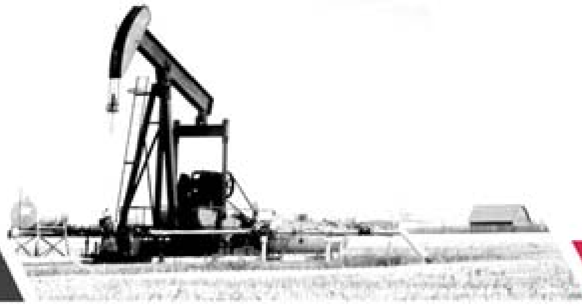

CARDINAL ENERGY LTD.

Q3 2019

FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEETS

As at *(Unaudited, thousands)*	*Note*	**September 30, 2019**	December 31, 2018
ASSETS			
Current assets			
Trade and other receivables		**$ 41,450**	$ 21,124
Deposits and prepaid expenses		**5,360**	2,693
Fair value of financial instruments	15	**4,461**	15,379
		51,271	39,196
Non-current assets			
Exploration and evaluation assets	4	**326**	251
Property, plant and equipment	5	**1,039,517**	1,054,529
Deferred tax	14	**95,037**	112,360
		1,134,880	1,167,140
Total Assets		**$ 1,186,151**	$ 1,206,336
LIABILITIES			
Current liabilities			
Trade and other payables		**$ 55,181**	$ 30,618
Dividends payable	11	**1,954**	1,445
Lease liabilities	8	**2,430**	-
Decommissioning obligation	9	**5,280**	5,000
Fair value of financial instruments	15	**3,234**	-
		68,079	37,063
Non-current liabilities			
Deferred flow-through share premium	10	**148**	390
Lease liabilities	8	**4,041**	-
Bank debt	6	**192,435**	211,443
Liability component of convertible debentures	7	**43,948**	48,146
Decommissioning obligation	9	**119,237**	116,672
		359,809	376,651
Total Liabilities		**427,888**	413,714
SHAREHOLDERS' EQUITY			
Share capital	10	**1,069,599**	1,072,284
Treasury shares	10	**(5,478)**	-
Equity component of convertible debentures	7	**1,556**	1,729
Contributed surplus		**19,261**	13,365
Deficit		**(326,675)**	(294,756)
Total Shareholders' Equity		**758,263**	792,622
Total Liabilities and Shareholders' Equity		**$ 1,186,151**	$ 1,206,336
Subsequent events	17		

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, **2019**	2018	Nine months ended September 30, **2019**	2018
Revenue					
Petroleum and natural gas revenue	13	**$ 95,483**	$ 113,551	**$ 295,699**	$ 320,177
Royalties		**(18,004)**	(21,084)	**(48,340)**	(56,179)
Realized loss on commodity contracts	15	**(4,182)**	(19,197)	**(13,188)**	(42,802)
Unrealized gain (loss) on commodity contracts	15	**238**	14,121	**(14,152)**	(30,907)
Processing and other revenue	13	**716**	1,259	**2,066**	3,287
		74,251	88,650	**222,085**	193,576
Expenses					
Operating		**38,682**	39,682	**119,583**	120,502
Transportation		**670**	581	**1,933**	1,367
General and administrative		**3,732**	4,125	**11,662**	13,884
Share-based compensation	12	**1,754**	2,292	**5,396**	5,364
Finance		**5,746**	5,593	**17,163**	16,494
Transaction costs		**-**	-	**-**	359
Depletion and depreciation	5	**22,960**	23,068	**68,350**	67,877
Gain on dispositions and other		**(133)**	-	**(493)**	(494)
		73,411	75,341	**223,594**	225,353
Earnings (loss) before deferred tax		**840**	13,309	**(1,509)**	(31,777)
Deferred tax expense (reduction)	14	**481**	4,241	**17,737**	(7,561)
Earnings (loss) and comprehensive earnings (loss) for the period		**$ 359**	$ 9,068	**$ (19,246)**	$ (24,216)
Earnings (loss) per share	10				
Basic and diluted		**$ -**	$ 0.08	**$ (0.17)**	$ (0.21)

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)	**Common Shares, net of treasury shares**	**Share Capital**	**Treasury Shares**	**Equity Component of Convertible Debentures**	**Contributed Surplus**	**Deficit**	**Total Shareholders' Equity**
		(note 10)	*(note 10)*	*(note 7)*	*(note 12)*		
January 1, 2018	110,838,321	$ 1,042,352	$ -	$ 1,729	$ 14,501	$ (308,620)	$ 749,962
Common shares issued in connection with acquisition	2,314,815	11,250	-	-	-	-	11,250
Issue of flow-through common shares	1,664,000	8,903	-	-	-	-	8,903
Settlement of RAs [(1)]	1,222,064	9,024	-	-	(9,024)	-	-
Share-based compensation	-	-	-	-	6,402	-	6,402
Tax adjustment on excess value of RAs [(1)]	-	-	-	-	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**
January 1, 2019	116,197,095	$ 1,072,284	$ -	$ 1,729	$ 13,365	$ (294,756)	$ 792,622
Purchase of common shares for RAs [(1)] settlements	(2,253,357)	-	(6,400)	-	-	-	(6,400)
Settlement of RAs [(1)]	1,282,539	5,800	922	-	(7,398)	-	(676)
Purchase of common shares for cancellation	(893,246)	(8,485)	-	-	6,447	-	(2,038)
Purchase of convertible debentures for cancellation	-	-	-	(173)	-	(76)	(249)
Share-based compensation	-	-	-	-	6,190	-	6,190
Tax adjustment on excess value of RAs [(1)]	-	-	-	-	657	-	657
Dividends ($0.105 per share)	-	-	-	-	-	(12,597)	(12,597)
Loss for the period	-	-	-	-	-	(19,246)	(19,246)
September 30, 2019	**114,333,031**	**$ 1,069,599**	**$ (5,478)**	**$ 1,556**	**$ 19,261**	**$ (326,675)**	**$ 758,263**

(1) 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, **2019**	Three months ended September 30, 2018	Nine months ended September 30, **2019**	Nine months ended September 30, 2018
Cash provided by (used in)					
Operating activities					
Earnings (loss) for the period		**$ 359**	$ 9,068	**$ (19,246)**	$ (24,216)
Adjustments for					
Share-based compensation	12	**1,754**	2,292	**5,396**	5,364
Depletion and depreciation	5	**22,960**	23,068	**68,350**	67,877
Unrealized (gain) loss on commodity contracts	15	**(238)**	(14,121)	**14,152**	30,907
Deferred tax expense (reduction)	14	**481**	4,241	**17,737**	(7,561)
Accretion	7,9	**2,388**	2,524	**7,050**	7,472
Gain on dispositions and other	7	**(133)**	-	**(493)**	(494)
Decommissioning obligation settled	9	**(1,248)**	(1,128)	**(3,637)**	(5,243)
Change in non-cash working capital		**(1,487)**	2,130	**(1,044)**	7,693
		24,836	28,074	**88,265**	81,799
Investing activities					
Exploration and evaluation expenditures		**(24)**	(15)	**(75)**	(54)
Property, plant and equipment expenditures		**(16,208)**	(21,714)	**(45,175)**	(49,567)
Property acquisitions		**(52)**	(1,353)	**(284)**	(9,374)
Proceeds from property dispositions		**122**	12,281	**122**	37,544
Change in non-cash working capital		**1,863**	1,365	**3,603**	1,318
		(14,299)	(9,436)	**(41,809)**	(20,133)
Financing activities					
Share issue costs		**-**	(57)	-	(95)
Dividends	11	**(5,372)**	(12,467)	**(12,597)**	(37,107)
Repayment of lease liabilities	8	**(501)**	-	**(1,423)**	-
Purchase of common shares for cancellation	10	**(2,038)**	-	**(2,038)**	-
Purchase of common shares for RAs settlements and withholding tax	10	**(389)**	-	**(7,076)**	-
Purchase of convertible debentures for cancellation	7	**-**	-	**(4,846)**	-
Issue of flow-through common shares		**-**	9,786	**-**	9,786
Decrease in bank debt		**(3,033)**	(16,121)	**(19,008)**	(34,381)
Change in non-cash working capital		**796**	221	**532**	131
		(10,537)	(18,638)	**(46,456)**	(61,666)
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.

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, except as noted below, which the Company applied in its annual financial statements for the year ended December 31, 2018 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, 2018.

The financial statements were authorized for issue by the Board of Directors on November 11, 2019.

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 16 - Leases

Effective January 1, 2019, Cardinal adopted IFRS 16, which provides a single recognition and measurement model for lessees to recognize assets and liabilities for contracts that are, or contain, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset (''ROU") and a lease liability at the lease commencement date. The ROU asset is initially measured at cost based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the ROU asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the ROU is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The average depreciation term is 3.7 years.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in earnings or loss if the carrying amount of the ROU asset has been reduced to zero. Lease payments are applied against the lease obligation, with a portion reflected as interest expense using the effective interest rate method. Cardinal presents the lease liability as its own line item on the balance sheets.

Cardinal has elected to use the modified retrospective approach upon adoption and therefore the comparative information has not been restated. The effect of initially applying the standard was a $6.5 million increase to ROU assets, with a corresponding lease liability recorded. The ROU asset was then reduced by $1.0 million for previously recorded lease inducements with the offset recognized to eliminate the lease inducement liability that was previously included in trade and other payables. On January 1, 2019 there was no impact on deficit. The lease liability was measured at the present value of the remaining lease payments, discounted using Cardinal's incremental borrowing rate as at January 1, 2019. The weighted average incremental borrowing rate used to determine the lease obligation on adoption was approximately 6.4%. The ROU assets and lease liabilities recognized largely relate to the Company's head office lease in Calgary.

The Company has elected to apply the practical expedient of not recognizing right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as expenses on a straight-line basis over the lease term and are not considered material at September 30, 2019.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amount of assets, liabilities, income, and expenses. Actual results could differ significantly from these estimates. Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- Incremental borrowing rate: The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease term: Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

The difference in operating lease commitments disclosed as at December 31, 2018 and lease liabilities recognized on the balance sheet at January 1, 2019 is primarily due to non-lease components within the agreements and the impact of discounting using the Company's incremental borrowing rate at January 1, 2019:

		As at January 1, 2019
Less than 1 year	$	2,277
1 - 3 years		5,308
4 - 5 years		1,475
		9,060
Non-lease components		(1,786)
Amounts representing interest		(796)
Lease liabilities		**6,478**

Cash flow from financing activities for the nine months ended September 30, 2019 was $1.4 million lower due to the deduction of the lease payments reflected in this section while cash flow from operating activities increased $1.4 million. For the nine months ended September 30, 2019, general and administrative expense was decreased by $0.7 million and operating expense was decreased by $1.0 million offset by an increase in depletion and depreciation expense of $1.9 million.

Certain prior period amounts have been reclassified to conform to current period presentation.

4 EXPLORATION AND EVALUATION ASSETS

	Exploration and Evaluation Assets
At December 31, 2017	$ 1,846
Additions	80
Impairment	(1,675)
At December 31, 2018	251
Additions	75
At September 30, 2019	**$ 326**

Cardinal's E&E assets consist of undeveloped land and exploration projects which are pending technical feasibility and commercial viability.

5 PROPERTY, PLANT AND EQUIPMENT

	Petroleum and natural gas assets	Right-of-use assets	Corporate assets	Total
Cost				
At January 1, 2018	$ 1,575,897	$ -	$ 3,903	$ 1,579,800
Additions	53,955	-	177	54,132
Acquisitions	21,706	-	-	21,706
Disposition	(43,806)	-	-	(43,806)
At December 31, 2018	1,607,752	-	4,080	1,611,832
Initial recognition (note 3)	-	5,461	-	5,461
Additions	46,043	1,449	135	47,627
Acquisitions	284	-	-	284
Disposition	-	(52)	-	(52)
At September 30, 2019	**$ 1,654,079**	**$ 6,858**	**$ 4,215**	**$ 1,665,152**
Accumulated depletion and depreciation				
At January 1, 2018	$ (549,810)	$ -	$ (1,417)	$ (551,227)
Depletion and depreciation	(87,608)	-	(468)	(88,076)
Disposition	5,500	-	-	5,500
Impairment reversal	76,500	-	-	76,500
At December 31, 2018	(555,418)	-	(1,885)	(557,303)
Depletion and depreciation	(66,062)	(1,948)	(340)	(68,350)
Disposition	-	18	-	18
At September 30, 2019	**$ (621,480)**	**$ (1,930)**	**$ (2,225)**	**$ (625,635)**
Net book value				
At December 31, 2018	$ 1,052,334	$ -	$ 2,195	$ 1,054,529
At September 30, 2019	**$ 1,032,599**	**$ 4,928**	**$ 1,990**	**$ 1,039,517**

The calculation of depletion for the nine months ended September 30, 2019 includes estimated future development costs of $218.7 million (December 31, 2018 - $218.7 million) associated with the development of the Company's proved plus probable reserves.

For the nine months ended September 30, 2019, Cardinal capitalized $1.1 million of general and administrative expenses (2018 - $1.3 million) and $0.8 million (2018 - $1.0 million) of share-based compensation.

6 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 23, 2020 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 22, 2021.

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 covenants related to the Facilities provided that Cardinal is not in default of the terms of the Facilities.

Letters of credit for $1.6 million were outstanding at September 30, 2019 (2018 – $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, 2019. For the nine months ended September 30, 2019 the effective interest rate on the Company's bank debt was 4.5% (2018 – 4.0%).

7 CONVERTIBLE DEBENTURES

	Number of Convertible Debentures		Liability Component		Equity Component
Balance at December 31, 2017	50,000	$	47,245	$	1,729
Accretion	-		901		-
Balance at December 31, 2018	50,000	$	48,146	$	1,729
Purchase of convertible debentures for cancellation	(5,000)	$	(4,823)	$	(173)
Accretion	-		625		-
Balance at September 30, 2019	**45,000**	**$**	**43,948**	**$**	**1,556**

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.

In December 2018, the Company announced a normal course issuer bid ("NCIB") whereby Cardinal can purchase up to $5.0 million aggregate principal amount of its convertible debentures, subject to certain conditions. Under the NCIB, the convertible debentures may be repurchased in open market transactions on the TSX, and/or alternative Canadian trading systems, or by such other means as may be permitted by the TSX and applicable securities laws and in accordance with the rules of the TSX governing NCIB's. The total number of convertible debentures that Cardinal is permitted to purchase is subject to a daily purchase limit of $6,000 aggregate principal amount of Convertible Debentures however, Cardinal may make one block purchase per calendar week which exceeds the daily repurchase restrictions. Any convertible debentures that are purchased under the NCIB will be cancelled upon their purchase by the Company. The NCIB will expire no later than December 18, 2019.

For the nine months ended September 30, 2019, the Company has repurchased and cancelled the maximum number of convertible debentures of $5.0 million allowed under this NCIB at an average rate of 96.9314 for a gain of $0.2 million.

For the nine months ended September, 2019 Cardinal recognized $1.9 million of interest (2018 - $2.1 million) and $0.6 million of accretion (2018 - $0.7 million) related to the convertible debentures. At September 30, 2019, the fair value of the convertible debentures was $44.6 million (December 31, 2018 - $45.0 million).

8 LEASE LIABILITIES

		Nine months ended September 30, 2019
Balance, beginning of period	$	6,478
Additions		1,449
Dispositions		(33)
Finance cost		278
Lease payments		(1,701)
Balance, end of period	$	6,471

At September 30, 2019, the Company had future commitments relating to lease liabilities as follows:

		As at September 30, 2019
Less than 1 year	$	2,750
1 - 3 years		3,125
4 - 5 years		1,275
Total undiscounted future lease payments		7,150
Amounts representing interest		(679)
Present value of net lease payments		6,471
Less current portion of lease liabilitles		2,430
Non-current portion of lease liabilities	$	4,041

The Company has lease liabilities for contracts related to office space, vehicles, field equipment and office equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Discount rates during the nine months ended September 30, 2019 were between 6% and 8%, depending on the duration of the lease term.

9 DECOMMISSIONING OBLIGATION

	Nine months ended September 30, 2019	Year ended December 31, 2018
Balance, beginning of period	**$ 121,672**	$ 129,638
Liabilities incurred	**209**	466
Liabilities acquired	**-**	1,042
Liabilities disposed	**(153)**	(1,380)
Change in estimates	**-**	(10,767)
Decommissioning expenditures	**(3,637)**	(6,443)
Accretion	**6,426**	9,116
Balance, end of period	**$ 124,517**	$ 121,672

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, 2019, the total estimated amount to settle Cardinal's decommissioning obligation was $350 million (December 31, 2018 - $350 million) on an uninflated and undiscounted basis and $652 million (December 31, 2018 - $651 million) on an inflated and undiscounted basis.

The decommissioning obligation was determined by applying an inflation factor of 2.0% (2018 – 2.0%) and discounting the inflated amount using Cardinal's credit-adjusted rate of 7.0% (2018 – 7.0%) over the expected average useful life of the underlying assets of 20 to 50 years (2018 – 20 to 50 years).

10 SHARE CAPITAL AND TREASURY SHARES

At September 30, 2019, 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.

NCIB

On July 30, 2019, the Company announced that the Toronto Stock Exchange (“TSX”) had accepted the Company’s intention to commence an NCIB. Pursuant to the NCIB, the Company is permitted to purchase up to 11,128,148 common shares representing approximately 10% of its public float as of July 23, 2019 between August 2, 2019 and August 2, 2020. As of September 30, 2019, the Company repurchased and cancelled 893,246 common shares at average price of $2.28 per common share, for a total cost of $2.0 million. Share capital was reduced by the average carrying value of the shares repurchased with the difference between carrying value and purchase cost, including commissions and fees, being charged to contributed surplus.

Treasury Shares

RAs may be settled in cash, common shares issued from treasury or common shares acquired by an independent trustee in the open market for such purposes. During the period ended September 30, 2019, the trustee purchased 2,253,357 common shares for $6.4 million for the potential settlement of future vesting RAs. As at September 30, 2019, 1,919,798 common shares remained classified as treasury shares to be potentially used for future settlements.

Flow-through shares

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. As of September 30, 2019, Cardinal has incurred $3.1 million of qualifying Canadian Exploration Expenditures and is committed to incurring the remaining balance of $0.9 million prior to December 31, 2019.

Earnings (loss) per share

	Three months ended September 30, 2019		Nine months ended September 30, 2019	
	2019	2018	**2019**	2018
Earnings (loss) for the period	**$ 359**	$ 9,068	**$ (19,246)**	$ (24,216)
Earnings (loss) per share				
- Basic and diluted	**$ -**	$ 0.08	**$ (0.17)**	$ (0.21)
Weighted average number of common shares				
- Basic	**115,008,959**	114,823,280	**115,753,968**	114,142,003
- Diluted	**116,166,169**	116,410,933	**115,753,968**	114,142,003

The weighted average number of common shares is adjusted for shares purchased and held by the trustee (treasury shares).

For the nine months ended September 30, 2019, 4,754,161 RAs (2018 – 3,545,589), 4,285,714 ($45.0 million at $10.50) convertible debentures (2018 – 4,761,905), and 833 stock options (2018 – 62,226) were excluded from the calculation of diluted earnings (loss) per share as their effect was anti-dilutive.

11 DIVIDENDS

During the nine months ended September 30, 2019, $12.6 million (2018 – $37.1 million) of dividends ($0.105 per common share) (2018 - $0.315 per common share) were declared of which $10.6 million (2018 - $32.7 million) was paid in cash and $2.0 million (2018 - $4.4 million) was recognized as a liability at September 30, 2019. The dividend payable was settled on October 15, 2019.

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 $2.55 (2018 - $4.94) during the nine months ended September 30, 2019.

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, 2019:

	Number of stock options	Weighted average exercise price
Balance at December 31, 2017	108,337	$ 7.88
Forfeited	(38,889)	$ 9.00
Expired	(56,947)	$ 7.00
Balance at December 31, 2018	12,501	$ 8.40
Expired	(11,668)	$ 8.25
Balance at September 30, 2019	**833**	**$ 10.50**

Exercise price		Outstanding and Exercisable Number of Stock Options	Weighted average remaining life (years)
$	10.50	833	0.1
$	**10.50**	**833**	**0.1**

Restricted Bonus Awards

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, 2017	3,008,987
Granted	2,166,499
Settled	(1,379,959)
Adjustment for dividends declared	148,817
Forfeited	(499,935)
Balance at December 31, 2018	3,444,409
Granted	2,801,335
Settled	(1,550,704)
Adjustment for dividends declared	179,120
Forfeited	(119,999)
Balance at September 30, 2019	**4,754,161**

For the nine months ended September 30, 2019 the Company settled 1,550,704 (2018 – 1,222,064) RAs by issuing 948,980 (2018 – 1,222,064) common shares, 333,559 (2018 – nil) treasury shares and a payment of $0.7 million (2018 – nil) for withholding tax in exchange for the remaining balance of 268,165 RAs (2018 – nil).

The fair value of the granted 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 $2.45 (2018 - $4.75).

Share-based Compensation

Share-based compensation for the nine months ended September 30, 2019 of $5.4 million was expensed (2018 - $5.4 million) and $0.8 million (2018 - $1.0 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. Under its contracts, the Company is required to deliver fixed or variable volumes of crude oil, natural gas and natural gas liquids to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable consideration is considered constrained.

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 and processing and other revenue generated by processing third party volume at facilities where the Company has an ownership interest:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Crude oil	**93,041**	109,784	**285,115**	307,795
NGL	**1,332**	2,537	**4,465**	7,451
Natural gas	**1,110**	1,230	**6,119**	4,931
Petroleum and natural gas revenue	**95,483**	113,551	**295,699**	320,177
Processing and other revenue	**716**	1,259	**2,066**	3,287

Included in accounts receivable at September 30, 2019 is $31.3 million (December 31, 2018 - $8.6 million) of accrued petroleum and natural gas revenue.

14 DEFERRED TAX

During the nine months ended September 30, 2019, the Alberta government announced a graduated corporate tax rate reduction from 12% to 8% over a four year period. The Company recorded $17.7 million (2018 – $7.6 million reduction) of deferred tax expense for the nine months ended September 30, 2019, $16.5 million (2018 – nil) of which related to the provincial rate reduction, resulting in a deferred tax asset of $95.0 million (2018 – $112.4 million).

15 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, 2019 and 2018, 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. 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, 2019 Cardinal had the following commodity financial derivative contracts outstanding:

Type of Instrument	Remaining Term	Average Quantity			Average Strike Price	Fair Value
CDN WTI Swap	October 1, 2019 - December 31, 2019	500	bbl/d		$ 70.00	(59)
CDN WTI Swap	October 1, 2019 - March 31, 2020	250	bbl/d		$ 79.50	409
USD WTI Swap	October 1, 2019 - March 31, 2020	1,000	bbl/d	US	$ 60.00	1,611
CDN WTI Collar	October 1, 2019 - December 31, 2019	500	bbl/d		$ 80.00	423
					$ 90.10	
USD WTI Collar	October 1, 2019 - December 31, 2019	500	bbl/d	US	$ 51.00	68
				US	$ 65.25	
USD WTI Collar	January 1, 2020 - June 30, 2020	1,500	bbl/d	US	$ 51.67	1,369
				US	$ 66.40	
USD WTI Put	October 1, 2019 - December 31, 2019	3,000	bbl/d	US	$ 50.83 (1)	171
AECO Swap	October 1, 2019 - October 31, 2019	5,000	gj/d		$ 1.05	(94)
AECO Swap	October 1, 2019 - March 31, 2020	3,000	gj/d		$ 1.53	(250)
AECO Swap	January 1, 2020 - December 31, 2020	1,000	gj/d		$ 1.60	(49)
CDN WCS Swap	October 1, 2019 - December 31, 2019	2,250	bbl/d		$ 52.11	(441)
CDN WCS Swap	October 1, 2019 - January 31, 2020	1,000	bbl/d		$ 51.75	(160)
CDN WCS Basis Swap	October 1, 2019 - December 31, 2019	3,000	bbl/d		$ (22.25)	(1,432)
CDN WCS Basis Swap	October 1, 2019 - February 29, 2020	500	bbl/d		$ (23.00)	(339)
						1,227

(1) The price includes $1.43/bbl USD premium. Premium payments are deferred and paid monthly over the term of the contract thus included in the fair value.

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, 2019 commodity prices, a $1 per barrel change in the price of crude oil would have changed the unrealized loss by $1.2 million (2018 – $3.7 million) and a $0.10 per gigajoule change in the price of natural gas would have changed the unrealized gain by $0.1 million (2018 – $0.3 million).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The financial liabilities on the balance sheet consist of trade and other payables, fair value of financial instruments, bank debt, and convertible debentures. Trade and other payables are considered due within one year. Bank debt (see note 6), the fair value of financial instruments, and the convertible debentures (see note 7) are considered due between one and two years. 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.

16 CONTRACTUAL OBLIGATIONS

At September 30, 2019, the Company had contractual obligations and commitments as follows:

	2019	2020	2021	2022	2023	Thereafter
Trade and other payables	55,181	-	-	-	-	-
Dividends payable	1,954	-	-	-	-	-
Lease liabilities	1,040	1,850	1,539	1,054	979	9
Bank debt	-	-	192,435	-	-	-
Capital commitments	1,872	1,250	-	-	-	-
Convertible debentures	1,238	47,475	-	-	-	-
Total contractual obligations	**$ 61,285**	**$ 50,575**	**193,974**	**1,054**	**979**	**9**

17 SUBSEQUENT EVENTS

On **October 15, 2019**, the Company confirmed that a dividend of $0.015 per common share would be paid on November 15, 2019 to shareholders of record on October 31, 2019. The total amount of dividends declared at October 31, 2019 was $1.7 million.