16.50	41
WCS Differential Swap	January 1, 2018 - December 31, 2018	1,000 bbl/d	\$ 18.48	(176)
AECO Swap	October 1, 2017 - December 31, 2017	1,500 gj/d	\$ 2.40	54
AECO Swap	October 1, 2017 - April 30, 2018	1,000 gj/d	\$ 2.25	27
AECO Swap	October 1, 2017 - December 31, 2018	2,000 gj/d	\$ 2.65	464
AECO Swap	January 1, 2018 - December 31, 2018	2,000 gj/d	\$ 2.59	297
AECO Collar	October 1, 2017 - December 31, 2017	3,000 gj/d	\$ 2.43	134
			\$ 2.93	
AECO Collar	January 1, 2018 - December 31, 2018	2,000 gj/d	\$ 2.00	62
			\$ 3.00	
				(1,053)
Power Swap	October 1, 2017 - December 31, 2017	6.00 MW/hr	\$ 30.33	(48)
				(48)

(1) The Cdn WTI call option is determined by the counterparty referencing the floating Cdn rate each month and will be settled monthly.

Operating expenses for the nine months ended September 30, 2017 include a realized loss on power contracts of \$0.4 million (2016 – \$1.5 million).

Cardinal limits its credit risk by executing counterparty risk procedures which include transacting only with members of the syndicate for our credit facilities or institutions with high credit ratings and by obtaining financial security in certain circumstances. Based on September 30, 2017 commodity prices, a \$1 per barrel change in the price of crude oil would have changed the unrealized gain by \$2.5 million (2016 – \$3.0 million) and a \$0.10 per gigajoule change in the price of natural gas would have changed the unrealized gain by \$0.4 million (2016 - \$0.3 million).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The financial liabilities on the balance sheet consist of trade and other payables, fair value of financial instruments, bank debt, and convertible debentures. Trade and other payables are considered due within one year. Bank debt (see note 6) and the fair value of financial instruments are considered due between one and two years and the convertible debentures are due in 2020 (see note 7). The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities. The Company has had no defaults or breaches on its financial liabilities.

At September 30, 2017, the Company had contractual obligations and commitments as follows:

	2017	2018	2019	2020	2021	Thereafter
Head office lease	275	1,870	1,870	1,870	1,909	3,819
Field office lease	33	130	22	-	-	-
Trade and other payables	47,469	-	-	-	-	-
Dividends payable	3,861	-	-	-	-	-
Bank debt	-	-	239,418	-	-	-
Convertible debentures	688	2,750	2,750	52,750	-	-
	\$ 52,326	\$ 4,750	\$ 244,060	\$ 54,620	\$ 1,909	\$ 3,819

Cardinal is also committed to incur qualifying Canadian Exploration Expense of \$0.3 million prior to December 31, 2017.

13 SUBSEQUENT EVENTS

On **October 11, 2017**, the Company confirmed that a dividend of \$0.035 per common share would be paid on November 15, 2017 to shareholders of record on October 31, 2017. The total amount of dividends declared at October 31, 2017 was \$3.9 million.

On **October 27, 2017**, the Company entered into a definitive sale agreement to sell a royalty interest on its Wainwright properties for gross proceeds of \$14.5 million. Cardinal completed the sale on October 31, 2017.

On **November 7, 2017**, the Company confirmed that a dividend of \$0.035 per common share would be paid on December 15, 2017 to shareholders of record on November 30, 2017.