CARDINAL
ENERGY LTD.

FINANCIAL STATEMENTS

Q3 2015

CONDENSED INTERIM BALANCE SHEETS

As at *(Unaudited, thousands)*	*Note*	**September 30, 2015**	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		**$ -**	$ 178
Trade and other receivables		**17,565**	20,334
Deposits and prepaid expenses		**2,467**	1,147
Fair value of financial instruments	11	**21,026**	40,590
		41,058	62,249
Non-current assets			
Deposit on acquisition	12	**8,550**	-
Exploration and evaluation assets	4	**2,945**	7,160
Property, plant and equipment	5	**670,147**	843,844
Fair value of financial instruments	11	**4,642**	-
Deferred taxes		**85,036**	-
		771,320	851,004
Total Assets		**$ 812,378**	$ 913,253
LIABILITIES			
Current liabilities			
Trade and other payables		**$ 30,622**	$ 24,012
Dividends payable	9	**4,083**	3,977
Fair value of financial instruments	11	**341**	-
Decommissioning obligation	7	**2,373**	1,788
		37,419	29,777
Non-current liabilities			
Deferred flow-through share premium	8	**718**	-
Fair value of financial instruments	11	**569**	-
Bank debt	6	**56,724**	47,735
Decommissioning obligation	7	**82,336**	77,993
Deferred taxes		**-**	9,820
		140,347	135,548
Total Liabilities		**177,766**	165,325
SHAREHOLDERS' EQUITY			
Share capital	8	**702,053**	686,288
Warrants	8	**1,367**	1,308
Contributed surplus		**11,680**	7,736
Retained earnings (deficit)		**(80,488)**	52,596
Total Shareholders' Equity		**634,612**	747,928
Total Liabilities and Shareholders' Equity		**$ 812,378**	$ 913,253
Subsequent events	12		

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

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

(Unaudited, thousands except per share amounts)	*Note*	Three months ended September 30, **2015**	2014	Nine months ended September30, **2015**	2014
Revenue					
Petroleum and natural gas revenue		**$ 42,949**	$ 54,045	**$ 134,800**	$ 143,526
Royalties		**(5,622)**	(7,346)	**(17,110)**	(18,552)
Realized gain (loss) on commodity contracts	11	**11,907**	(853)	**36,111**	(5,083)
Unrealized gain (loss) on commodity contracts	11	**16,989**	8,549	**(16,016)**	2,675
		66,223	54,395	**137,785**	122,566
Expenses					
Operating		**21,266**	16,610	**66,874**	43,118
Unrealized loss (gain) on power contracts	11	**1,051**	80	**(184)**	(67)
General and administrative		**2,610**	2,141	**8,406**	6,192
Share-based compensation	10	**2,432**	1,712	**6,969**	5,372
Finance		**2,019**	1,088	**6,146**	3,344
Transaction costs		**26**	949	**26**	949
Depletion and depreciation	5	**22,258**	15,235	**65,235**	39,625
Impairment	4, 5	**156,913**	-	**156,913**	-
Gain on acquisition	3	**(1,308)**	(9,351)	**(29,101)**	(9,351)
		207,267	28,464	**281,284**	89,182
Earnings (loss) before deferred tax		**(141,044)**	25,931	**(143,499)**	33,384
Deferred tax expense (reduction)		**(35,370)**	3,681	**(46,663)**	6,457
Earnings (loss) and comprehensive earnings (loss) for the period		**$ (105,674)**	$ 22,250	**$ (96,836)**	$ 26,927
Earnings (loss) per share	8				
Basic		**$ (1.83)**	$ 0.52	**$ (1.69)**	$ 0.69
Diluted		**$ (1.83)**	$ 0.50	**$ (1.69)**	$ 0.67

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

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, thousands except number of common shares)	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings (Deficit)	Total Shareholders' Equity
		(note 8)	*(note 8)*	*(note 10)*		
January 1, 2014	34,875,532	$ 302,562	$ 1,756	$ 1,167	$ 31,378	$ 336,863
Issue of common shares	20,987,500	388,300	-	-	-	388,300
Exercise of options and warrants	656,901	3,827	(935)	(455)	-	2,437
Dividends ($0.50336 per share)	-	-	-	-	(20,667)	(20,667)
Issued pursuant to SDP and DRIP (1)	134,171	2,189	-	-	-	2,189
Share based compensation	-	-	343	5,668	-	6,011
Share issue costs, net of deferred tax of $4,248	-	(12,743)	-	-	-	(12,743)
Earnings for the period	-	-	-	-	26,927	26,927
September 30, 2014	56,654,104	$ 684,135	$ 1,164	$ 6,380	$ 37,638	$ 729,317
January 1, 2015	56,819,301	$ 686,288	$ 1,308	$ 7,736	$ 52,596	$ 747,928
Common shares issued in conection with acquisition (note 3)	669,936	5,821	-	-	-	5,821
Issue of flow-through common shares	200,000	3,020	-	-	-	3,020
Exercise of options and warrants	118,543	732	(196)	(103)	-	433
Settlement of RAs (2)	318,610	3,511	-	(3,511)	-	-
Dividends ($0.63 per share)	-	-	-	-	(36,248)	(36,248)
Issued pursuant to SDP and DRIP (1)	208,056	2,707	-	-	-	2,707
Share based compensation	-	-	255	7,558	-	7,813
Share issue costs	-	(26)	-	-	-	(26)
Loss for the period	-	-	-	-	(96,836)	(96,836)
September 30, 2015	**58,334,446**	**$ 702,053**	**$ 1,367**	**$ 11,680**	**$ (80,488)**	**$ 634,612**

(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

(Unaudited, thousands)	*Note*	Three months ended September 30, **2015**	2014	Nine months ended September 30, **2015**	2014
Cash provided by (used in)					
Operating activities					
Earnings (loss) for the period		**$ (105,674)**	$ 22,250	**$ (96,836)**	$ 26,927
Adjustments for					
Gain on acquisition	3	**(1,308)**	(9,351)	**(29,101)**	(9,351)
Share-based compensation	10	**2,432**	1,712	**6,969**	5,372
Depletion and depreciation	5	**22,258**	15,235	**65,235**	39,625
Impairment	4, 5	**156,913**	-	**156,913**	-
Unrealized loss (gain) on commodity contracts	11	**(16,989)**	(8,549)	**16,016**	(2,675)
Unrealized loss (gain) on power contracts	11	**1,051**	80	**(184)**	(67)
Deferred tax expense (reduction)		**(35,370)**	3,681	**(46,663)**	6,457
Accretion	7	**1,497**	800	**4,342**	2,321
Decommissioning obligation settled	7	**(264)**	(253)	**(841)**	(518)
Change in non-cash working capital		**7,951**	(2,841)	**1,764**	(7,094)
		32,497	22,764	**77,614**	60,997
Investing activities					
Exploration and evaluation expenditures		**(700)**	(897)	**(724)**	(2,077)
Property, plant and equipment expenditures		**(11,193)**	(8,999)	**(25,372)**	(26,757)
Corporate acquisitions	3	**(1,999)**	(8,200)	**(25,499)**	(8,200)
Deposit on acquisition	12	**(8,550)**	-	**(8,550)**	-
Acquisitions, net		**-**	(401,015)	**(221)**	(432,752)
Change in non-cash working capital		**2,732**	(7,032)	**2,782**	1,293
		(19,710)	(426,143)	**(57,584)**	(468,493)
Financing activities					
Issue of common shares	8		360,300	**-**	388,300
Issue of flow-through common shares	8	**-**	-	**3,800**	-
Share issue costs	8	**(16)**	(15,331)	**(26)**	(16,991)
Options and warrants exercised	8	**-**	-	**433**	2,437
Dividends	9	**(11,271)**	(7,608)	**(33,541)**	(18,478)
Increase in bank debt		**3,497**	62,277	**8,989**	52,959
Repayment of bank debt assumed in acquisition		**-**	(3,800)	**-**	(3,800)
Change in non-cash working capital		**(4,997)**	1,998	**137**	3,069
		(12,787)	397,836	**(20,208)**	407,496
Change in cash and cash equivalents		**-**	(5,543)	**(178)**	-
Cash and cash equivalents, beginning of period		**-**	5,543	**178**	-
Cash and cash equivalents, end of period		**$ -**	$ -	**$ -**	$ -

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

For the three and nine months ended September 30, 2015 and 2014
(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. On December 31, 2014 Cardinal amalgamated with its wholly-owned subsidiary. The Company's principal business activity is the acquisition, development, 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 consolidated financial statements for the year ended December 31, 2014 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 consolidated financial statements for the year ended December 31, 2014.

The financial statements were authorized for issue by the Board of Directors on November 2, 2015.

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 **September 12, 2015**, Cardinal acquired all of the issued and outstanding common shares of a private oil and gas company ("PrivateCo") that had properties that complemented existing assets in Wainwright. Total consideration provided was $7.8 million consisting of 669,936 common shares valued at $8.69 per share and cash of $2.0 million with an associated decommissioning obligation of $0.2 million. The acquisition did not have full tax basis and the Company recorded a deferred tax liability of $1.3 million. This corporate acquisition has been accounted for as a business combination in accordance with IFRS 3.

Pro-forma information in respect of this corporate acquisition is not material.

Net assets acquired	
Petroleum and natural gas properties	9,355
Working capital	218
Decommissioning liability	(220)
Deferred flow-through share premium	(200)
Deferred tax liability	(1,333)
	7,820

Consideration	
Cash consideration	1,999
Share consideration	5,821
	7,820

On **April 15, 2015**, the Company acquired all of the issued and outstanding common shares of Pinecrest Energy Inc. ("Pinecrest") from Virginia Hills Oil Corp. ("Virginia Hills") for cash consideration of $23.5 million. The Company recorded a $29.1 million gain on this corporate acquisition of certain light oil properties due to the deferred tax asset recognized which related to temporary differences in the carrying amount of the acquired properties and their tax bases. Pinecrest had no debt or outstanding liabilities to be assumed by Cardinal. This corporate acquisition has been accounted for as a business combination in accordance with IFRS 3.

Cardinal will pay Virginia Hills additional cash consideration of $5 million if at any point during the period from April 16, 2015 to April 26, 2016 the then 12 month forward price curve is equal to or greater than USD $65 per bbl WTI, otherwise no payment is required. Cardinal recorded $3.7 million in trade and other payables based on the probabilities and volatility of expected forecasts of the forward price curve in respect of this contingent obligation.

Net assets acquired	
Petroleum and natural gas properties	7,660
Decommissioning liability	(1,147)
Deferred tax asset	49,788
Gain on acquisition	(29,101)
	27,200

Consideration	
Cash consideration	23,500
Contingent liability	3,700
	27,200

Pro-forma information in respect of this corporate acquisition is not material or readily determinable.

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, 2013	$ 4,921
Additions	2,239
At December 31, 2014	7,160
Additions	724
Transferred to PP&E	(26)
Impairment	(4,913)
At September 30, 2015	**$ 2,945**

At September 30, 2015, due to decreases in forward commodity prices, Cardinal determined that there was a trigger for impairment requiring an impairment test to be performed. Based on the decrease in commodity prices and no planned activities at Hudson/Loverna, Cardinal recognized an impairment of the carrying value of $4.9 million (2014 – nil) principally comprised of land acquisition costs.

5 PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Corporate assets	Total
Cost			
At January 1, 2014	$ 402,713	$ 488	$ 403,201
Additions	44,812	2,342	47,154
Acquisitions	467,307	-	467,307
At December 31, 2014	914,832	2,830	917,662
Additions	26,196	80	26,276
Acquisitions, net	17,236	-	17,236
Transfer from E&E	26	-	26
At September 30, 2015	**$ 958,290**	**$ 2,910**	**$ 961,200**
Accumulated depletion, depreciation, and impairment			
At January 1, 2014	$ (12,289)	$ (127)	$ (12,416)
Depletion and depreciation	(61,235)	(167)	(61,402)
At December 31, 2014	(73,524)	(294)	(73,818)
Depletion and depreciation	(64,953)	(282)	(65,235)
Impairment	(152,000)	-	(152,000)
At September 30, 2015	**$ (290,477)**	**$ (576)**	**$ (291,053)**
Net book value			
At December 31, 2014	$ 841,308	$ 2,536	$ 843,844
At September 30, 2015	**$ 667,813**	**$ 2,334**	**$ 670,147**

The calculation of depletion for the nine months ended September 30, 2015 includes estimated future development costs of $32.5 million (2014 - $44.7 million) associated with the development of the Company's proved plus probable reserves. For the nine months ended September 30, 2015, Cardinal capitalized $0.5 million of general and administrative expenses (2014 - $0.4 million) and $0.8 million of share-based compensation (2014 - $0.6 million).

Impairment

At September 30, 2015, due to a decrease in forward commodity prices and recent transaction metrics, Cardinal determined that there were triggers for impairment. Therefore, an impairment test was performed for all of the Company's CGU's. The recoverable value of the Company's CGU's was estimated as the fair value less costs to sell based on the net present value of before tax cash flows from crude oil and natural gas proved plus probable reserves originally estimated by Cardinal's third party reserve evaluators and internally updated for production since December 31, 2014 plus an internal estimate of incremental development drilling locations and a discount rate of 10%. In determining the appropriate discount rate, Cardinal referenced recent market transactions completed on assets similar to those in its CGU's. It was determined that the carrying value of certain CGU's exceeded the recoverable value and a $152 million (2014 – nil) impairment was recognized. The impairment specifically relates to Alberta Central ($86.0 million), Alberta South ($62.0 million), and Jenner ($4.0 million) and was the direct result of a decrease in commodity prices. The recoverable amount of the impaired CGUs was Alberta Central ($367 million), Alberta South ($169 million), and Jenner ($42 million).

The following table outlines forecast benchmark prices and exchange rates used in the Company's impairment test as at September 30, 2015. The forecast commodity prices are based on those used by the Company's external reserve evaluators at September 30, 2015 and are a key assumption in assessing the recoverable amount.

	WTI (US $/bbl)	WCS (Cdn $/bbl)	AECO (Cdn $/mcf)	Exchange rate (US/CAD)
2015	$ 46.00	$ 40.09	$ 2.92	0.76
2016	$ 55.00	$ 54.49	$ 3.05	0.78
2017	$ 70.00	$ 63.64	$ 3.22	0.85
2018	$ 75.00	$ 70.41	$ 3.74	0.85
2019	$ 80.00	$ 75.11	$ 4.23	0.85
2020-2025	$ 84.31	$ 79.98	$ 4.47	0.85
Thereafter (inflation percentage)	1.5%	1.5%	-	0.85

The external reserve evaluators also assess many other financial assumptions regarding royalty rates, operating costs and future development costs along with several other non-financial assumptions that affect reserve volumes. Management considered these assumptions for the impairment test at September 30, 2015, however, it should be noted that all estimates are subject to uncertainty.

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 $300 million. The Facilities are available on a revolving basis until May 27, 2016 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 27, 2017.

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. 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 the Company's debt to EBITDA ratio. The Facilities are secured by a general security agreement over all of the Company's assets.

Cardinal was in compliance with the terms of the Facilities at September 30, 2015. For the nine months ended September 30, 2015 the effective interest rate on the Company's bank debt was 3.6% (2014 – 4.0%).

7 DECOMMISSIONING OBLIGATION

	Nine months ended September 30, 2015	Year ended December 31, 2014
Balance, beginning of period	**$ 79,781**	$ 40,384
Liabilities incurred	**60**	106
Liabilities acquired	**1,367**	29,260
Liabilities divested	**-**	(61)
Change in estimates	**-**	7,387
Decommissioning expenditures	**(841)**	(997)
Accretion	**4,342**	3,702
Balance, end of period	**84,709**	79,781
Less current portion	**(2,373)**	(1,788)
	$ 82,336	$ 77,993

The Company's decommissioning obligation results from its ownership interest in crude oil and natural gas assets including well sites, facilities and gathering systems. At September 30, 2015, the total estimated amount to settle Cardinal's decommissioning obligation was $244 million (2014 - $241 million) on an uninflated and undiscounted basis and $436 million (2014 - $432 million) on an inflated and undiscounted basis. The decommissioning obligation was determined by applying an inflation factor of 2% (2014 - 2%) and discounting the inflated amount using Cardinal's credit-adjusted rate of 7% (2014 – 7%) over the expected useful life of the underlying assets of 20 to 35 years.

8 SHARE CAPITAL AND WARRANTS

At September 30, 2015, 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 September 30, 2015		Year ended December 31, 2014	
	Number of shares	**Amount**	Number of shares	Amount
Common shares, beginning of period	**56,819,301**	**$ 711,518**	34,875,532	$ 315,041
Issue of common shares	**-**	**-**	20,987,500	388,300
Common shares issued in connection with acquisition	**669,936**	**5,821**	-	-
Issue of flow-through common shares	**200,000**	**3,020**	-	-
Issued pursuant to stock appreciation rights ("SARs")	**-**	**-**	30,496	320
Settlement of RAs	**318,610**	**3,511**	-	-
Issued pursuant to SDP and DRIP	**208,056**	**2,707**	212,763	3,412
Exercise of options and warrants	**118,543**	**732**	713,010	4,445
Common shares, end of period	**58,334,446**	**$ 727,309**	56,819,301	$ 711,518
Cummulative share issue costs, net of tax	**-**	**(25,256)**	-	(25,230)
Total shareholders' capital, end of period	**58,334,446**	**$ 702,053**	56,819,301	$ 686,288

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. The warrants vest equally over five years, with the first vesting date on December 31, 2012 and on December 31 of each year thereafter. The warrants are exercisable at $3.00 per warrant subject to an adjustment for dividends declared, at the election of the holder, which would reduce the exercise price at September 30, 2015 to $2.74 and increased the number of warrants then outstanding (note 10).

Flow-through shares

On May 25, 2015, Cardinal issued 200,000 flow-through common shares pursuant to a private placement at $19.00 per common share for gross proceeds of $3,800,000. The Company recorded a deferred liability for the related premium in the amount of $0.8 million. Insiders subscribed for 61,800 of the common shares issued. The Company is committed to incur the full amount on qualifying Canadian Exploration Expenditures prior to December 31, 2016.

Earnings (loss) per share

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	**2015**	2014
Net earnings (loss) for the period	**$ (105,674)**	$ 22,250	**$ (96,836)**	$ 26,927
Weighted average number of common shares				
Basic	**57,760,325**	42,997,245	**57,468,551**	39,101,485
Diluted	**57,760,325**	44,424,555	**57,468,551**	40,383,246

For the nine months ended September 30, 2015, 1,475,593 RAs (2014 – 4,056), 774,783 warrants (2014 – nil) and 203,061 stock options (2014 – nil) and 61,004 SARs (2014 – nil) were excluded from the calculation of diluted earnings per share as their effect was anti-dilutive.

9 DIVIDENDS

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

During the nine months ended September 30, 2015, $36.2 million of dividends ($0.63 per common share) were declared of which $29.7 million was paid in cash, $4.1 million was recognized as a liability at September 30, 2015 and $2.4 million was recognized on the issuance of 178,932 common shares pursuant to the DRIP and SDP. The dividend payable was settled on October 15, 2015 with cash of $3.8 million and $0.3 million was recognized on the issuance of 26,752 Cardinal common shares pursuant to the DRIP and SDP.

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 September 30, 2015:

	Number of stock options		Weighted average exercise price
Balance at January 1, 2014	442,492	$	7.19
Exercised	(176,656)	$	6.85
Forfeited	(40,000)	$	6.75
Balance at December 31, 2014	225,836	$	7.54
Exercised	(22,775)	$	7.08
Balance at September 30, 2015	**203,061**	**$**	**7.59**

Stock Options Outstanding				Stock Options Exercisable			
Number		Weighted average exercise price	Weighted average remaining life (years)	Number		Weighted average exercise price	Weighted average remaining life (years)
146,115	$	6.75	2.8	43,331	$	6.75	2.0
19,446	$	8.25	3.1	7,222	$	8.25	2.4
37,500	$	10.50	3.0	12,501	$	10.50	2.0
203,061	**$**	**7.59**	**2.8**	**63,054**	**$**	**7.67**	**2.0**

Warrants

	Number of Warrants
Balance at January 1, 2014	1,408,655
Exercised	(535,140)
Forfeited	(74,998)
Adjustment for dividends declared	36,173
Balance at December 31, 2014	834,690
Exercised	(90,888)
Adjustment for dividends declared	30,981
Balance at September 30, 2015	**774,783**

At September 30, 2015, 212,607 warrants (adjusted for dividends) were exercisable at a price of $2.74 per warrant and the weighted average remaining life of the warrants was 1.8 years.

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 January 1, 2014	-
Granted	1,089,112
Forfeited	(123,519)
Balance at December 31, 2014	965,593
Granted	850,507
Settled	(318,610)
Adjustment for dividends declared	16,348
Forfeited	(38,245)
Balance at September 30, 2015	**1,475,593**

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 during the nine months ended September 30, 2015 was $12.71 (2014 - $11.61).

Stock Appreciation Rights ("SARs")

On November 1, 2013, the Company granted an aggregate of 102,000 SARs to certain directors, officers and employees of the Company. The SARs 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. SARs granted vest equally over three years from the grant date. The fair value of the SARs was determined based on the value of the Company's common shares of $10.50 per share at the grant date. During the nine months ended September 30, 2015, no SARs were forfeited nor settled and at September 30, 2015, 61,004 SARs were outstanding.

Share-based Compensation

Share-based compensation for the nine months ended September 30, 2015 of $7.0 million (2014 - $5.4 million) was expensed and $0.8 million (2014 - $0.6 million) 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.

The Company classifies the fair value of financial instruments 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.

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 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.

As at September 30, 2015, the only asset or liability measured at fair value was risk management, which was classified as Level 2.

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 petroleum 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, 2015 there were no physical sale contracts and the Company had the following commodity and power financial derivative contracts outstanding:

Remaining Term	Average Volume		Option Traded	Reference	Average Strike Price		Fair Value
October 1, 2015 - December 31, 2015	700	bbl/d	Swap	CAD WTI	$	100.19	2,512
October 1, 2015 - March 31, 2016	500	bbl/d	Swap	CAD WTI	$	67.00	432
October 1, 2015 - June 30, 2016	1,000	bbl/d	Swap	CAD WTI	$	76.00	3,479
January 1, 2016 - December 31, 2016 (1)	1,500	bbl/d	Swap	CAD WTI	$	76.67	5,995
January 1, 2016 - December 31, 2017	500	bbl/d	Swap	CAD WTI	$	78.60	3,811
July 1, 2016 - June 30, 2017	250	bbl/d	Swap	CAD WTI	$	79.00	966
October 1, 2015 - December 31, 2015	2,250	bbl/d	Collar - put	CAD WTI	$	95.28	7,080
			Collar - call	CAD WTI	$	105.48	
October 1, 2015 - June 30, 2016	500	bbl/d	Collar - put	CAD WTI	$	70.00	1,126
			Collar - call	CAD WTI	$	78.00	
January 1, 2016 - December 31, 2016	1,000	bbl/d	Swap	CAD WCS differential	$	18.00	146
October 1, 2015 - December 31, 2015	1,000	gj/d	Swap	CAD AECO	$	3.65	95
							25,642

Remaining Term	Quantity		Option Traded	Average Strike Price		Fair Value
October 1, 2015 - December 31, 2015	6.55	MW/hr	Swap	$	51.67	(201)
October 1, 2015 - December 31, 2016	5.00	MW/hr	Swap	$	39.96	(88)
January 1, 2016 - December 31, 2016	3.00	MW/hr	Swap	$	39.53	(27)
						(316)

(1) Cardinal granted an option to the counterparty to put Cardinal into a swap on December 31, 2016 for 500 bbl/d at $80 CAD (referenced to WTI) for the period January 1, 2017 to December 31, 2017 that had a fair value liability of $0.6 million.

Operating costs for the nine months ended September 30, 2015 include a realized loss on power contracts of $0.4 million (2014 – gain of $0.3 million).

Cardinal limits its credit risk by executing counterparty risk procedures that 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, 2015 commodity prices, a $1 per barrel change in the price of crude oil would have changed earnings before tax by $1.3 million (2014 – $0.6 million) and a $0.10 per gigajoule change in the price of natural gas would have changed earnings before tax by $0.2 million (2014 – $0.02 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, dividends payable, and bank debt. Trade and other payables and dividends payable are considered due within one year. Bank debt is considered due between one and two years (see note 6). The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities and it has had no defaults or breaches on its financial liabilities.

At September 30, 2015, the contractual maturities of Cardinal's obligations were as follows:

	2015	2016	2017	2018	2019	Thereafter
Head office lease	267	1,070	1,070	1,070	1,070	4,280
Field office lease	33	130	130	130	22	-
Trade and other payables	26,922	-	-	-	-	-
Dividends payable	4,083	-	-	-	-	-
Bank debt	-	-	56,724	-	-	-
	$ 31,305	**$ 1,200**	**$ 57,924**	**$ 1,200**	**$ 1,092**	**$ 4,280**

(1) Excludes the $3.7 million of contingent consideration associated with the Pinecrest acquisition (note 3)

Cardinal is also committed to incur $3.5 million of qualifying Canadian Exploration Expense prior to December 31, 2016 including a $1.0 million commitment of PrivateCo.

12 SUBSEQUENT EVENTS

On September 15, 2015, Cardinal entered into a definitive agreement to acquire certain petroleum and natural gas properties (the "Acquisition") in a new core area at Mitsue, Alberta. Total consideration to be provided was $144.4 million in cash before closing adjustments. The Company paid the vendor a non-refundable deposit of $8.6 million representing the amount of damages owed to the vendor should closing of the agreement not occur due to a default by Cardinal.

On September 15, 2015 Cardinal entered into a bought deal financing (the "Offering") with a syndicate of underwriters to issue 6,025,000 subscription receipts (the "Receipts") at $8.30 per Receipt and $50 million of 5.5% convertible unsecured subordinated debentures. In connection with the Offering the underwriters were granted an over-allotment option to purchase an additional 602,500 Receipts at $8.30 per Receipt and if exercised would result in total gross proceeds for the Offering of $105 million. On **October 6, 2015**, Cardinal closed the Offering including the over-allotment option, on condition of successful closing of the Acquisition.

On **October 14, 2015**, the Company confirmed that a dividend of $0.07 per common share will be paid on November 16, 2015 to shareholders of record on October 30, 2015.

On **October 30, 2015** Cardinal closed the Acquisition and issued 6,627,500 common shares upon conversion of the subscription receipts without further consideration.

On **October 30, 2015** Cardinal entered into a definitive agreement to sell certain facilities that were acquired in connection with the Acquisition for proceeds of $12.75 million. The sale is expected to close on November 17, 2015.