



CARDINAL
ENERGY LTD.



Q3 2018

FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEETS

As at <i>(Unaudited, thousands)</i>	Note	September 30, 2018	December 31, 2017
ASSETS			
Current assets			
Trade and other receivables		\$ 46,609	\$ 46,705
Deposits and prepaid expenses		6,014	3,318
Fair value of financial instruments	14	2,573	9,303
		55,196	59,326
Non-current assets			
Exploration and evaluation assets	5	1,900	1,846
Property, plant and equipment	6	994,967	1,028,573
Deferred tax		146,087	138,851
		1,142,954	1,169,270
Total Assets		\$ 1,198,150	\$ 1,228,596
LIABILITIES			
Current liabilities			
Trade and other payables		\$ 64,389	\$ 52,914
Dividends payable	11	4,438	4,171
Decommissioning obligation	9	3,900	2,300
Fair value of financial instruments	14	45,080	21,269
		117,807	80,654
Non-current liabilities			
Deferred flow-through share premium	10	958	560
Bank debt	7	184,524	218,905
Fair value of financial instruments	14	4,298	3,932
Liability component of convertible debentures	8	47,917	47,245
Decommissioning obligation	9	127,386	127,338
		365,083	397,980
Total Liabilities		482,890	478,634
SHAREHOLDERS' EQUITY			
Share capital	10	1,071,459	1,042,352
Equity component of convertible debentures	8	1,729	1,729
Contributed surplus		12,015	14,501
Deficit		(369,943)	(308,620)
Total Shareholders' Equity		715,260	749,962
Total Liabilities and Shareholders' Equity		\$ 1,198,150	\$ 1,228,596
Subsequent events	16		

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

CONDENSED INTERIM STATEMENTS OF EARNINGS (LOSS) AND COMPREHENSIVE EARNINGS (LOSS)

<i>(Unaudited, thousands except per share amounts)</i>	<i>Note</i>	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
Revenue					
Petroleum and natural gas revenue	13	\$ 113,551	\$ 86,022	\$ 320,177	\$ 216,198
Royalties		(21,084)	(12,597)	(56,179)	(30,704)
Realized loss on commodity contracts	14	(19,197)	(2,631)	(42,802)	(9,749)
Unrealized gain (loss) on commodity contracts	14	14,121	(3,955)	(30,907)	31,289
		87,391	66,839	190,289	207,034
Expenses					
Operating		39,004	40,239	118,582	103,699
Unrealized loss on power contracts		-	33	-	23
General and administrative		4,125	4,141	13,884	11,028
Share-based compensation	12	2,292	2,441	5,364	7,321
Finance		5,593	5,590	16,494	12,899
Transaction costs		-	321	359	1,684
Depletion and depreciation	6	23,068	28,958	67,877	70,217
Loss (gain) on disposition		-	-	(494)	1,754
		74,082	81,723	222,066	208,625
Earnings (loss) before deferred tax		13,309	(14,884)	(31,777)	(1,591)
Deferred tax expense (reduction)		4,241	(2,814)	(7,561)	1,699
Earnings (loss) and comprehensive earnings (loss) for the period		\$ 9,068	\$ (12,070)	\$ (24,216)	\$ (3,290)
Earnings (loss) per share	10				
Basic and diluted		\$ 0.08	\$ (0.11)	\$ (0.21)	\$ (0.04)

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 10)</i>	Warrants <i>(note 10)</i>	Equity Component of Convertible Debentures <i>(note 8)</i>	Contributed Surplus <i>(note 12)</i>	Deficit	Total Shareholders' Equity
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	4,033,708	27,631	-	-	-	-	27,631
Exercise of options and warrants	488,470	2,623	(853)	-	(178)	-	1,592
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
Tax adjustment on excess value of RAs	-	-	-	-	(1,034)	-	(1,034)
Share issue costs, net of deferred tax of \$1,993	-	(5,392)	-	-	-	-	(5,392)
Dividends (\$0.315 per share)	-	-	-	-	-	(29,008)	(29,008)
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
January 1, 2018	110,838,321	\$ 1,042,352	\$ -	\$ 1,729	\$ 14,501	\$ (308,620)	\$ 749,962
Common shares issued in connection with acquisition (note 4)	2,314,815	11,250	-	-	-	-	11,250
Issue of flow-through common shares	1,664,000	8,903	-	-	-	-	8,903
Settlement of RAs ⁽²⁾	1,222,064	9,024	-	-	(9,024)	-	-
Share-based compensation	-	-	-	-	6,402	-	6,402
Tax adjustment on excess value of RAs	-	-	-	-	136	-	136
Share issue costs, net of deferred tax of \$25	-	(70)	-	-	-	-	(70)
Dividends (\$0.315 per share)	-	-	-	-	-	(37,107)	(37,107)
Loss for the period	-	-	-	-	-	(24,216)	(24,216)
September 30, 2018	116,039,200	\$ 1,071,459	\$ -	\$ 1,729	\$ 12,015	\$ (369,943)	\$ 715,260

(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,	
		2018	2017	2018	2017
Cash provided by (used in)					
Operating activities					
Earnings (loss) for the period		\$ 9,068	\$ (12,070)	\$ (24,216)	\$ (3,290)
Adjustments for					
Share-based compensation	12	2,292	2,441	5,364	7,321
Depletion and depreciation	6	23,068	28,958	67,877	70,217
Unrealized (gain) loss on commodity contracts	14	(14,121)	3,955	30,907	(31,289)
Unrealized loss on power contracts		-	33	-	23
Deferred tax expense (reduction)		4,241	(2,814)	(7,561)	1,699
Accretion	8,9	2,524	2,697	7,472	7,132
Loss (gain) on disposition	4	-	-	(494)	1,754
Decommissioning obligation settled	9	(1,128)	(1,983)	(5,243)	(2,866)
Change in non-cash working capital		2,130	2,502	7,693	1,387
		28,074	23,719	81,799	52,088
Investing activities					
Exploration and evaluation expenditures		(15)	(19)	(54)	(448)
Property, plant and equipment expenditures		(21,714)	(14,702)	(49,567)	(51,696)
Property acquisitions	4	(1,353)	437	(9,374)	(300,678)
Proceeds from property dispositions	4	12,281	-	37,544	-
Change in non-cash working capital		1,365	(3,485)	1,318	(5,852)
		(9,436)	(17,769)	(20,133)	(358,674)
Financing activities					
Issue of common shares		-	-	-	170,005
Issue of flow-through common shares	10	9,786	-	9,786	-
Share issue costs		(57)	(24)	(95)	(7,385)
Settlement of RAs	12	-	-	-	(6,488)
Settlement of warrants		-	(567)	-	(567)
Options and warrants exercised		-	378	-	1,592
Dividends	11	(12,467)	(11,584)	(37,107)	(28,252)
Increase (decrease) in bank debt		(16,121)	6,189	(34,381)	178,146
Change in non-cash working capital		221	(342)	131	(465)
		(18,638)	(5,950)	(61,666)	306,586
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, 2018 and 2017

(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, except as noted below, critical judgments and key estimates which the Company applied in its annual financial statements for the year ended December 31, 2017 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, 2017.

The financial statements were authorized for issue by the Board of Directors on November 1, 2018.

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 CHANGES IN ACCOUNTING POLICIES

IFRS 15 – Revenue from Contracts with Customers

Cardinal adopted IFRS 15 with a date of initial application of January 1, 2018 as detailed in note 13. The Company used the modified retrospective method to adopt the new standard. Cardinal has performed a review of its revenue streams and sales contracts with customers using the IFRS 15 five step model and concluded that the adoption of IFRS 15 does not have a material impact on the Company's net income. Refer to note 13 for more information including additional disclosure as required under IFRS 15.

Revenue Recognition

Under IFRS 15, revenue from the sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers and recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer, often pipelines or other transportation methods.

Cardinal evaluates its arrangements with 3rd parties and partners to determine if the Company acts as the principal or as an agent. In making this evaluation, management considers if Cardinal obtains control of the product delivered, which is indicated by Cardinal having the primary responsibility for the delivery of the product, having the ability to establish prices or having inventory risk. If Cardinal acts in the capacity of an agent rather than as a principal in a transaction, then the revenue is recognized on a net-basis, only reflecting the fee, if any, realized by the entity from the transaction. Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

Cardinal has reviewed its revenue streams and major sales contracts with customers using the IFRS 15 five step model and concluded there are no material changes to the timing of revenue recognized and does not have an impact on the Company's net income.

IFRS 9 – Financial Instruments

The Corporation adopted IFRS 9, "Financial Instruments" on January 1, 2018. The transition to IFRS 9 had no material effect on the Corporation's financial statements.

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IFRS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impairment of financial assets: IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost, and contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognized earlier than under IAS 39. There was no impact on the Corporation's financial statements.

Cash and cash equivalents, if any, and trade and other receivables continue to be measured at amortized cost and are now classified as "amortized cost". The Corporation's financial liabilities previously classified as "other financial liabilities" being trade and other payables, dividends payable and bank debt continue to be measured at amortized cost and are now classified as "amortized cost". The Corporation has not designated any financial instruments as FVOCI or FVTPL, nor does the Corporation use hedge accounting.

IFRS 16 – Leases

Cardinal is required to adopt IFRS 16 "Leases" by January 1, 2019 which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases.

On adoption, non-current assets, current liabilities, and non-current liabilities on Cardinal's balance sheet will increase. Interest expense will be recognized on the lease obligation and lease payments will be applied against the lease obligation. This is expected to result in a decrease to operating expense and general and administration expense and an increase to interest expense and cash flows from operations. Cardinal has gathered the majority of its contracts that may have an impact on the financial statements with the adoption of IFRS 16. The Company is in the assessment phase of the IFRS 16 project.

4 ACQUISITIONS & DISPOSITIONS

On **January 12, 2018**, the Company closed a consolidating acquisition increasing the Company's working interest in the Midale Unit from 68.8% to 77.2%. After adjusting for a right of first refusal being exercised by a third party, total consideration provided was \$18.5 million, before closing adjustments, consisting of \$7.3 million in cash and 2,314,815 common shares valued at \$4.86 per share with an associated decommissioning obligation of \$1.0 million. This property acquisition has been accounted for as a business combination in accordance with IFRS 3.

The acquisition has contributed petroleum and natural gas revenue of \$4.7 million and operating income (petroleum and natural gas revenue less royalties and operating expenses) of \$2.6 million since the property was acquired on January 12, 2018. Had the acquisition closed on January 1, 2018, the Company's estimated total pro-forma petroleum and natural gas revenue would have been \$320.3 million and estimated pro-forma operating income would have been \$145.5 million for the nine months ended September 30, 2018. Pro-forma information is not necessarily representative of future revenue and operations.

On **March 7, 2018**, the Company closed a disposition of fee title lands in the Weyburn area of Saskatchewan and a new gross overriding royalty on the Mitsue Gilwood Unit for net proceeds of \$24 million plus additional working interests in certain producing wells in the Wainwright area. A gain of \$1.0 million was recorded on this disposition.

On **May 17, 2018**, Cardinal disposed of non-core assets for cash proceeds of \$1.0 million. The assets consisted of petroleum and natural gas properties with a net book value of \$2.7 million and associated decommissioning obligations of \$1.1 million, resulting in a loss of \$0.6 million on closing of the disposition.

On **September 4, 2018**, Cardinal closed a minor acquisition in the Mitsue area for a consideration of \$1.1 million before closing adjustments with an associated decommissioning obligation of \$0.1 million.

On **September 14, 2018**, Cardinal sold a royalty interest on its Midale properties for gross proceeds of \$12.5 million.

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.

5 EXPLORATION AND EVALUATION ASSETS

	Exploration and Evaluation Assets
At December 31, 2016	\$ 1,557
Additions	498
Impairment	(209)
At December 31, 2017	1,846
Additions	54
At September 30, 2018	\$ 1,900

Cardinal's 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.

6 PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Corporate assets	Total
Cost			
At January 1, 2017	\$ 1,194,338	\$ 2,979	\$ 1,197,317
Additions	55,148	924	56,072
Acquisitions	349,702	-	349,702
Disposition	(23,291)	-	(23,291)
At December 31, 2017	1,575,897	3,903	1,579,800
Additions	50,881	153	51,034
Acquisitions	21,666	-	21,666
Disposition	(43,929)	-	(43,929)
At September 30, 2018	\$ 1,604,515	\$ 4,056	\$ 1,608,571
Accumulated depletion and depreciation			
At January 1, 2017	\$ (400,849)	\$ (1,003)	\$ (401,852)
Depletion and depreciation	(94,318)	(414)	(94,732)
Disposition	6,148	-	6,148
Impairment	(60,791)	-	(60,791)
At December 31, 2017	(549,810)	(1,417)	(551,227)
Depletion and depreciation	(67,525)	(352)	(67,877)
Disposition	5,500	-	5,500
At September 30, 2018	\$ (611,835)	\$ (1,769)	\$ (613,604)
Net book value			
At December 31, 2017	\$ 1,026,087	\$ 2,486	\$ 1,028,573
At September 30, 2018	\$ 992,680	\$ 2,287	\$ 994,967

The calculation of depletion for the nine months ended September 30, 2018 includes estimated future development costs of \$160.0 million (December 31, 2017 - \$161.8 million) associated with the development of the Company's proved plus probable reserves.

For the nine months ended September 30, 2018, Cardinal capitalized \$1.3 million of general and administrative expenses (2017 - \$0.7 million) and \$1.0 million (2017 - \$0.8 million) of share-based compensation.

7 BANK DEBT

The Company's reserves-based revolving credit facility of \$325 million is 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 24, 2019 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 23, 2020.

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 0.5 to 2.5%, and bankers' acceptances and/or LIBOR loans, which are subject to fees and margins ranging from 1.5 to 3.5%. 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 \$2.0 million was outstanding at September 30, 2018 (2017 – \$2.0 million) 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, 2018. For the nine months ended September 30, 2018 the effective interest rate on the Company's bank debt was 4.0% (2017 – 3.1%).

8 CONVERTIBLE DEBENTURES

	Number of Convertible Debentures		Liability Component		Equity Component
Balance at December 31, 2016	50,000	\$	46,361	\$	1,729
Accretion	-		884		-
Balance at December 31, 2017	50,000	\$	47,245	\$	1,729
Accretion	-		672		-
Balance at September 30, 2018	50,000	\$	47,917	\$	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, 2018 Cardinal recognized \$2.1 million of interest (2017 - \$2.1 million) and \$0.7 million of accretion (2017 - \$0.7 million) related to the convertible debentures. At September 30, 2018, the fair value of the convertible debentures was \$51.1 million (December 31, 2017 - \$49.5 million).

9 DECOMMISSIONING OBLIGATION

	Nine months ended		Year ended	
	September 30, 2018		December 31, 2017	
Balance, beginning of period	\$	129,638	\$	111,867
Liabilities incurred		429		222
Liabilities acquired		1,042		25,626
Liabilities disposed		(1,380)		(643)
Change in estimates		-		(12,491)
Decommissioning expenditures		(5,243)		(3,933)
Accretion		6,800		8,990
Balance, end of period	\$	131,286	\$	129,638

The Company's decommissioning obligation results from its ownership interest in crude oil and natural gas assets including well sites, and facilities. At September 30, 2018, the total estimated amount to settle Cardinal's decommissioning obligation was \$361 million (2017 - \$359 million) on an uninflated and undiscounted basis and \$669 million (2017 - \$665 million) on an inflated and undiscounted basis.

The decommissioning obligation was determined by applying an inflation factor of 2.0% (2017 - 2.0%) and discounting the inflated amount using Cardinal's credit-adjusted rate of 7.0% (2017 - 7.0%) over the expected average useful life of the underlying assets of 20 to 50 years (2017 - 20 to 50 years).

10 SHARE CAPITAL AND WARRANTS

At September 30, 2018, 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, 2018		December 31, 2017	
	Number of shares	Amount	Number of shares	Amount
Common shares, beginning of period	110,838,321	\$ 1,077,019	74,151,719	\$ 868,901
Issue of common shares	-	-	30,910,000	170,005
Common shares issued in connection with acquisition	2,314,815	11,250	4,033,708	27,631
Issue of flow-through common shares	1,664,000	8,903	475,000	2,290
Settlement of RAs	1,222,064	9,024	690,417	4,813
Issued pursuant to SDP and DRIP	-	-	89,007	756
Exercise of options and warrants	-	-	488,470	2,623
Common shares, end of period	116,039,200	\$ 1,106,196	110,838,321	\$ 1,077,019
Cummulative share issue costs, net of tax	-	(34,737)	-	(34,667)
Total shareholders' capital, end of period	116,039,200	\$ 1,071,459	110,838,321	\$ 1,042,352

In the nine months ended September 30, 2018, the Company issued 2.3 million common shares for the consolidating acquisition in Midale (see note 4).

Flow-through shares

Between August 30, 2018 and September 5, 2018, Cardinal issued an aggregate of 1,024,000 flow-through common shares pursuant to a private placement at \$5.65 per common share for gross proceeds of \$5.8 million. The Company recorded a deferred liability for the related premium in the amount of \$0.4 million. The Company is committed to incur qualifying Canadian Development Expenditures by December 30, 2018.

On August 30, 2018, Cardinal issued 640,000 flow-through common shares pursuant to a private placement at \$6.25 per common share for gross proceeds of \$4.0 million. The Company recorded a deferred liability for the related premium in the amount of \$0.5 million. Insiders subscribed for 204,000 of the common shares issued. The Company is committed to incur qualifying Canadian Exploration Expenditures by December 31, 2019.

On December 14, 2017, Cardinal issued 475,000 flow-through common shares pursuant to a private placement at \$6.00 per common share for gross proceeds of \$2.9 million. The Company recorded a deferred liability for the related premium in the amount of \$0.6 million. The Company is committed to incur qualifying Canadian Exploration Expenditures by December 31, 2018. As at September 30, 2018, Cardinal has incurred \$2.5 million of the eligible expenditures under this agreement.

Earnings (loss) per share

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Earnings (loss) for the period	\$ 9,068	\$ (12,070)	\$ (24,216)	\$ (3,290)
Earnings (loss) per share				
- Basic and diluted	\$ 0.08	\$ (0.11)	\$ (0.21)	\$ (0.04)
Weighted average number of common shares				
- Basic	114,823,280	110,277,990	114,142,003	88,609,534
- Diluted	116,410,933	110,277,990	114,142,003	88,609,534

For the nine months ended September 30, 2018, 3,545,589 RAs (2017 – 3,064,241), 4,761,905 (\$50.0 million at \$10.50) convertible debentures (2017 – 4,761,905), and 62,226 stock options (2017 – 136,392) were excluded from the calculation of diluted loss per share as their effect was anti-dilutive.

11 DIVIDENDS

During the nine months ended September 30, 2018, \$37.1 million (2017 – \$29.0 million) of dividends (\$0.315 per common share) (2017 - \$0.315 per common share) were declared of which \$32.7 million (2017 - \$24.7 million) was paid in cash, \$4.4 million (2017 - \$3.9 million) was recognized as a liability at September 30, 2018. The dividend payable was settled on October 15, 2018. As the Company suspended its dividend reinvestment plan (“DRIP”) and stock dividend program (“SDP”) in 2017, there were no shares issued in 2018 (2017 – 59,559) under these plans.

12 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 \$4.94 (2017 - \$5.72) during the nine months ended September 30, 2018.

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, 2018:

	Number of stock options	Weighted average exercise price
Balance at December 31, 2016	184,726	\$ 7.66
Exercised	(40,000)	\$ 6.75
Forfeited	(8,334)	\$ 6.75
Expired	(28,055)	\$ 8.42
Balance at December 31, 2017	108,337	\$ 7.88
Forfeited	(38,889)	\$ 9.00
Expired	(7,222)	\$ 8.25
Balance at September 30, 2018	62,226	\$ 7.13

Exercise price	Outstanding and Exercisable	
	Number of Stock Options	Weighted average remaining life (years)
\$ 6.75	48,892	0.1
\$ 8.25	11,668	0.5
\$ 10.50	1,666	0.5
\$ 7.13	62,226	0.2

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, either with a cash payment or incremental common shares, 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, 2016	2,688,723
Granted	2,069,410
Settled	(1,308,189)
Adjustment for dividends declared	121,372
Forfeited	(562,329)
Balance at December 31, 2017	3,008,987
Granted	2,018,859
Settled	(1,222,064)
Adjustment for dividends declared	146,723
Forfeited	(406,916)
Balance at September 30, 2018	3,545,589

For the nine months ended September 30, 2018 the Company settled 1,222,064 RAs (2017 – 651,141) with the issuance of common shares. In 2018, the Company did not settle any RAs in cash (2017 – 617,772 RAs for \$6.5 million in cash).

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 \$4.75 (2017 - \$7.94).

Share-based Compensation

Share-based compensation for the nine months ended September 30, 2018 of \$5.4 million was expensed (2017 - \$7.3 million) and \$1.0 million (2017 - \$0.8 million) was capitalized.

13 REVENUE

Cardinal sells its production pursuant to variable-priced contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis.

Crude oil, natural gas, and natural gas liquids are sold under contracts of varying price and volume terms of up to one year. Revenues are typically collected on the 25th day of the month following production.

The following table details the Company's petroleum and natural gas sales by product:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Crude oil	109,784	81,832	307,795	201,185
Natural gas liquids	2,537	1,866	7,451	4,438
Natural gas	1,230	2,324	4,931	10,575
Petroleum and natural gas revenue	113,551	86,022	320,177	216,198

14 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, 2018 and 2017, 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, 2018 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, 2018 - December 31, 2018	6,000 bbl/d	\$ 68.62	(14,060)
CDN WTI Swap	October 1, 2018 - January 31, 2019	1,000 bbl/d	\$ 75.50	(2,277)
CDN WTI Swap	October 1, 2018 - April 30, 2019	1,000 bbl/d	\$ 80.00	(2,855)
CDN WTI Swap	October 1, 2018 - June 30, 2019	500 bbl/d	\$ 76.00	(2,327)
CDN WTI Swap	January 1, 2019 - June 30, 2019	500 bbl/d	\$ 90.10	(236)
CDN WTI Swap	January 1, 2019 - December 31, 2019	500 bbl/d	\$ 57.00	(2)
CDN WTI Call	October 1, 2018 - December 31, 2018 ⁽¹⁾	1,000 bbl/d	\$ 70.00	(2,214)
CDN WTI Call	January 1, 2019 - December 31, 2019 ⁽¹⁾	2,000 bbl/d	\$ 68.50	(16,387)
CDN WTI Collar	October 1, 2018 - December 31, 2018	1,500 bbl/d	\$ 63.33	(3,010)
			\$ 72.33	
CDN WTI Collar	October 1, 2018 - December 31, 2018	500 bbl/d	\$ 75.00	(438)
			\$ 85.00	
CDN WTI Collar	October 1, 2018 - June 30, 2019	1,500 bbl/d	\$ 70.00	(4,602)
			\$ 83.33	
CDN WTI Collar	January 1, 2019 - December 31, 2019	500 bbl/d	\$ 80.00	(806)
			\$ 90.10	
CDN WCS Differential Swap	October 1, 2018 - December 31, 2018	1,000 bbl/d	\$ 18.48	2,206
AECO Swap	October 1, 2018 - October 31, 2018	2,000 gj/d	\$ 1.48	1
AECO Swap	October 1, 2018 - December 31, 2018	5,000 gj/d	\$ 2.34	242
AECO Swap	October 1, 2018 - March 31, 2019	2,000 gj/d	\$ 1.74	(81)
AECO Collar	October 1, 2018 - December 31, 2018	2,000 gj/d	\$ 2.00	41
			\$ 3.00	
				(46,805)

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

(2) The Cdn WTI call option for fiscal 2019 is to be determined by the counterparty on December 31, 2018.

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, 2018 commodity prices, a \$1 per barrel change in the price of crude oil would have changed the unrealized loss by \$3.7 million (2017 – unrealized gain of \$2.5 million) and a \$0.10 per gigajoule change in the price of natural gas would have changed the unrealized gain by \$0.3 million (2017 – unrealized gain of \$0.4 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 7) 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 8). 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.

15 CONTRACTUAL OBLIGATIONS

At September 30, 2018, the Company had contractual obligations as follows:

	2018	2019	2020	2021	2022	Thereafter
Head office lease	359	1,436	1,436	1,475	1,475	1,475
Field office lease	33	130	22	-	-	-
Trade and other payables	64,389	-	-	-	-	-
Dividends payable	4,438	-	-	-	-	-
Bank debt	-	-	184,524	-	-	-
Capital commitments	6,162	5,500	-	-	-	-
Convertible debentures	688	2,750	52,750	-	-	-
	\$ 76,069	\$ 9,816	\$ 238,732	\$ 1,475	\$ 1,475	\$ 1,475

16 SUBSEQUENT EVENTS

On **October 12, 2018**, the Company confirmed that a dividend of \$0.035 per common share would be paid on November 15, 2018 to shareholders of record on October 31, 2018.