



CARDINAL
ENERGY LTD.



**MANAGEMENT
DISCUSSION &
ANALYSIS**

Q1 2016

ADVISORIES

This management's discussion and analysis ("MD&A") is a review of operations, financial position and outlook for Cardinal Energy Ltd. ("Cardinal" or the "Company") for the three months ended March 31, 2016 and is dated May 3, 2016. The MD&A should be read in conjunction with Cardinal's unaudited interim condensed financial statements for the three months ended March 31, 2016 and the audited financial statements as at and for the years ended December 31, 2015 and 2014. There have been no significant changes to the critical estimates disclosed in the Company's audited financial statements for the years ended December 31, 2015 and 2014. Financial data presented has been prepared in accordance with International Financial Reporting Standards ("IFRS" or, alternatively, "GAAP"), unless otherwise indicated.

All figures in tables are stated in thousands of Canadian dollars (except operational and per share amounts and as noted).

Non-GAAP Financial Measures

Cardinal uses terms within the MD&A that do not have a standardized prescribed meaning under GAAP and these measurements may not be comparable with the calculation of similar measurements of other entities.

The terms "cash flow from operations", "cash flow from operations per share", "netback", "net debt", "net debt to cash flow from operations", "net bank debt", "free cash flow", "simple payout ratio" and "total payout ratio" in this MD&A are not recognized measures under GAAP. Management believes that in addition to net earnings and cash flow from operating activities as defined by GAAP, these terms are useful supplemental measures to evaluate operating performance. Users are cautioned however, that these measures should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP as an indication of Cardinal's performance.

Management utilizes "cash flow from operations" as a key measure to assess the ability of the Company to generate the funds necessary to finance operating activities, capital expenditures and dividends. Cash flow from operations is based on cash flow from operating activities before the change in non-cash working capital and decommissioning expenditures since Cardinal believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such may not be useful for evaluating Cardinal's operating performance. The following table reconciles cash flow from operating activities to cash flow from operations:

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Cash flow from operating activities	17,975	23,648	-24
Decommissioning expenditures	126	457	-72
Change in non-cash working capital	(10,343)	(2,161)	n/m
Cash flow from operations	7,758	21,944	-65

"Cash flow from operations per share" is calculated using the same weighted average number of shares outstanding used in calculating earnings per share.

"Netback" is calculated on a boe basis and is determined by deducting royalties and operating expenses from petroleum and natural gas revenue. Netback is utilized by Cardinal to better analyze the operating performance of its petroleum and natural gas assets against prior periods.

The term "net debt" is not recognized under GAAP and is calculated as bank debt plus the principal amount of convertible unsecured subordinated debentures and current liabilities less current assets (adjusted for the fair value of financial instruments and the current portion of the decommissioning obligation). Net debt is used by management to analyze the financial position, liquidity and leverage of Cardinal.

"Net debt to cash flow from operations" is calculated as net debt divided by cash flow from operations for the most recent quarter, annualized. The ratio of net debt to cash flow from operations is used to measure the Company's overall debt position and to measure the strength of the Company's balance sheet. Cardinal monitors this ratio and uses this as a key measure in making decisions regarding financing, capital expenditures and dividend levels.

"Net bank debt" is calculated as net debt less the principal amount of convertible unsecured subordinated debentures.

"Free cash flow" represents cash flow from operations less dividends declared (net of participation in the DRIP and SDP) and less development capital expenditures necessary to maintain the Company's base production. "Total payout ratio" represents the ratio of the sum of dividends declared (net of participation in the DRIP and SDP) plus development capital expenditures necessary to maintain the Company's base production divided by cash flow from operations. "Simple payout ratio" represents the ratio of the amount of dividends declared (net of participation in the DRIP and SDP), divided by cash flow from operations. Free cash flow, total payout ratio and simple payout ratio are other key measures to assess Cardinal's ability to finance operating activities, capital expenditures and dividends.

Forward-Looking Statements

Please refer to our disclaimer on forward looking statements at the end of this MD&A.

51-101 Advisory

In accordance with *Standards for Disclosure of Oil and Gas Activities* ("NI 51-101"), natural gas volumes have been converted to barrels of oil equivalent using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. **The term "boe" may be misleading, particularly if used in isolation.**

HIGHLIGHTS

Production for the first quarter of 2016 increased 29% to 14,245 boe/d from 11,023 boe/d in the first quarter of 2015.

Operating expenses for the first quarter of 2016 decreased by 8% to \$27.9 million (\$21.50/boe) from \$30.0 million (\$23.66/boe) in the fourth quarter of 2015.

Unit operating expenses decreased by 9% and 7% compared to the fourth quarter of 2015 and first quarter of 2015 respectively.

Exploration and development capital expenditures totaled \$2.1 million in the first quarter of 2016, primarily completing one net horizontal well at Bantry and optimizing certain wells and facilities.

OPERATIONS

PRODUCTION

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Crude oil (bbl/d)	12,326	10,155	21
NGL (bbl/d)	271	70	287
Crude oil and NGL (bbl/d)	12,597	10,225	23
Natural gas (mcf/d)	9,886	4,785	107
boe/d	14,245	11,023	29
% Crude oil and NGL production	88%	93%	-5

On October 30, 2015, Cardinal closed the Mitsue acquisition which added approximately 3,300 boe/d of production (78% light crude oil and NGL).

Cardinal's production in the first quarter of 2016 increased by 29% to 14,245 boe/d compared to 11,023 boe/d in the first quarter of 2015. The increase is primarily due to the Mitsue acquisition and our development drilling at Bantry.

REVENUE

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Crude oil	31,365	37,174	-16
NGL	293	109	169
Crude oil and NGL	31,658	37,283	-15
Natural gas	1,766	1,126	57
Petroleum and natural gas revenue	33,424	38,409	-13
Cardinal average prices			
Crude oil (\$/bbl)	\$ 27.96	\$ 40.67	-31
Natural gas (\$/mcf)	1.96	2.62	-25
\$ per boe	\$ 25.78	\$ 38.72	-33
Benchmark prices			
Crude oil - WTI (US \$/bbl)	\$ 33.45	\$ 48.63	-31
Crude oil - WCS (Cdn \$/bbl)	\$ 26.29	\$ 42.13	-38
Natural gas - AECO Spot (Cdn \$/mmbtu)	\$ 1.83	\$ 2.75	-33
Exchange rate - (US/CAD)	0.73	0.81	-10

Petroleum and natural gas revenue decreased by 13% to \$33.4 million (\$25.78/boe) in the first quarter of 2016 compared to \$38.4 million (\$38.72/boe) in the first quarter of 2015. The decrease is primarily due to a 31% decrease in Cardinal's average crude oil price which was partially offset by an increase in crude oil production of 21%. A widening of the Western Canadian Select ("WCS") differential in the first quarter of 2016 from the first quarter of 2015 was a contributing factor to the reduction in Cardinal's average crude oil price.

Cardinal's average realized crude oil price relative to WCS increased in the quarter compared to the first quarter of 2015 with the addition of light oil production from the Mitsue acquisition. The decrease in the average realized crude oil price was consistent with the reduction in the WCS benchmark price after adjusting for the new crude oil quality mix. Current North American crude oil production and inventory levels continue to keep downward pressure on both current and forward prices for West Texas Intermediate ("WTI") with modest improvements subsequent to the end of the first quarter of 2016.

To mitigate commodity price risks Cardinal has an active 3 year hedging program for Canadian dollar denominated WTI prices. Cardinal is also exposed to medium crude oil differentials at its properties in Bantry and Wainwright. To mitigate this exposure the Company has entered into WCS differential swaps.

FINANCIAL INSTRUMENTS

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Average crude oil volumes hedged (bbls/d)	5,000	4,383	14
Realized gain - commodity contracts	10,838	14,980	-28
Unrealized loss - commodity contracts	(4,296)	(13,879)	-69

Managing the variability in cash flow from operations is an integral component of Cardinal's business strategy. Changing business conditions are monitored regularly and reviewed with our Board of Directors to establish risk management guidelines used by management in carrying out the Company's risk management program. The risk exposure inherent in movements in the price of crude oil, natural gas and power are all proactively managed using financial derivatives with investment-grade counterparties. The Company considers these derivative contracts to be an effective means to manage cash flow from operations.

The Company's crude oil and natural gas derivatives are referenced to WTI and AECO, unless otherwise noted. Cardinal utilizes a variety of derivatives, including swaps and collars to protect against downward commodity price movements and avoids entering into more complex derivative structures. For commodities, Cardinal's risk management program allows for hedging a forward profile of 3 years, of up to 75% of gross average forward 12 months production and up to 50% and 30% of the following 12 and 24 months respectively.

As of the date of this MD&A Cardinal had the following commodity derivatives outstanding:

Commodity Derivative Traded	Period	Average Volume	Average Strike Price
Crude Oil			
CAD WTI Swap	Apr - Dec 2016	6,667 bbl/d	\$ 63.90
	Jan - Dec 2017	4,949 bbl/d	\$ 62.33
	Jan - Dec 2018	500 bbl/d	\$ 57.50
CAD WTI Collar	Apr - Jun 2016	500 bbl/d	Put \$ 70.00
			Call \$ 78.00
WCS Differential	Apr - Dec 2016	6,000 bbl/d	\$ 18.38
	Jan - Dec 2017	4,414 bbl/d	\$ 18.53
Natural Gas			
AECO Swap	Apr - Dec 2016	2,560 gj/d	\$ 2.12
	Jan - Dec 2017	2,496 gj/d	\$ 2.14
	Jan - Apr 2018	1,000 gj/d	\$ 2.25
AECO Collar	Apr - Dec 2016	3,000 gj/d	Put \$ 2.00
			Call \$ 2.93

ROYALTIES

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Royalties	4,623	4,833	-4
Percent of petroleum and natural gas revenue	13.8%	12.6%	10
\$/boe	\$ 3.57	\$ 4.87	-27

Royalties are either paid or taken in kind and are owed to land and mineral rights owners and to provincial governments. The terms of the land and mineral rights owner agreements and provincial royalty regimes impact Cardinal's overall corporate royalty rate. Royalties decreased by 4% to \$4.6 million (13.8% of revenue) for the first quarter of 2016 from \$4.8 million (12.6% of revenue) in the first quarter of 2015. Royalties decreased as increased production was more than offset by a decrease in commodity prices.

OPERATING EXPENSES

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Operating expenses	27,871	23,013	21
\$/boe	\$ 21.50	\$ 23.20	-7

Operating expenses include activities in the field required to operate wells and facilities, lift to surface, gather, process, treat, store and ship production. Cardinal manages the variability in its power costs using financial derivative contracts.

For the first quarter of 2016, operating expenses increased to \$27.9 million (\$21.50/boe) compared to \$23.0 million (\$23.20/boe) in the first quarter of 2015. The increase of \$4.9 million is primarily due to the Mitsue acquisition partially offset by a decrease in operating expenses at Wainwright. Operating costs per boe decreased in the first quarter of 2016 compared to the first quarter of 2015 due to a reduction in the frequency and per well cost of workovers and several cost cutting initiatives implemented in the Company's core operating areas.

Cardinal expects that additional decreases in operating costs per boe will be realized throughout the remainder of 2016.

NETBACK

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Petroleum and natural gas revenue	\$ 25.78	\$ 38.72	-33
Royalties	3.57	4.87	-27
Operating expenses	21.50	23.20	-7
Netback	\$ 0.71	10.65	-93
Realized gain	8.36	15.10	-45
Netback after risk management	\$ 9.07	\$ 25.75	-65

Cardinal's netback decreased to \$0.71 in the first quarter of 2016 compared to \$10.65 in the first quarter of 2015 primarily due to the 33% decrease in commodity prices. Netback after risk management reflect realized gains on commodity contracts in both periods.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Gross G&A	2,930	3,110	-6
Capitalized G&A and overhead recoveries	(329)	(196)	68
Net G&A	2,601	2,914	-11
\$/boe	\$ 2.01	\$ 2.94	-32

G&A for the first quarter of 2016 was \$2.6 million (\$2.01/boe) compared to \$2.9 million (\$2.94/boe) in the first quarter of 2015. The decrease in G&A is primarily due to a 10% salary reduction for all office staff and executives and increased overhead recoveries. The decrease in G&A per boe is due to production from the Mitsue acquisition and the cost reductions noted above.

SHARE-BASED COMPENSATION

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Share-based compensation	2,432	2,256	8
\$/boe	\$ 1.88	\$ 2.27	-17

For the first quarter of 2016 Cardinal recorded \$2.4 million (\$1.88/boe) of share-based compensation compared to \$2.3 million (\$2.27/boe) in the first quarter of 2015. Share-based compensation increased primarily due to additional restricted bonus awards ("RAs") granted to staff and executives in the first quarter of 2016. The decrease in share-based compensation per boe is due to production from the Mitsue acquisition.

FINANCE

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Interest - bank debt	604	438	38
Other finance charges, net	80	247	-68
Interest - convertible debentures	688	-	n/a
Accretion	2,237	1,395	60
Finance expense	3,609	2,080	74
\$/boe	\$ 2.78	\$ 2.10	32
Average bank debt	89,066	47,654	87
Interest rate - bank debt	2.7%	3.7%	-27

Finance expense for the first quarter of 2016 was \$3.6 million (\$2.78/boe) compared to \$2.1 million (\$2.10/boe) in the same period in 2015. Finance expense increased primarily due to the Mitsue acquisition, comprised of increases in the accretion of the decommissioning obligation, interest on the convertible debentures and an increase in the average bank debt outstanding in the period. The increase in interest on bank debt was partially offset by the lower interest rate of 2.7%.

DEPLETION AND DEPRECIATION ("D&D")

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Depletion and depreciation	19,988	20,929	-4
\$/boe	\$ 15.43	\$ 21.10	-27

Depletion is calculated based upon capital expenditures incurred since inception of the Company, future development costs associated with proved plus probable reserves, production rates, and proved plus probable reserves. In addition to depletion, Cardinal records depreciation on other capital equipment not directly associated with proved plus probable reserves.

D&D recorded in the first quarter of 2016 decreased to \$20.0 million (\$15.43/boe) compared to \$20.9 million (\$21.10/boe) in the first quarter of 2015. The decrease in D&D is due to the impairment recognized in 2015 and the lower depletion rate for the Mitsue acquisition that more than offset the increase in production.

DEFERRED TAXES

At March 31, 2016 the Company recorded a deferred tax asset of \$91.7 million (2015 - \$86.2 million).

The Company has \$1.1 billion of tax pools available to be applied against future income for tax purposes. Based on available tax pools and current commodity prices, Cardinal does not expect to pay current income taxes through 2020. Taxes payable beyond 2020 will be primarily a function of commodity prices, capital expenditures and production.

NET LOSS, CASH FLOW FROM OPERATING ACTIVITIES, CASH FLOW FROM OPERATIONS AND PAYOUT RATIOS

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Net loss	(15,644)	(12,847)	22
\$/share			
Basic	\$ (0.24)	\$ (0.22)	9
Diluted	\$ (0.24)	\$ (0.22)	9
Cash flow from operating activities	17,975	23,648	-24
Cash flow from operations	7,758	21,944	-65
\$/share			
Basic	\$ 0.12	\$ 0.38	-68
Diluted	\$ 0.12	\$ 0.38	-68
Total payout ratio	109%	62%	75
Simple payout ratio	82%	50%	64

For the first quarter of 2016 the Company had a net loss of \$15.6 million compared to net loss of \$12.8 million in the first quarter of 2015. Cash flow from operations for the first quarter of 2016 was \$7.8 million compared to \$21.9 million in the first quarter of 2015. The increase in net loss for the first quarter of 2016 and the decrease in cash flow from operations are primarily due to lower commodity prices.

Cardinal's total payout ratio increased to 109% from 62% in 2015 primarily due to the decrease in commodity prices.

CAPITAL EXPENDITURES

In the three months ended March 31, 2016 Cardinal completed 1 (1.0 net) previously drilled horizontal well at Bantry and optimized certain wells and facilities.

Capital Expenditures

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Land	\$ 142	\$ 41	246
Geological and geophysical	-	15	-100
Drilling and completion	584	253	131
Equipment, facilities and pipelines	1,351	2,402	-44
Total exploration and development	2,077	2,711	-23
Capitalized overhead	152	171	-11
Other assets	2	57	-96
Acquisitions, net	175	(128)	-237
Capital expenditures ⁽¹⁾	\$ 2,406	\$ 2,811	-14

(1) Expenditures exclude non-cash expenditures for the decommissioning obligation and capitalized share-based compensation.

DECOMMISSIONING OBLIGATION

The decommissioning obligation increased by \$1.9 million from \$114.1 million at December 31, 2015 to \$116.0 million at March 31, 2016. The increase relates to \$2.0 million of accretion, offset by \$0.1 million for decommissioning obligations settled.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization table	As at		
	Mar 31, 2016	Dec 31, 2015	Change %
Net debt ⁽¹⁾	147,022	146,185	1
Shares outstanding	65,936,250	65,124,209	1
Market price at end of year (\$ per share)	\$ 8.43	\$ 8.77	-4
Market capitalization	555,843	571,139	-3
Total capitalization	702,865	717,324	-2

(1) See non-GAAP measures.

CAPITAL FUNDING

As at March 31, 2016 Cardinal had 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 \$325 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. There are no financial or other restrictive covenants related to the Facilities (provided that Cardinal is not in default of the terms of the Facilities). Cardinal was in compliance with the terms of the Facilities at March 31, 2016.

The next scheduled review of the borrowing base is to be completed on or before May 27, 2016. 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 (see Liquidity). In accordance with the agreements governing the Facilities, 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 has \$50 million of convertible unsecured subordinated debentures ("convertible debentures") which have a maturity date of December 31, 2020. The convertible debentures have a conversion price of \$10.50 per common share and bear interest at 5.5% per annum, payable semi-annually on June 30 and December 31 each year. The convertible debentures are redeemable by the Company after January 1, 2019 subject to certain conditions.

CAPITAL STRUCTURE

Cardinal manages its capital to provide a flexible structure to support production maintenance, capital programs, stability of dividends and other operational strategies. Maintaining a strong financial position enables the capture of business opportunities and supports Cardinal's strategy of providing shareholder return through growth of the business and dividend payments.

The key measures that the Company utilizes in evaluating its capital structure are the credit available from the syndicate in relation to the Company's budgeted capital expenditure program and the ratio of net debt to cash flow from operations (see non-GAAP measures).

To manage its capital structure, Cardinal considers its net debt to cash flow from operations ratio, its capital expenditures program, the current level of credit available from the Facilities, the level of credit that may be attainable due to increases in petroleum and natural gas reserves and new equity if available on favourable terms. The Company prepares an annual capital expenditure budget, which is monitored quarterly and updated as necessary.

	Three months ended		
	Mar 31, 2016	Dec 31, 2015	Change %
Bank debt	\$ 86,797	\$ 91,817	-5
Current liabilities ⁽¹⁾	30,910	31,011	-
Current assets ⁽²⁾	(20,685)	(26,643)	-22
Principal amount of convertible debentures	50,000	50,000	-
Net debt	\$ 147,022	\$ 146,185	1
Cash provided from operating activities	\$ 17,975	\$ 9,121	97
Decommissioning obligation expenditures	126	409	-69
Change in non-cash working capital	(10,343)	8,425	-223
Cash flow from operations	\$ 7,758	\$ 17,955	-57
Cash flow from operations, annualized	\$ 31,032	\$ 71,820	-57
Net debt to cash flow from operations	4.7	2.0	133

(1) excludes the fair value of commodity contracts and the current portion of the decommissioning obligation

(2) excludes the fair value of commodity contracts

Cardinal's ratio of net debt to cash flow from operations at March 31, 2016 was 4.7 : 1. The ratio exceeded Cardinal's target of less than 2.0 : 1 primarily due to the sustained decrease in crude oil prices. In response to the price decrease and to maintain a strong financial position the Company reduced its dividend and capital expenditures budget for 2016. Had the annualized cash flow from operations in the calculation been determined using the actual trailing twelve months cash flow from operations the ratio would have been 1.8 : 1.

LIQUIDITY

The Company relies on cash flow from operations, the unused portion of its Facilities and equity issuances to fund its capital requirements and provide liquidity. As at March 31, 2016 Cardinal had a working capital deficiency of \$10.2 million and unused capacity (total credit capacity less bank debt adjusted for working capital) of \$53.0 million on its Facilities.

Since Cardinal's total Facilities are set at less than 50% of the borrowing base, management believes that there will not be a change in the amount of the Facilities available to the Company at the next scheduled review.

The Company believes that it is well positioned to take advantage of its internally developed opportunities funded through its available Facilities combined with anticipated cash flow from operations. Present sources of capital are currently anticipated to be sufficient to satisfy the Company's capital program and dividend payments for the 2016 fiscal year.

GUIDANCE

There has been no change to Cardinal's base capital expenditure budget ("budget") for 2016. The budget is anticipated to result in average and exit production for 2016 of approximately 14,600 boe/d and deploys total development capital of \$25 million. We continue to expect \$60 million in cash flow from operations based on an average WTI price of USD \$40/barrel, an exchange rate of 0.71 \$USD/CAD, a differential to WCS of \$19 and the effect of our existing 2016 hedges. Given the recent improvement in crude oil prices we have not adjusted these budget inputs. The budget achieves a total payout ratio of less than 100% in this lower commodity price environment and net bank debt of \$90 million at year end.

DIVIDENDS

	Three months ended		
	Mar 31, 2016	Mar 31, 2015	Change %
Dividends declared	6,917	12,022	-42
Reinvested dividends (DRIP and SDP)	(574)	(1,099)	-48
Net cash dividends	6,343	10,923	-42
Dividends declared per share	\$ 0.105	\$ 0.21	-50

During the three months ended March 31, 2016, \$6.9 million of dividends (\$0.105 per common share) were declared of which \$4.4 million was paid in cash, \$2.3 million was recognized as a liability at March 31, 2016 and \$0.2 million was recognized on the issuance of 33,189 common shares pursuant to the Company's DRIP and SDP. The dividend payable was settled on April 15, 2016 with cash of \$2.2 million and \$0.1 million was recognized on the issuance of 9,761 Cardinal common shares pursuant to the DRIP and SDP.

Cardinal has a DRIP and a SDP which enable shareholders to receive dividends in common shares rather than cash.

SHARE CAPITAL

On January 18, 2016, Cardinal granted 1,806,568 Restricted Bonus Awards ("RAs") to officers, directors and employees pursuant to the Company's restricted bonus award plan.

Equity Instruments as at	May 3, 2016	Mar 31, 2016
Common shares	65,955,532	65,936,250
Convertible debentures (\$50.0 million convertible at \$10.50)	4,761,904	4,761,904
RAs	2,647,790	2,684,895
Warrants (adjusted for dividends)	706,132	703,460
Stock options	191,393	191,393
SARS	30,996	30,996

OFF BALANCE SHEET ARRANGEMENTS

Cardinal does not have any special purpose entities nor is it a party to any arrangements that would be excluded from the balance-sheet, other than the operating leases summarized in *Commitments and Contractual Obligations*.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

At March 31, 2016 the contractual maturities of Cardinal's obligations were as follows:

	2016	2017	2018	2019	2020	Thereafter
Head office lease	802	1,070	1,070	1,070	1,070	3,210
Field office lease	98	130	130	22	-	-
Trade and other payables	28,602	-	-	-	-	-
Dividends payable	2,308	-	-	-	-	-
Bank debt	-	86,797	-	-	-	-
Convertible debentures	2,750	2,750	2,750	2,750	52,750	-
	\$ 34,560	\$ 90,747	\$ 3,950	\$ 3,842	\$ 53,820	\$ 3,210

Cardinal is also committed to incur \$2.9 million of qualifying Canadian Exploration Expense prior to December 31, 2016.

SUBSEQUENT EVENT

On **April 15, 2016**, the Company confirmed that a dividend of \$0.035 per common share would be paid on May 13, 2016 to shareholders of record on April 29, 2016. The total amount of dividends declared at April 29, 2016 was \$2.3 million.

ADDITIONAL INFORMATION

CRITICAL ACCOUNTING ESTIMATES

There have been no changes in Cardinal's critical accounting estimates in the three months ended March 31, 2016. Further information on the Company's critical accounting policies and estimates can be found in the notes to the annual financial statements and MD&A for the year ended December 31, 2015.

INTERNAL CONTROL UPDATE

Cardinal is required to comply with National Instrument 52-109 "Certification of Disclosure on Issuers' Annual and Interim Filings". The certificate requires that Cardinal disclose in the interim MD&A any change in the Company's internal control over financial reporting ("ICOFR") that occurred during the period that have materially affected, or are reasonably likely to materially affect Cardinal's ICOFR. As of the date of this MD&A Cardinal confirms that there have been no such changes in Cardinal's ICOFR during the first quarter of 2016.

ENVIRONMENTAL RISKS

The oil and gas industry has a number of environmental risks and hazards and is subject to regulation by all levels of government. Environmental legislation includes, but is not limited to, operational controls, site restoration requirements and restrictions on emissions of various substances produced in association with oil and natural gas operations. Compliance with such legislation could require additional expenditures and a failure to comply may result in fines and penalties which could, in the aggregate and under certain unlikely assumptions, become material.

Operations are continuously monitored to minimize the environmental impact and capital is allocated to reclamation and other activities to mitigate the impact on the areas in which we operate.

OUTLOOK

Cardinal has had significant growth by completing eight strategic acquisitions since the Company commenced operations in May of 2012. These accretive acquisitions have established three core areas at Bantry, Wainwright and Mitsue with a high quality, low decline reserve base and development drilling inventory. The acquired assets have enabled the Company to realize its business plan despite the current low commodity price environment. Management continues to evaluate other accretive acquisition opportunities to manage Cardinal's decline rate, maintain its dividend and provide additional production growth while continuing to drive down costs in the existing areas.

Cardinal has had significant drilling success at Bantry in 2014 and 2015 in the Glauconite formation (no wells were drilled in the first quarter of 2016). This play has enabled the Company to maintain or grow production organically with strong capital efficiencies. Management is currently evaluating what it believes are significant development drilling opportunities at Mitsue. In all of its core areas, Cardinal also sees opportunities to enhance existing water flood schemes and improve recovery factors. Development drilling in all core areas will be balanced with acquisitions to maintain a low production decline portfolio of assets and provide organic growth while maintaining the Company's dividend.

QUARTERLY DATA

	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015
Production				
Oil and NGL (bbl/d)	12,597	12,176	10,321	10,430
Natural gas (mcf/d)	9,886	9,696	5,390	5,179
Oil equivalent (boe/d)	14,245	13,792	11,220	11,294
Financial				
Revenue	33,424	43,300	42,949	53,442
Net earnings (loss)	(15,644)	938	(105,674)	21,685
Basic per share (\$)	\$ (0.24)	\$ 0.01	\$ (1.83)	\$ 0.38
Diluted per share (\$)	\$ (0.24)	\$ 0.01	\$ (1.83)	\$ 0.37
Cash flow from operating activities	17,975	9,121	32,497	21,469
Cash flow from operations	7,758	17,955	24,810	29,937
Basic per share (\$)	\$ 0.12	\$ 0.29	\$ 0.43	\$ 0.52
Diluted per share (\$)	\$ 0.12	\$ 0.28	\$ 0.43	\$ 0.51
Working capital (deficiency) ⁽¹⁾	(10,225)	(4,368)	(14,673)	(9,205)
Total assets	945,998	964,333	812,378	920,025
Bank debt	86,797	91,817	56,724	53,227
Principal amount of convertible debentures	50,000	50,000	-	-
Total long-term liabilities	249,444	251,445	140,347	136,509
Shareholders' Equity	661,463	680,446	634,612	743,034
Weighted average shares - basic (000's)	65,725	62,957	57,760	57,438
Weighted average shares - diluted (000's)	65,725	64,280	57,760	58,814
Common shares outstanding (000's)	65,936	65,124	58,334	57,586
Diluted shares outstanding (000's)	74,309	72,357	60,849	60,084
	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014
Production				
Oil and NGL (bbl/d)	10,225	10,167	6,849	5,800
Natural gas (mcf/d)	4,785	4,147	4,424	4,208
Oil equivalent (boe/d)	11,023	10,888	7,587	6,501
Financial				
Revenue	38,409	63,159	54,045	48,194
Net earnings (loss)	(12,847)	26,879	22,250	3,780
Basic per share (\$)	\$ (0.22)	\$ 0.47	\$ 0.52	\$ 0.10
Diluted per share (\$)	\$ (0.22)	\$ 0.46	\$ 0.50	\$ 0.10
Cash flow from operating activities	23,648	31,166	22,764	25,703
Cash flow from operations	21,944	26,570	25,858	23,522
Basic per share (\$)	\$ 0.38	\$ 0.47	\$ 0.60	\$ 0.62
Diluted per share (\$)	\$ 0.38	\$ 0.46	\$ 0.58	\$ 0.60
Working capital surplus (deficiency) ⁽¹⁾	(5,840)	(8,118)	2,075	518
Total assets	883,738	913,253	895,475	447,980
Bank debt	40,095	47,735	62,277	-
Total long-term liabilities	124,089	135,548	140,955	53,111
Shareholders' Equity	727,091	747,928	729,317	363,943
Weighted average shares - basic (000's)	57,197	56,745	42,997	37,734
Weighted average shares - diluted (000's)	58,258	58,010	44,425	38,962
Common shares outstanding (000's)	57,334	56,819	56,654	37,805
Diluted shares outstanding (000's)	59,834	58,906	58,769	39,950

(1) – Excluding the fair value of financial instruments and the current portion of decommissioning obligation

Quarterly production has increased with increases in 2014 due to successful drilling at Bantry and the Wainwright acquisitions that closed late in the third quarter of 2014. Production increases in 2015 were primarily due to the successful drilling at Bantry and the Mitsue acquisition. Production in the first quarter of 2016 increased slightly compared to the fourth quarter of 2015 due to production from the Mitsue acquisition for the full quarter. Revenue for the first quarter of 2016 was significantly impacted by the continued weakness in commodity prices.

Cash flow from operations for the first quarter of 2016 decreased compared to prior quarters due to a decrease in commodity prices. Cardinal's quarterly net earnings (loss) have varied significantly due to changes in operations including an impairment of \$156.9 million in the third quarter of 2015, a gain on acquisition in the second quarter of 2015 of \$27.8 million, an unrealized gain on commodity contracts of \$39.0 million in the fourth quarter of 2014, a gain on acquisition of \$9.4 million and an \$8.5 million unrealized gain on commodity contracts in the third quarter of 2014.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "plan", "intend", "objective", "continuous", "ongoing", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this MD&A contains forward-looking statements relating, but not limited to:

- Cardinal's development drilling inventory;
- Cardinal's acquisition and growth plans and the source of funding;
- estimated tax pools, future taxability and future taxable income;
- expectations to maintain the total Facilities of \$150 million at the next scheduled review;
- anticipated decline rates;
- expectations with respect to future unit operating costs;
- Cardinal's business strategy, goals and management focus;
- Cardinal's dividend plans, the amount and timing of the payment of future dividends and the consistency of our dividend policy;
- Cardinal's risk management strategy and the benefits to be obtained therefrom;
- sources of funds for the Company's operations, capital expenditures and decommissioning obligations;
- future liquidity and the Company's access to sufficient debt and equity capital;
- expectations with respect to Cardinal's 2016 budget and production, cash flow from operations, total payout ratio, and net bank debt guidance;
- Cardinal's asset base and future prospects for development and growth therefrom;
- expectations regarding the business environment, industry conditions, future commodity prices and differentials;
- expectations regarding the Company's cost savings initiatives and enhancements to capital efficiencies;
- Cardinal's capital management strategies; and
- treatment under governmental and other regulatory regimes and tax, environmental and other laws.

Forward-looking statements regarding Cardinal are based on certain key expectations and assumptions of Cardinal concerning anticipated financial performance, business prospects, strategies, regulatory developments, current commodity prices and exchange rates, applicable royalty rates, tax laws, future well production rates and reserve volumes, future operating costs, the performance of existing and future wells, the success of its exploration and development activities, the sufficiency and timing of budgeted capital expenditures in carrying out planned activities, the availability and cost of labor and services, the impact of increasing competition, conditions in general economic and financial markets, availability of drilling and related equipment, effects of regulation by governmental agencies, the ability to obtain financing on acceptable terms which are subject to change based on commodity prices, market conditions, drilling success and potential timing delays.

These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Cardinal's control. Such risks and uncertainties include, without limitation: the impact of general economic conditions; volatility in market prices for crude oil and natural gas; industry conditions; currency fluctuations; imprecision of reserve estimates; liabilities inherent in crude oil and natural gas operations; environmental risks; incorrect assessments of the value of acquisitions and exploration and development programs; competition from other producers; the lack of availability of qualified personnel, drilling rigs or other services; changes in income tax laws or changes in royalty rates and incentive programs relating to the oil and gas industry; hazards such as fire, explosion, blowouts, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; and ability to access sufficient capital from internal and external sources.

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Cardinal's prospective cash flow from operations, total payout ratio and net bank debt and components thereof, all of which are subject to the same assumptions, risk factors, limitations and qualifications as set forth in the guidance section. The FOFI contained in this MD&A was made as of the date of this MD&A and is provided for the purpose of providing further information about Cardinal's anticipated future business operations. Cardinal disclaims any intention or obligation to update or revise any FOFI contained in this MD&A, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this MD&A should not be used for purposes other than for which it is disclosed herein.

Management has included the forward-looking statements above and a summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide readers with a more complete perspective on Cardinal's future operations and such information may not be appropriate for other purposes. Cardinal's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Cardinal will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this MD&A and Cardinal disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Frequently Used Terms

Term or abbreviation

"bbl"	Barrel(s)
"bbl/d"	Barrel(s) per day
"boe"	Barrel(s) of oil equivalent
"boe/d"	Barrel(s) of oil equivalent per day
"DRIP"	Dividend reinvestment plan
"GJ"	Gigajoule
"m" preceding a volumetric measure	1,000 units of the volumetric measure
"mmbtu"	Million British thermal unit
"mcf"	Thousand cubic feet
"mcf/d"	Thousand cubic feet per day
"MW"	Megawatt
"NGL"	Natural gas liquids
"n/m"	Not meaningful ie absolute value greater than 300 %
"SDP"	Stock dividend program
"US"	United States
"USD"	United States dollars
"WCS"	Western Canadian Select
"WTI"	West Texas Intermediate