



CARDINAL
ENERGY LTD.



Q1 2019

FINANCIAL STATEMENTS

CONDENSED INTERIM BALANCE SHEETS

As at (Unaudited, thousands)	Note	March 31, 2019	December 31, 2018
ASSETS			
Current assets			
Trade and other receivables		\$ 47,577	\$ 21,124
Deposits and prepaid expenses		2,075	2,693
Fair value of financial instruments	14	1,024	15,379
		50,676	39,196
Non-current assets			
Fair value of financial instruments	14	41	-
Exploration and evaluation assets	4	264	251
Property, plant and equipment	5	1,049,688	1,054,529
Deferred tax		117,770	112,360
		1,167,763	1,167,140
Total Assets		\$ 1,218,439	\$ 1,206,336
LIABILITIES			
Current liabilities			
Trade and other payables		\$ 55,102	\$ 30,618
Dividends payable	11	1,279	1,445
Lease liabilities	8	1,967	-
Decommissioning obligation	9	5,000	5,000
Fair value of financial instruments	14	11,172	-
		74,520	37,063
Non-current liabilities			
Deferred flow-through share premium		353	390
Lease liabilities	8	4,303	-
Bank debt	6	206,151	211,443
Liability component of convertible debentures	7	43,534	48,146
Decommissioning obligation	9	117,904	116,672
		372,245	376,651
Total Liabilities		446,765	413,714
SHAREHOLDERS' EQUITY			
Share capital	10	1,078,084	1,072,284
Treasury shares	10	(1,427)	-
Equity component of convertible debentures	7	1,556	1,729
Contributed surplus		8,418	13,365
Deficit		(314,957)	(294,756)
Total Shareholders' Equity		771,674	792,622
Total Liabilities and Shareholders' Equity		\$ 1,218,439	\$ 1,206,336
Subsequent events	11, 16		

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

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

<i>(Unaudited, thousands except per share amounts)</i>	<i>Note</i>	Three months ended March 31,	
		2019	2018
Revenue			
Petroleum and natural gas revenue	13	\$ 94,050	\$ 94,779
Royalties		(13,539)	(16,139)
Realized loss on commodity contracts	14	(1,452)	(5,023)
Unrealized loss on commodity contracts	14	(25,486)	(18,778)
Processing and other revenue	13	545	807
		54,118	55,646
Expenses			
Operating		42,112	40,412
Transportation		350	419
General and administrative		4,149	5,026
Share-based compensation	12	1,680	1,326
Finance		5,666	5,475
Transaction costs		-	359
Depletion and depreciation	5	22,336	22,524
Gain on disposition and other		(226)	(1,048)
		76,067	74,493
Loss before deferred tax		(21,949)	(18,847)
Deferred tax reduction		(5,443)	(5,533)
Loss and comprehensive loss for the period		\$ (16,506)	\$ (13,314)
Loss per share	10		
Basic and diluted		\$ (0.14)	\$ (0.12)

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>	Common Shares, net of treasury shares	Share Capital <i>(note 10)</i>	Treasury Shares <i>(note 10)</i>	Equity Component of Convertible Debentures <i>(note 7)</i>	Contributed Surplus <i>(note 12)</i>	Deficit	Total Shareholders' Equity
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
Settlement of RAs ⁽¹⁾	831,922	6,927	-	-	(6,927)	-	-
Share-based compensation	-	-	-	-	1,634	-	1,634
Tax adjustment on excess value of RAs	-	-	-	-	(22)	-	(22)
Share issue costs, net of deferred tax of \$10	-	(28)	-	-	-	-	(28)
Dividends (\$0.105 per share)	-	-	-	-	-	(12,281)	(12,281)
Loss for the period	-	-	-	-	-	(13,314)	(13,314)
March 31, 2018	113,985,058	\$ 1,060,501	-	\$ 1,729	\$ 9,186	\$ (334,215)	\$ 737,201
January 1, 2019	116,197,095	\$ 1,072,284	\$ -	\$ 1,729	\$ 13,365	\$ (294,756)	\$ 792,622
Purchase of common shares for RAs settlements	(741,894)	-	(2,000)	-	-	-	(2,000)
Settlement of RAs ⁽¹⁾	1,161,695	5,800	573	-	(6,848)	-	(475)
Purchase of convertible debentures for cancellation	-	-	-	(173)	-	(76)	(249)
Share-based compensation	-	-	-	-	1,897	-	1,897
Tax adjustment on excess value of RAs	-	-	-	-	4	-	4
Dividends (\$0.03 per share)	-	-	-	-	-	(3,619)	(3,619)
Loss for the period	-	-	-	-	-	(16,506)	(16,506)
March 31, 2019	116,616,896	\$ 1,078,084	\$ (1,427)	\$ 1,556	\$ 8,418	\$ (314,957)	\$ 771,674

(1) Restricted Bonus Awards ("RAs")

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

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

<i>(Unaudited, thousands)</i>	<i>Note</i>	Three months ended March 31,	
		2019	2018
Cash provided by (used in)			
Operating activities			
Loss for the period		\$ (16,506)	\$ (13,314)
Adjustments for			
Share-based compensation	12	1,680	1,326
Depletion and depreciation	5	22,336	22,524
Unrealized loss on commodity contracts	14	25,486	18,778
Deferred tax reduction		(5,443)	(5,533)
Accretion	7,9	2,312	2,459
Gain on disposition and other	7	(226)	(1,048)
Decommissioning obligation settled	9	(891)	(3,217)
Change in non-cash working capital		(1,242)	9,827
		27,506	31,802
Investing activities			
Exploration and evaluation expenditures		(13)	(19)
Property, plant and equipment expenditures		(11,571)	(13,290)
Property acquisitions		-	(8,021)
Proceeds from property dispositions		-	24,300
Change in non-cash working capital		776	(3,895)
		(10,808)	(925)
Financing activities			
Share issue costs		-	(38)
Dividends	11	(3,619)	(12,281)
Repayment of lease liabilities	8	(432)	-
Purchase of common shares for RAs settlements and withholding tax	10	(2,475)	-
Purchase of convertible debentures for cancellation	7	(4,846)	-
Decrease in bank debt		(5,292)	(18,069)
Change in non-cash working capital		(34)	(489)
		(16,698)	(30,877)
Change in cash and cash equivalents		-	-
Cash and cash equivalents, beginning of period		-	-
Cash and cash equivalents, end of period		\$ -	\$ -

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

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2019 and 2018

(Unaudited, thousands of dollars, except per share amounts or unless otherwise stated)

1 REPORTING ENTITY

Cardinal Energy Ltd. ("Cardinal" or the "Company") was incorporated pursuant to the Business Corporations Act (Alberta) on December 21, 2010 and commenced activity on May 30, 2012. The Company's principal business activity is the acquisition, exploration and production of petroleum and natural gas in the provinces of Alberta and Saskatchewan. Cardinal's principal place of business is located at 600, 400 – 3rd Avenue SW, Calgary, Alberta, Canada, T2P 4H2.

2 BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements ("financial statements") have been prepared in accordance with statement IAS 34 – Interim Financial Reporting of the International Financial Reporting Standards ("IFRS"). The financial statements were prepared using the same accounting policies, critical judgments and key estimates, 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 May 7, 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 3.9 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 6.3 percent. 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 March 31, 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 three months ended March 31, 2019 was \$0.4 million lower due to the deduction of the lease payments reflected in this section while cash flow from operating activities increased \$0.4 million. For the three months ended March 31, 2019, general and administrative expense was decreased by \$0.2 million and operating expense was decreased by \$0.3 million offset by an increase in depletion and depreciation expense of \$0.6 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	13
At March 31, 2019	\$ 264

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	11,755	224	55	12,034
At March 31, 2019	\$ 1,619,507	\$ 5,685	\$ 4,135	\$ 1,629,327
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	(21,635)	(587)	(114)	(22,336)
At March 31, 2019	\$ (577,053)	\$ (587)	\$ (1,999)	\$ (579,639)
Net book value				
At December 31, 2018	\$ 1,052,334	\$ -	\$ 2,195	\$ 1,054,529
At March 31, 2019	\$ 1,042,454	\$ 5,098	\$ 2,136	\$ 1,049,688

The calculation of depletion for the three months ended March 31, 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 three months ended March 31, 2019, Cardinal capitalized \$0.4 million of general and administrative expenses (2018 - \$0.5 million) and \$0.2 million (2018 - \$0.3 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 24, 2019 and may be extended for a further 364 day period, subject to approval by the syndicate. If not extended, the Facilities will cease to revolve, the applicable margins will increase by 0.5% and all outstanding advances will be repayable on May 23, 2020.

The available lending limits of the Facilities are reviewed semi-annually based on the syndicate's interpretation of the Company's reserves, future commodity prices and costs. As the available lending limit of the Facilities is based on the syndicate's interpretation of the Company's reserves and future commodity prices and costs, there can be no assurance that the amount of the Facilities will not decrease at the next scheduled review.

Advances under the Facilities are available by way of either prime rate loans, which bear interest at the banks' prime lending rate plus 0.5 to 2.5%, and bankers' acceptances and/or LIBOR loans, which are subject to fees and margins ranging from 1.5 to 3.5%. Interest and standby fees on the undrawn amounts of the Facilities depend upon certain ratios. The Facilities are secured by a general security agreement over all of the Company's assets. There are no financial or other restrictive covenants related to the Facilities provided that Cardinal is not in default of the terms of the Facilities.

Letters of credit for \$1.6 million were outstanding at March 31, 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 March 31, 2019. For the three months ended March 31, 2019 the effective interest rate on the Company's bank debt was 4.4% (2018 – 3.8%).

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	-	211	-
Balance at March 31, 2019	45,000	\$ 43,534	\$ 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 three months ended March 31, 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 three months ended March 31, 2019 Cardinal recognized \$0.6 million of interest (2018 - \$0.7 million) and \$0.2 million of accretion (2018 - \$0.2 million) related to the convertible debentures. At March 31, 2019, the fair value of the convertible debentures was \$43.9 million (December 31, 2018 - \$45.0 million).

8 LEASE LIABILITIES

	Three months ended March 31, 2019
Balance, beginning of period	\$ 6,478
Additions	224
Finance costs	65
Lease payments	(497)
Balance, end of period	\$ 6,270

At March 31, 2019, the Company had future commitments relating to lease liabilities as follows:

	As at March 31, 2019
Less than 1 year	\$ 2,490
1 - 3 years	3,780
4 - 5 years	765
Total undiscounted future lease payments	7,035
Amounts representing interest	(765)
Present value of net lease payments	6,270
Less current portion of lease liabilities	1,967
Non-current portion of lease liabilities	\$ 4,303

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 three months ended March 31, 2019 were between 6 percent and 8 percent, depending on the duration of the lease term.

9 DECOMMISSIONING OBLIGATION

	Three months		Year ended	
	March 31, 2019		December 31, 2018	
Balance, beginning of period	\$	121,672	\$	129,638
Liabilities incurred		22		466
Liabilities acquired		-		1,042
Liabilities disposed		-		(1,380)
Change in estimates		-		(10,767)
Decommissioning expenditures		(891)		(6,443)
Accretion		2,101		9,116
Balance, end of period	\$	122,904	\$	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 March 31, 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 \$651 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 March 31, 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.

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 March 31, 2019, the trustee purchased 741,894 common shares for \$2.0 million for the potential settlement of future vesting RAs. As at March 31, 2019, 529,179 common shares remained classified as treasury shares to be 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 March 31, 2019, Cardinal has incurred \$1.3 million of qualifying Canadian Exploration Expenditures and is committed to incurring the remaining balance of \$2.7 million prior to December 31, 2019.

Loss per share

	Three months ended March 31,	
	2019	2018
Loss for the period	\$ (16,506)	\$ (13,314)
Loss per share		
- Basic and diluted	\$ (0.14)	\$ (0.12)
Weighted average number of common shares		
- Basic	116,981,122	113,397,330
- Diluted	116,981,122	113,397,330

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

For the three months ended March 31, 2019, 5,044,893 RAs (2018 – 3,931,782), 4,285,714 (\$45.0 million at \$10.50) convertible debentures (2018 – 4,761,905), and 6,945 stock options (2018 – 79,449) were excluded from the calculation of diluted earnings (loss) per share as their effect was anti-dilutive.

11 DIVIDENDS

During the three months ended March 31, 2019, \$3.6 million (2018 – \$12.3 million) of dividends (\$0.03 per common share) (2018 - \$0.105 per common share) were declared of which \$2.3 million (2018 - \$8.0 million) was paid in cash and \$1.3 million (2018 - \$4.3 million) was recognized as a liability at March 31, 2019. The dividend payable was settled on April 15, 2019.

In April 2019, the Company announced an increase of the dividend to \$0.015 per share commencing with the July 2019 dividend payable on August 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 \$2.36 (2018 - \$4.56) during the three months ended March 31, 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 March 31, 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	(5,556)	\$ 8.25
Balance at March 31, 2019	6,945	\$ 8.52

Exercise price	Outstanding and Exercisable	
	Number of Stock Options	Weighted average remaining life (years)
\$ 8.25	6,112	0.1
\$ 10.50	833	0.5
\$ 8.52	6,945	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	2,778,535
Settled	(1,342,977)
Adjustment for dividends declared	173,578
Forfeited	(8,652)
Balance at March 31, 2019	5,044,893

For the three months ended March 31, 2019 the Company settled 1,342,977 RAs (2018 – 831,922) by issuing 948,980 common shares, 212,715 (2018 – nil) treasury shares and a payment of \$0.5 million (2018 – nil) for withholding tax in exchange for the remaining balance of 181,282 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 - \$4.65).

Share-based Compensation

Share-based compensation for the three months ended March 31, 2019 of \$1.7 million was expensed (2018 - \$1.3 million) and \$0.2 million (2018 - \$0.3 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 March 31,	
	2019	2018
Crude oil	88,998	90,030
Natural gas liquids	1,647	2,201
Natural gas	3,405	2,548
Petroleum and natural gas revenue	94,050	94,779
Processing and other revenue	545	807

Included in accounts receivable at March 31, 2019 is \$36.7 million (December 31, 2018 - \$8.6 million) of accrued petroleum and natural gas revenue.

14 FINANCIAL RISK MANAGEMENT

Cardinal's financial assets and liabilities consist of trade and other receivables, trade and other payables, risk management assets and liabilities, dividends payable, bank debt and convertible debentures. Risk management assets and liabilities arise from the use of derivative financial instruments.

The Company classifies fair value according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 - Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date.

Level 2 - Fair value is based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - Fair value is based on inputs for the asset or liability that are not based on observable market data.

As at March 31, 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 March 31, 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	April 1, 2019 - April 30, 2019	1,000 bbl/d	\$ 80.00	(12)
CDN WTI Swap	April 1, 2019 - December 31, 2019	2,750 bbl/d	\$ 55.36	(6,261)
CDN WTI Swap	April 1, 2019 - January 31, 2020	1,000 bbl/d	\$ 51.75	(2,247)
CDN WTI Swap	July 1, 2019 - March 31, 2020	250 bbl/d	\$ 79.50	(22)
CDN WTI Collar	April 1, 2019 - June 30, 2019	1,500 bbl/d	\$ 70.00	(147)
			\$ 83.33	
CDN WTI Collar	April 1, 2019 - December 31, 2019	500 bbl/d	\$ 80.00	424
			\$ 90.10	
USD WTI Collar	April 1, 2019 - December 31, 2019	500 bbl/d	US \$ 51.00	(111)
			US \$ 65.25	
USD WTI Collar	January 1, 2020 - June 30, 2020	1,000 bbl/d	US \$ 50.00	25
			US \$ 67.10	
USD WTI Put	April 1, 2019 - December 31, 2019	2,500 bbl/d	US \$ 50.00 ⁽¹⁾	115
AECO Swap	April 1, 2019 - March 31, 2020	3,000 gj/d	\$ 1.53	35
AECO Swap	April 1, 2019 - December 31, 2020	1,000 gj/d	\$ 1.60	25
CDN WCS Basis Swap	April 1, 2019 - December 31, 2019	3,000 bbl/d	\$ (22.25)	(1,726)
CDN WCS Basis Swap	April 1, 2019 - February 29, 2020	500 bbl/d	\$ (23.00)	(205)
				(10,107)

(1) The price includes \$1.40/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 March 31, 2019 commodity prices, a \$1 per barrel change in the price of crude oil would have changed the unrealized loss by \$3.4 million (2018 –\$3.9 million) and a \$0.10 per gigajoule change in the price of natural gas would have changed the unrealized loss 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) and the fair value of financial instruments are considered due between one and two years and the convertible debentures are due in 2020 (see note 7). The Company anticipates it will continue to have adequate liquidity to fund its financial liabilities. The Company has had no defaults or breaches on its financial liabilities.

15 CONTRACTUAL OBLIGATIONS

At March 31, 2019, the Company had contractual obligations and commitments as follows:

	2019	2020	2021	2022	2023	Thereafter
Trade and other payables	55,102	-	-	-	-	-
Dividends payable	1,279	-	-	-	-	-
Lease liabilities	1,786	1,463	1,117	920	976	8
Bank debt	-	206,151	-	-	-	-
Capital commitments	3,906	-	-	-	-	-
Convertible debentures	2,475	47,475	-	-	-	-
Total contractual obligations	\$ 64,548	\$ 255,089	1,117	920	976	8

16 SUBSEQUENT EVENTS

On **April 15, 2019**, the Company confirmed that a dividend of \$0.01 per common share would be paid on May 15, 2019 to shareholders of record on April 30, 2019. The total amount of dividends declared at April 30, 2019 was \$1.2 million.