



CARDINAL
ENERGY LTD.

FINANCIAL STATEMENTS
Q2 2014

CONDENSED INTERIM BALANCE SHEETS

<i>(Unaudited, thousands)</i>	<i>Note</i>	June 30, 2014	December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents	\$	5,543	\$ -
Trade and other receivables		17,676	6,077
Deposits and prepaid expenses		1,896	1,391
		25,115	7,468
Non-current assets			
Exploration and evaluation assets	4	6,101	4,921
Property, plant and equipment	5	416,764	390,785
		422,865	395,706
Total Assets	\$	447,980	\$ 403,174
LIABILITIES			
Current liabilities			
Trade and other payables	\$	22,549	\$ 7,350
Dividends payable	9	2,048	-
Fair value of financial instruments	11	6,329	602
		30,926	7,952
Non-current liabilities			
Deferred flow-through share premium		85	85
Bank debt	6	-	9,318
Decommissioning obligation	7	42,093	40,384
Deferred taxes		10,933	8,572
		53,111	58,359
Total Liabilities		84,037	66,311
SHAREHOLDERS' EQUITY			
Share capital	8	334,400	302,562
Warrants	8	1,029	1,756
Contributed surplus		4,585	1,167
Retained earnings		23,929	31,378
Total Shareholders' Equity		363,943	336,863
Total Liabilities and Shareholders' Equity	\$	447,980	\$ 403,174
Commitments	12		
Subsequent events	13		

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



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

<i>(Unaudited, thousands except per share amounts)</i>	<i>Note</i>	Three months ended June 30,		Six months ended June 30,	
		2014	2013	2014	2013
Revenue					
Petroleum and natural gas revenue		\$ 48,194	\$ 7,658	\$ 89,481	\$ 14,151
Royalties		(6,570)	(790)	(11,206)	(1,545)
Realized loss on commodity contracts	11	(2,681)	(13)	(4,230)	(20)
Unrealized loss on commodity contracts	11	(2,001)	(32)	(5,874)	(310)
		36,942	6,823	68,171	12,276
Expenses					
Operating		\$ 13,134	2,763	\$ 26,508	4,994
Unrealized gain on power contracts	11	(164)	-	(147)	-
General and administrative		1,908	944	4,051	1,575
Share-based compensation	10	2,085	456	3,660	869
Finance		1,152	390	2,256	683
Transaction costs		-	-	-	36
Depletion and depreciation	5	12,661	2,239	24,390	4,534
		30,776	6,792	60,718	12,691
Earnings (loss) before deferred tax		6,166	31	7,453	(415)
Deferred tax expense		\$ 2,386	123	\$ 2,776	166
Earnings (loss) and comprehensive earnings (loss) for the period		\$ 3,780	\$ (92)	\$ 4,677	\$ (581)
Earnings (loss) per share					
Basic		\$ 0.10	\$ (0.01)	\$ 0.13	\$ (0.05)
Diluted		\$ 0.10	\$ (0.01)	\$ 0.12	\$ (0.05)

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	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Shareholders' Equity
January 1, 2013	11,091,671	\$ 64,179	\$ 819	\$ 131	\$ (3,820)	\$ 61,309
Issue of flow-through common shares	113,333	935	-	-	-	935
Common shares issued in connection with acquisitions	66,667	550	-	-	-	550
Common shares issued for undeveloped land	30,833	254	-	-	-	254
Exercise of warrants	1,600	7	(2)	-	-	5
Share-based compensation	-	-	453	485	-	938
Loss for the period	-	-	-	-	(581)	(581)
June 30, 2013	11,304,104	\$ 65,925	\$ 1,270	\$ 616	\$ (4,401)	\$ 63,410
January 1, 2014	34,875,532	\$ 302,562	\$ 1,756	\$ 1,167	\$ 31,378	\$ 336,863
Issue of common shares	2,187,500	28,000	-	-	-	28,000
Exercise of options and warrants	656,901	3,827	(935)	(455)	-	2,437
Dividends (\$0.32502 per share)	-	-	-	-	(12,126)	(12,126)
Issued pursuant to SDP and DRIP ⁽¹⁾	84,891	1,256	-	-	-	1,256
Share based compensation	-	-	208	3,873	-	4,081
Share issue costs, net of deferred tax of \$415	-	(1,245)	-	-	-	(1,245)
Earnings for the period	-	-	-	-	4,677	4,677
June 30, 2014	37,804,824	\$ 334,400	\$ 1,029	\$ 4,585	\$ 23,929	\$ 363,943

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

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 June 30,		Six months ended June 30,	
		2014	2013	2014	2013
Cash provided by (used in)					
Operating activities					
Earnings (loss) for the period		\$ 3,780	\$ (92)	\$ 4,677	\$ (581)
Adjustments for					
Share-based compensation	10	2,085	456	3,660	869
Depletion and depreciation	5	12,661	2,239	24,390	4,534
Unrealized loss on commodity contracts	11	2,001	32	5,874	310
Unrealized gain on power contracts	11	(164)	-	(147)	-
Deferred tax expense		2,386	123	2,776	166
Accretion	7	773	113	1,521	224
Decommissioning obligation settled	7	(117)	(62)	(265)	(62)
Change in non-cash working capital		2,298	1,252	(4,253)	(156)
		25,703	4,061	38,233	5,304
Investing activities					
Exploration and evaluation expenditures		(1)	(33)	(1,180)	(2,604)
Property, plant and equipment expenditures		(8,877)	(1,282)	(17,758)	(5,468)
Acquisitions	3	(5,103)	74	(31,737)	(4,144)
Change in non-cash working capital		2,774	(2,082)	8,325	(2,079)
		(11,207)	(3,323)	(42,350)	(14,295)
Financing activities					
Issue of flow-through common shares		-	-	-	1,020
Issue of common shares	8	-	-	28,000	-
Share issue costs	8	(45)	-	(1,660)	-
Options and warrants exercised	8	392	-	2,437	5
Dividends	9	(5,386)	-	(10,870)	-
Increase (decrease) in bank debt		(4,002)	(738)	(9,318)	7,966
Change in non-cash working capital		88	-	1,071	-
		(8,953)	(738)	9,660	8,991
Change in cash and cash equivalents		5,543	-	5,543	-
Cash and cash equivalents, beginning of period		-	-	-	-
Cash and cash equivalents, end of period		\$ 5,543	\$ -	\$ 5,543	\$ -

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



NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2014 and 2013
(Unaudited, thousands of Canadian dollars 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 as 1577088 Alberta Ltd 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 1400, 440 – 2nd Avenue SW, Calgary, Alberta, Canada, T2P 5E9.

2 BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with statement IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards (“IFRS”). The condensed interim financial statements use the accounting policies which the Company applied in its annual financial statements for the year ended December 31, 2013. The condensed interim financial statements do not include certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2013.

The interim condensed financial statements were authorized for issue by the Board of Directors on August 13, 2014.

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 **April 28, 2014**, Cardinal acquired petroleum and natural gas properties in Chauvin, Alberta. Total consideration provided was \$5.2 million in cash, before closing adjustments, with an associated decommissioning obligation of \$0.1 million.

On **January 28, 2014**, Cardinal acquired petroleum and natural gas properties in its core area at Bantry, Alberta. Total consideration provided was \$27.0 million in cash, before closing adjustments, with an associated decommissioning obligation of \$0.2 million. For the six months ended June 30, 2014, \$3.5 million of petroleum and natural gas revenue and \$2.6 million of operating income is attributable to the acquisition. If the acquisition closed on January 1, 2014, an additional \$0.6 million in petroleum and natural gas revenue and \$0.5 million in operating income would have been recognized.



4 EXPLORATION AND EVALUATION ASSETS

	Exploration & Evaluation Assets
At December 31, 2012	\$ 2,014
Additions	2,907
At December 31, 2013	4,921
Additions	1,180
At June 30, 2014	\$ 6,101

5 PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Corporate assets	Total
Cost			
At January 1, 2013	\$ 78,293	\$ 76	\$ 78,369
Additions	8,270	412	8,682
Acquisitions	316,150	-	316,150
At December 31, 2013	402,713	488	403,201
Additions	18,245	5	18,250
Acquisitions	32,119	-	32,119
At June 30, 2014	\$ 453,077	\$ 493	\$ 453,570
Accumulated depletion and depreciation			
At January 1, 2013	\$ (1,323)	\$ (15)	\$ (1,338)
Depletion and depreciation	(10,966)	(112)	(11,078)
At December 31, 2013	(12,289)	(127)	(12,416)
Depletion and depreciation	(24,349)	(41)	(24,390)
At June 30, 2014	\$ (36,638)	\$ (168)	\$ (36,806)
Net book value			
At December 31, 2013	\$ 390,424	\$ 361	\$ 390,785
At June 30, 2014	\$ 416,439	\$ 325	\$ 416,764

The calculation of depletion for the six months ended June 30, 2014 includes estimated future development costs of \$39.9 million (2013 - \$38.3 million) associated with the development of the Company's proved plus probable reserves.

During the three and six months ended June 30, 2014, the Corporation capitalized \$126 and \$258, respectively, of general and administrative (three and six months ended June 30, 2013: \$43 and \$55, respectively) and \$239 and \$421 of share-based compensation costs (three and six months ended June 30, 2013: \$35 and \$69, respectively) directly attributable to development activities of the Company's petroleum and natural gas assets.



6 BANK DEBT

The Company's credit facilities at June 30, 2014 consisted of a \$115 million syndicated revolving term credit facility and a \$10 million non-syndicated revolving operating term credit facility (the "Facilities"). The Facilities are available on a revolving basis until the term out date of May 29, 2015 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 become repayable on May 29, 2016.

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 1.0 to 2.5% and bankers' acceptances and/or LIBOR loans, which are subject to fees and margins ranging from 2.0 to 3.5%. Interest and standby fees on the undrawn amounts of the Facilities depend upon the Company's debt to EBITDA ratio. The Facilities are secured by a general security agreement over all of the Company's assets and Cardinal must maintain a working capital ratio of not less than 1 to 1 at all times. The working capital ratio is defined as current assets (including the undrawn amount under the Facilities) to current liabilities (excluding any current portion of bank debt and fair value of commodity contracts). Cardinal was in compliance with the terms of the Facilities at June 30, 2014.

For the six months ended June 30, 2014 the effective interest rate on the Company's bank debt was 4.0% (2013 - 4.0%).

7 DECOMMISSIONING OBLIGATION

	June 30, 2014	December 31, 2013
Balance, beginning of period	\$ 40,384	\$ 4,601
Liabilities incurred	71	200
Liabilities acquired	382	33,712
Change in estimates	-	1,466
Decommissioning expenditures	(265)	(262)
Accretion	1,521	667
Balance, end of period	\$ 42,093	\$ 40,384

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 June 30, 2014, the total estimated amount to settle Cardinal's decommissioning obligation was \$116.9 million (2013 - \$114.8 million) on an uninflated and undiscounted basis and \$196.8 million (2013 - \$192.9 million) on an inflated and undiscounted basis. The decommissioning obligation was determined by applying an inflation factor of 2% (2013 - 2%) and discounting the inflated amount using Cardinal's credit-adjusted rate of 7.5% (2013 - 7.5%) over the expected useful life of the underlying assets, currently expected to be 20 to 35 years.



8 SHARE CAPITAL AND WARRANTS

At June 30, 2014, 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.

	Six months ended June 30, 2014		Year ended December 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Common shares, beginning of period	34,875,532	\$ 315,041	11,091,671	\$ 65,795
Flow-through common shares issued for cash	-	-	113,333	935
Issue of common shares	2,187,500	28,000	23,571,428	247,500
Issued pursuant to SDP and DRIP	84,891	1,256	-	-
Issued for acquisitions	-	-	66,667	550
Issued for E&E	-	-	30,833	254
Exercise of options and warrants	656,901	3,827	1,600	7
Common shares, end of period	37,804,824	\$ 348,124	34,875,532	\$ 315,041
Cummulative share issue costs, net of tax	-	(13,724)	-	(12,479)
Total shareholders' capital, end of period	37,804,824	\$ 334,400	34,875,532	\$ 302,562

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 pursuant to a private placement. The warrants vest equally over five years, and are only exercisable if the market value of Cardinal's common shares is in excess of \$6.00 per common share, with the first vesting date on December 31, 2012 and on or after December 31 of each year thereafter. The warrants are exercisable at \$3.00 per warrant subject to an adjustment for dividends declared which reduced the exercise price at June 30, 2014 to \$2.94 and increased the number of warrants outstanding (note 10).

Earnings (Loss) per share

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Net earnings (loss) for the period	\$ 3,780	\$ (92)	\$ 4,677	\$ (581)
Weighted average number of common shares				
- Basic	37,733,848	11,284,112	37,121,320	11,213,699
- Diluted	38,961,626	11,284,112	38,273,737	11,213,699

9 DIVIDENDS

The Company has adopted a dividend reinvestment plan ("DRIP") and a stock dividend program ("SDP") which enable shareholders to receive dividends in common shares rather than cash.

During the six months ended June 30, 2014, \$12.1 million of dividends (\$0.32502 per common share) were declared of which \$8.8 million was paid in cash, \$2.0 million was recognized as a liability at June 30, 2014 and 84,891 common shares were issued pursuant to the Company's DRIP and SDP valued at \$1.3 million. The dividend payable was settled on July 15, 2014 with cash of \$1.8 million and the issue of 15,177 Cardinal common shares pursuant to the DRIP and SDP valued at \$0.3 million.



10 SHARE-BASED COMPENSATION

The maximum number of common shares issuable under the Company's stock option plan, restricted bonus award plan and standalone grant of stock appreciation rights, in aggregate, cannot exceed five percent of the outstanding common shares.

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 June 30, 2014:

	Number of stock options	Weighted average exercise price
Balance at December 31, 2012	374,993	\$ 6.75
Granted	99,165	\$ 9.10
Forfeited	(31,666)	\$ 7.93
Balance at December 31, 2013	442,492	\$ 7.19
Exercised	(120,547)	6.90
Forfeited	(27,778)	6.75
Balance at June 30, 2014	294,167	\$ 7.35

Exercise price per share	Options Outstanding			Options Exercisable		
	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	232,222	\$ 6.75	3.8	14,444	\$ 6.75	2.4
\$ 8.25	24,445	\$ 8.25	4.2	-	\$ -	-
\$ 10.50	37,500	\$ 10.50	4.3	-	\$ -	-
	294,167	\$ 7.35	3.9	14,444	\$ 6.75	2.4

Warrants

	Number of Warrants
Balance at December 31, 2012	1,416,654
Exercised	(1,600)
Forfeited	(6,399)
Balance at December 31, 2013	1,408,655
Exercised	(535,140)
Forfeited	(68,998)
Adjustment for dividends declared	16,412
Balance at June 30, 2014	820,929

At June 30, 2014, 28,914 warrants were exercisable and the weighted average remaining life of the warrants was 3.1 years.



Restricted Bonus Awards (“RA’s”)

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. During the six months ended June 30, 2014, 1,023,915 RA’s were granted pursuant to the plan and 90,484 of RA’s were forfeited for a total of 933,431 RA’s outstanding at June 30, 2014. The fair value of the RA’s 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 RA’s granted was \$11.61.

Stock Appreciation Rights (“SAR’s”)

On November 1, 2013, the Company granted an aggregate of 102,000 SAR’s to certain directors, officers and employees of the Company. The SAR’s were standalone grants and were not issued under a formal stock appreciation rights plan. Each SAR entitles the holder to receive one common share for each SAR granted including an adjustment for dividends declared. SAR’s granted vest equally over three years from the grant date. The fair value of the SAR’s was determined based on the value of the Company’s common shares of \$10.50 per share at the grant date. During the six months ended June 30, 2014, 5,500 of SAR’s were forfeited for a total of 96,500 SAR’s outstanding at June 30, 2014.

Share-based Compensation

Share-based compensation for the six months ended June 30, 2014 of \$3,660 was expensed (2013 - \$869) and \$421 (2013 - \$69) was capitalized.

11 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 and bank debt. Risk management assets and liabilities arise from the use of derivative financial instruments.

Carrying amount and fair value of financial assets and liabilities

A number of the Company’s accounting policies and disclosures require the determination of fair value. Fair value has been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The Company classifies the fair value of risk management assets and liabilities 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.

Trade and other receivables are classified as financial assets at amortized cost and are reported at amortized cost. Trade and other payables, dividends payable 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 lenders is indicative of current credit spreads.

As at June 30, 2014, the only asset or liability measured at fair value was risk management, which was classified as level 2.

Risk management contracts

The following tables outline the Company's crude oil and natural gas commodity contracts and power contracts as at June 30, 2014:

Remaining Term	Volume	Option Traded	Index	Fixed Price	Fair Value
July 1, 2014 – August 31, 2014	200 bbl/d	Swap	CAD WTI	\$ 99.00	(160)
July 1, 2014 - December 31, 2014	100 bbl/d	Swap	CAD WTI	\$ 95.50	(272)
July 1, 2014 - December 31, 2014	500 bbl/d	Swap	CAD WTI	\$ 102.65	(709)
July 1, 2014 - December 31, 2014	300 bbl/d	Swap	CAD WTI	\$ 104.00	(349)
July 1, 2014 - January 31, 2015	300 bbl/d	Swap	CAD WTI	\$ 98.25	(750)
July 1, 2014 - February 28, 2015	500 bbl/d	Swap	CAD WTI	\$ 103.50	(737)
July 1, 2014 - June 30, 2015	250 bbl/d	Swap	CAD WTI	\$ 103.00	(465)
July 1, 2014 - June 30, 2015	250 bbl/d	Swap	CAD WTI	\$ 103.00	(465)
January 1, 2015 - December 31, 2015	250 bbl/d	Swap	CAD WTI	\$ 98.90	(477)
January 1, 2015 - December 31, 2015	200 bbl/d	Swap	CAD WTI	\$ 100.40	(274)
January 1, 2015 - December 31, 2015	250 bbl/d	Swap	CAD WTI	\$ 101.30	(261)
July 1, 2014 - June 30, 2015	250 bbl/d	Collar - put	CAD WTI	\$ 95.00	92
		Collar - call	CAD WTI	\$ 106.20	(495)
July 1, 2014 - June 30, 2015	250 bbl/d	Collar - put	CAD WTI	\$ 95.00	67
		Collar - call	CAD WTI	\$ 106.35	(442)
January 1, 2015 - December 31, 2015	300 bbl/d	Collar - put	CAD WTI	\$ 95.00	243
		Collar - call	CAD WTI	\$ 104.00	(587)
January 1, 2015 - December 31, 2015	200 bbl/d	Collar - put	CAD WTI	\$ 95.00	198
		Collar - call	CAD WTI	\$ 105.00	(407)
January 1, 2015 - December 31, 2015	250 bbl/d	Collar - put	CAD WTI	\$ 97.50	266
		Collar - call	CAD WTI	\$ 104.00	(497)
July 1, 2014 - March 31, 2015	500 gj/d	Swap	CAD AECO	\$ 4.43	16
July 1, 2014 - March 31, 2015	500 gj/d	Swap	CAD AECO	\$ 4.41	13
					(6,452)

Remaining Term	Quantity	Option Traded	Fixed Price	Fair Value
July 1, 2014 - December 31, 2014	1.00 MW/hr	Swap	\$ 48.39	58
July 1, 2014 - December 31, 2014	0.55 MW/hr	Swap	\$ 55.18	15
July 1, 2014 - December 31, 2014	2.50 MW/hr	Swap	\$ 52.60	98
July 1, 2014 - December 31, 2014	1.50 MW/hr	Swap	\$ 53.42	54
July 1, 2014 - December 31, 2014	0.30 MW/hr	Swap	\$ 57.26	6
July 1, 2014 - December 31, 2015	1.00 MW/hr	Swap	\$ 51.05	22
January 1, 2015 - December 31, 2015	0.55 MW/hr	Swap	\$ 50.26	(9)
January 1, 2015 - December 31, 2015	1.00 MW/hr	Swap	\$ 51.00	(24)
January 1, 2015 - December 31, 2015	3.00 MW/hr	Swap	\$ 52.01	(97)
				123



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 June 30, 2014 commodity prices, a \$1 per barrel change in the price of crude oil would have changed earnings before tax by \$802 (2013 – \$235) and a \$0.10 per gigajoule change in the price of natural gas would have changed earnings before tax by \$27 (2013 – nil).

12 COMMITMENTS

The Company has an operating lease commitment for its office premises expiring December 31, 2014 of approximately \$1.0 million per annum. Cardinal has entered into an operating lease commitment for new office premises expiring December 30, 2023 of approximately \$1.0 million per annum once the current lease expires.

On March 31, 2013 Cardinal issued 113,333 flow-through common shares pursuant to a private placement for gross proceeds of \$1,020,000. The Company is committed to incur the qualifying expenditures prior to December 31, 2014.

13 SUBSEQUENT EVENTS

Subsequent to June 30, 2014 Cardinal entered into additional derivative commodity and power contracts as follows:

Remaining Term	Volume	Option Traded	Index	Fixed Price
January 1, 2015 - December 31, 2015	500 bbl/d	Collar - put	CAD WTI	\$ 95.00
		Collar - call	CAD WTI	\$ 108.25

On **July 14, 2014**, the Company confirmed that a dividend of \$0.05417 per common share will be paid on August 15, 2014 to shareholders of record on July 30, 2014. The total amount of dividends declared at July 31, 2014 was \$2.0 million. On **July 28, 2014**, the Board of Directors approved an increase in the monthly dividend to \$0.07 per share for the September 2014 dividend.

On **July 24, 2014**, Cardinal made an offer to acquire all of the issued and outstanding shares of a private company ("Privateco") for total consideration of \$12 million less Privateco's net debt at closing. The offer is subject to approval by 90% of Privateco's shareholders.

On **July 29, 2014**, Cardinal entered into a definitive purchase and sale agreement to acquire certain petroleum and natural gas properties in Wainwright for \$170 million in cash before closing adjustments. The Company paid the vendor a non-refundable deposit of \$17 million representing the amount of damages owed to the vendor should closing of the agreement not occur due to a default by Cardinal.

On **July 29, 2014**, Cardinal entered into a bought deal financing with a syndicate of underwriters to issue 8 million common shares at \$18.50 per common share for gross proceeds of \$148 million. In connection with the bought deal financing the underwriters were granted an over-allotment option to acquire an additional 800,000 common shares at \$18.50 per common share and if exercised would result in additional gross proceeds of \$14.8 million.

