



CARDINAL
ENERGY LTD.



Q1 2017

FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEETS

As at <i>(Unaudited, thousands)</i>	Note	March 31, 2017	December 31, 2016
ASSETS			
Current assets			
Trade and other receivables		\$ 29,001	\$ 27,569
Deposits and prepaid expenses		1,956	1,265
Fair value of financial instruments	12	2,662	5,301
		33,619	34,135
Non-current assets			
Fair value of financial instruments	12	594	-
Exploration and evaluation assets	4	1,589	1,557
Property, plant and equipment	5	831,993	795,465
Deferred taxes		114,807	115,080
		948,983	912,102
Total Assets		\$ 982,602	\$ 946,237
LIABILITIES			
Current liabilities			
Trade and other payables		\$ 39,579	\$ 35,267
Dividends payable	10	2,774	2,595
Decommissioning obligation	8	875	875
Fair value of financial instruments	12	14,063	27,983
		57,291	66,720
Non-current liabilities			
Deferred flow-through share premium		127	127
Bank debt	6	82,978	61,272
Fair value of financial instruments	12	1,868	9,685
Liability component of convertible debentures	7	46,578	46,361
Decommissioning obligation	8	118,255	110,992
		249,806	228,437
Total Liabilities		307,097	295,157
SHAREHOLDERS' EQUITY			
Share capital	9	874,225	839,626
Warrants	9	698	1,420
Equity component of convertible debentures	7	1,729	1,729
Contributed surplus		9,428	18,424
Deficit		(210,575)	(210,119)
Total Shareholders' Equity		675,505	651,080
Total Liabilities and Shareholders' Equity		\$ 982,602	\$ 946,237
Subsequent events	13		

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 March 31,	
		2017	2016
Revenue			
Petroleum and natural gas revenue		\$ 62,574	\$ 33,424
Royalties		(8,727)	(4,623)
Realized gain (loss) on commodity contracts	12	(3,200)	10,838
Unrealized gain (loss) on commodity contracts	12	19,906	(4,296)
		70,553	35,343
Expenses			
Operating		31,347	27,871
Unrealized loss on power contracts	12	214	152
General and administrative		3,383	2,601
Share-based compensation	11	2,623	2,432
Finance		3,479	3,609
Transaction costs		-	37
Depletion and depreciation	5	19,694	19,988
Gain on acquisition	5	(396)	-
		60,344	56,690
Earnings (loss) before deferred tax		10,209	(21,347)
Deferred tax expense (reduction)		2,647	(5,703)
Earnings (loss) and comprehensive earnings (loss) for the period		\$ 7,562	\$ (15,644)
Earnings (loss) per share	9		
Basic and diluted		\$ 0.10	\$ (0.24)

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
Exercise of options and warrants	100,223	494	(199)	-	(15)	-	280
Settlement of RAs ⁽¹⁾	630,061	6,680	-	-	(6,680)	-	-
Dividends (\$0.105 per share)	-	-	-	-	-	(6,917)	(6,917)
Issued pursuant to SDP and DRIP ⁽²⁾	81,757	574	-	-	-	-	574
Share-based compensation	-	-	39	-	2,685	-	2,724
Loss for the period	-	-	-	-	-	(15,644)	(15,644)
March 31, 2016	65,936,250	\$ 764,746	\$ 1,296	\$ 1,729	\$ 9,466	\$ (115,774)	\$ 661,463
January 1, 2017	74,151,719	\$ 839,626	\$ 1,420	\$ 1,729	\$ 18,424	\$ (210,119)	\$ 651,080
Common shares issued in connection with acquisition (note 3)	4,033,708	27,631	-	-	-	-	27,631
Exercise of options and warrants	362,374	2,114	(722)	-	(178)	-	1,214
Dividends (\$0.105 per share)	-	-	-	-	-	(8,018)	(8,018)
Issued pursuant to SDP and DRIP ⁽¹⁾	77,013	670	-	-	-	-	670
Settlement of RAs ⁽²⁾	637,378	4,238	-	-	(10,726)	-	(6,488)
Share-based compensation	-	-	-	-	2,871	-	2,871
Adjustment to excess value of RAs	-	-	-	-	(963)	-	(963)
Share issue costs, net of deferred tax of \$19	-	(54)	-	-	-	-	(54)
Earnings for the period	-	-	-	-	-	7,562	7,562
March 31, 2017	79,262,192	\$ 874,225	\$ 698	\$ 1,729	\$ 9,428	\$ (210,575)	\$ 675,505

(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 March 31,	
		2017	2016
Cash provided by (used in)			
Operating activities			
Earnings (loss) for the period		\$ 7,562	\$ (15,644)
Adjustments for			
Share-based compensation	11	2,623	2,432
Depletion and depreciation	5	19,694	19,988
Unrealized (gain) loss on commodity contracts	12	(19,906)	4,296
Unrealized loss on power contracts	12	214	152
Deferred tax expense (reduction)		2,647	(5,703)
Accretion	7,8	2,148	2,237
Gain on acquisition	5	(396)	-
Decommissioning obligation settled	8	(431)	(126)
Change in non-cash working capital		1,228	10,343
		15,383	17,975
Investing activities			
Exploration and evaluation expenditures		(32)	(26)
Property, plant and equipment expenditures		(21,501)	(2,205)
Property acquisitions	3	(4,001)	(175)
Change in non-cash working capital		2,293	(2,270)
		(23,241)	(4,676)
Financing activities			
Settlement of RAs	11	(6,488)	-
Share issue costs		(73)	-
Options and warrants exercised	9	1,214	280
Dividends	10	(7,348)	(6,343)
Increase (decrease) in bank debt		21,706	(5,020)
Change in non-cash working capital		(1,153)	(2,216)
		7,858	(13,299)
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 months ended March 31, 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 May 4, 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 "Acquisition") to expand its core area and increase its light oil development opportunities. Total consideration provided, before closing adjustments, consisted of approximately 4.0 million common shares valued at \$6.85 per share and \$4.0 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	\$	33,800
Deferred tax asset		3,465
Decommissioning obligation		(5,591)
	\$	31,674

Consideration

Share consideration	\$	27,631
Cash		4,043
	\$	31,674

The Acquisition has contributed petroleum and natural gas revenue of \$0.8 million and operating income (petroleum and natural gas revenue less royalties and operating expenses) of \$0.4 million since March 17, 2017. Had the Acquisition closed on January 1, 2017, the Company's estimated petroleum and natural gas revenue would have been \$66.6 million and estimated operating income would have been \$24.4 million for the three months ended March 31, 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 & Evaluation Assets
At December 31, 2015	\$ 3,680
Additions	3,716
Impairment	(5,839)
At December 31, 2016	1,557
Additions	32
At March 31, 2017	\$ 1,589

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 year 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	21,781	140	21,921
Acquisitions, net	34,301	-	34,301
At March 31, 2017	\$ 1,250,420	\$ 3,119	\$ 1,253,539
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	(19,608)	(86)	(19,694)
At March 31, 2017	\$ (420,457)	\$ (1,089)	\$ (421,546)
Net book value			
At December 31, 2016	\$ 793,489	\$ 1,976	\$ 795,465
At March 31, 2017	\$ 829,963	\$ 2,030	\$ 831,993

The calculation of depletion for the three months ended March 31, 2017 includes estimated future development costs of \$52.8 million (2016 - \$64.9 million) associated with the development of the Company's proved plus probable reserves. For the three months ended March 31, 2017, Cardinal capitalized \$0.2 million of general and administrative (2016 - \$0.2 million) and \$0.2 million (2016 - \$0.3 million) of share-based compensation.

In connection with the 2016 farm-out agreement the Farmee drilled, completed and brought on production two vertical wells for the three months ended March 31, 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.

6 BANK DEBT

The Company's credit facilities consist of a \$130 million syndicated revolving term credit facility and a \$20 million non-syndicated revolving operating term credit facility (the "Facilities") with a borrowing base of \$250 million. The Facilities are available on a revolving basis until May 26, 2017 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 25, 2018.

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 on or before May 26, 2017. Cardinal may request an increase in the Facilities up to the borrowing base.

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.

Cardinal was in compliance with the terms of the Facilities at March 31, 2017. For the three months ended March 31, 2017 the effective interest rate on the Company's bank debt was 2.7% (2016 – 2.7%).

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	-	217	-
Balance at March 31, 2017	50,000	\$ 46,578	\$ 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 under shareholders' equity and the liability component will be reclassified to shareholders' equity along with the conversion price.

For the three months ended March 31, 2017 Cardinal recognized \$0.7 million of interest (2016 - \$0.7 million) and \$0.2 million of accretion (2016 - \$0.2 million) related to the convertible debentures. At March 31, 2017, the fair value of the convertible debentures was \$52.3 million (2016 - \$59.3 million).

8 DECOMMISSIONING OBLIGATION

	Three months March 31, 2017	Year ended December 31, 2016
Balance, beginning of period	\$ 111,867	\$ 114,060
Liabilities incurred	53	129
Liabilities acquired	5,591	3,789
Change in estimates	119	(11,661)
Decommissioning expenditures	(431)	(2,727)
Accretion	1,931	8,277
Balance, end of period	119,130	111,867
Less current portion	(875)	(875)
	\$ 118,255	\$ 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 March 31, 2017, the total estimated amount to settle Cardinal's decommissioning obligation was \$321 million (2016 - \$309 million) on an uninflated and undiscounted basis and \$562 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 for the three months ended March 31, 2017 consists of a change in costs of \$0.1 million (2016 – nil).

9 SHARE CAPITAL AND WARRANTS

At March 31, 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.

	Three months ended March 31, 2017		Year ended 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	-	-	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	637,378	4,238	667,504	7,219
Issued pursuant to SDP and DRIP	77,013	670	216,799	1,826
Exercise of options and warrants	362,374	2,114	106,716	562
Common shares, end of period	79,262,192	\$ 903,554	74,151,719	\$ 868,901
Cummulative share issue costs, net of tax	-	(29,329)	-	(29,275)
Total shareholders' capital, end of period	79,262,192	\$ 874,225	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 expire on July 30, 2017. The warrants are exercisable at \$3.00 per warrant subject to an optional adjustment for dividends declared which reduced the exercise price at March 31, 2017 to \$2.53 and increased the number of warrants then outstanding (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).

Earnings (loss) per share

	Three months ended March 31,	
	2017	2016
Earnings (loss) for the period	\$ 7,562	\$ (15,644)
Weighted average number of common shares		
- Basic	75,557,053	65,724,708
- Diluted	76,918,930	65,724,708

For the three months ended March 31, 2017, 1,046,143 RAs (2016 – 2,684,895), 4,761,905 (\$50.0 million at \$10.50) convertible debentures (2016 – 4,761,905), nil warrants (2016 – 703,460), nil options (2016 – 191,393), and nil SARs (2016 – 30,996) were excluded from the calculation of diluted loss per share as their effect was anti-dilutive.

10 DIVIDENDS

During the three months ended March 31, 2017, \$8.0 million of dividends (\$0.105 per common share) were declared of which \$4.9 million was paid in cash, \$2.8 million was recognized as a liability at March 31, 2017, and \$0.3 million was settled on the issuance of 47,565 common shares pursuant to the Company's DRIP and SDP. The dividend payable was settled on April 18, 2017 with cash of \$2.7 million and \$0.1 million was recognized on the issuance of 11,994 Cardinal common shares pursuant to the DRIP and SDP.

The Company has a dividend reinvestment plan ("DRIP") and a stock dividend program ("SDP") which enable shareholders to receive dividends in common shares rather than cash. On March 13, 2017, Cardinal announced the suspension of the DRIP and SDP, effective for the April 2017 dividend to be 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 \$8.16 (2016 - \$7.33) for the three months ended March 31, 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 March 31, 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
Balance at March 31, 2017	144,726	\$ 7.92

Options Outstanding				Options Exercisable		
Exercise price per share	Number of options	Weighted average exercise price	Weighted average remaining life (years)	Number of options	Weighted average exercise price	Weighted average remaining life (years)
\$ 6.75	88,336	\$ 6.75	1.4	88,336	\$ 6.75	1.4
\$ 8.25	18,890	\$ 8.25	1.6	18,890	\$ 8.25	1.6
\$ 10.50	37,500	\$ 10.50	1.5	37,500	\$ 10.50	1.5
	144,726	\$ 7.92	1.5	144,726	\$ 7.92	1.5

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	(322,374)
Adjustment for dividends declared	(42,041)
Balance at March 31, 2017	363,385

At March 31, 2017, 363,385 warrants (adjusted for dividends) were exercisable at a price of \$2.53 per warrant and the weighted average remaining life of the warrants was 0.3 years. During the three months ended March 31, 2017, 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	1,046,143
Settled	(1,255,150)
Adjustment for dividends declared	111,377
Balance at March 31, 2017	2,591,093

For the three months ended March 31, 2017 the Company settled 617,772 RAs (2016 – nil) for \$6.5 million in cash and 637,378 RAs (2016 – 630,061) with the issuance of 637,378 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 \$10.26 (2016 - \$6.87).

Share-based Compensation

Share-based compensation for the three months ended March 31, 2017 of \$2.6 million was expensed (2016 - \$2.4 million) and \$0.2 million (2016 - \$0.3 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 March 31, 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 March 31, 2017 Cardinal had the following commodity and power financial derivative contracts outstanding:

Type of Instrument	Remaining Term	Average Quantity	Average Strike Price	Fair Value
CAD WTI Swap	April 1, 2017 - June 30, 2017	2,250 bbl/d	\$ 65.00	(611)
CAD WTI Swap	April 1, 2017 - July 31, 2017	500 bbl/d	\$ 54.00	(861)
CAD WTI Swap	April 1, 2017 - December 31, 2017	500 bbl/d	\$ 78.60	1,369
CAD WTI Swap	April 1, 2017 - December 31, 2017	2,500 bbl/d	\$ 59.94	(5,961)
CAD WTI Swap	April 1, 2017 - June 30, 2018	500 bbl/d	\$ 57.50	(2,538)
CAD WTI Swap	July 1, 2017 - June 30, 2018	1,000 bbl/d	\$ 66.25	(935)
CAD WTI Swap	January 1, 2018 - December 31, 2018	500 bbl/d	\$ 69.75	245
CAD WTI Call	January 1, 2018 - December 31, 2018 ⁽¹⁾	1,000 bbl/d	\$ 70.00	(2,630)
CAD WTI Collar	July 1, 2017 - June 30, 2018	1,500 bbl/d	\$ 65.67 \$ 77.00	1,076
WCS Differential Swap	April 1, 2017 - August 31, 2017	1,000 bbl/d	\$ 18.50	(240)
WCS Differential Swap	April 1, 2017 - September 30, 2017	1,000 bbl/d	\$ 18.00	(113)
WCS Differential Swap	April 1, 2017 - December 31, 2017	4,000 bbl/d	\$ 18.88	(1,053)
AECO Swap	April 1, 2017 - June 30, 2017	1,000 gj/d	\$ 2.00	(49)
AECO Swap	April 1, 2017 - December 31, 2017	1,500 gj/d	\$ 2.40	(110)
AECO Swap	April 1, 2017 - April 30, 2018	1,000 gj/d	\$ 2.25	(193)
AECO Swap	April 1, 2017 - December 31, 2018	2,000 gj/d	\$ 2.65	102
AECO Swap	January 1, 2018 - December 31, 2018	1,000 gj/d	\$ 2.67	68
AECO Collar	April 1, 2017 - December 31, 2017	1,000 gj/d	\$ 2.80 \$ 3.10	55
AECO Collar	May 1, 2017 - December 31, 2017	2,000 gj/d	\$ 2.25 \$ 2.85	(57)
				(12,436)
Power Swap	April 1, 2017 - December 31, 2017	6.00 MW/hr	\$ 30.33	(239)
				(239)

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

Operating expenses for the three months ended March 31, 2017 include a realized loss on power contracts of \$0.1 million (2016 – \$0.5 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 March 31, 2017 commodity prices, a \$1 per barrel change in the price of crude oil would have changed the unrealized loss by \$2.6 million (2016 – \$3.3 million) and a \$0.10 per gigajoule change in the price of natural gas would have changed the unrealized loss by \$0.1 million (2016 - \$0.1 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 March 31, 2017, the Company had contractual obligations and commitments as follows:

	2017	2018	2019	2020	2021	Thereafter
Head office lease	826	1,870	1,870	1,870	1,909	3,819
Field office lease	98	130	22	-	-	-
Trade and other payables	39,579	-	-	-	-	-
Dividends payable	2,774	-	-	-	-	-
Bank debt	-	82,978	-	-	-	-
Convertible debentures	2,750	2,750	2,750	52,750	-	-
	\$ 46,027	\$ 87,728	\$ 4,642	\$ 54,620	\$ 1,909	\$ 3,819

Cardinal is also committed to incur qualifying Canadian Exploration Expense of \$0.8 million prior to December 31, 2017.

13 SUBSEQUENT EVENTS

On **April 7, 2017**, the Company confirmed that a dividend of \$0.035 per common share would be paid on May 15, 2017 to shareholders of record on April 28, 2017. The total amount of dividends declared at April 28, 2017 was \$2.8 million.

On **May 4, 2017**, the Company confirmed that a dividend of \$0.035 per common share would be paid on June 15, 2017 to shareholders of record on May 31, 2017.