



CARDINAL
ENERGY LTD.

**MANAGEMENT DISCUSSION &
ANALYSIS**

Q2 2015

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 and six months ended June 30, 2015 and is dated July 27, 2015. The MD&A should be read in conjunction with the unaudited interim condensed financial statements of Cardinal for the three and six months ended June 30, 2015 and the audited consolidated financial statements of Cardinal for the years ended December 31, 2014 and 2013. There have been no significant changes to the critical estimates disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2014 and 2013. 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", "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. All references to cash flow from operations throughout this MD&A are based on cash 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			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Cash flow from operating activities	21,469	23,648	25,703	45,117	38,233
Decommissioning expenditures	120	457	117	577	265
Change in non-cash working capital	8,348	(2,161)	(2,298)	6,187	4,253
Cash flow from operations	29,937	21,944	23,522	51,881	42,751

"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 working capital deficiency or minus working capital surplus (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.

"Free cash flow" represents cash flow from operations less dividends declared 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 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, 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 second quarter increased 74% to 11,294 boe/d compared to the second quarter of 2014. Development capital expenditures totaled \$11.3 million and included drilling 4 wells at Bantry and optimizing wells and facilities to maintain production. The new wells at Bantry had average drilling and completion costs of \$1.7 million, significantly lower than similar wells drilled in 2014.

Cash flow from operations for the second quarter of 2015 increased 27% to \$29.9 million compared to the corresponding period in 2014.

In the second quarter of 2015 Cardinal unit operating expenses decreased by 5% to \$21.99/boe from the first quarter.

During the second quarter of 2015 Cardinal closed its light oil acquisition of Pinecrest Energy Inc. ("Pinecrest").

Cardinal's total payout ratio for the second quarter of 2015 was 77%, lower than the expected total payout ratio of 82% for the year. The simple payout ratio for the quarter was 40%.



OPERATIONS

PRODUCTION

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Crude Oil (bbl/d)	10,317	10,155	5,773	10,237	5,636
NGL (bbl/d)	113	70	27	92	21
Oil and NGL (bbl/d)	10,430	10,225	5,800	10,329	5,657
Natural Gas (mcf/d)	5,179	4,785	4,208	4,983	4,269
boe/d	11,294	11,023	6,501	11,159	6,369
% Oil and NGL production	92%	93%	89%	93%	89%

Cardinal's production in the second quarter of 2015 of 11,294 boe/d increased by 2% compared to 11,023 boe/d in the first quarter and increased 74% from 6,501 boe/d in the second quarter of 2014. The increase compared to the first quarter is due to the Pinecrest acquisition in the second quarter and our successful drilling at Bantry that was brought on production late in the quarter which more than offset a third party turnaround. The increase compared to the second quarter of 2014 is primarily due to the Wainwright acquisitions that closed in the third quarter of 2014.

Production increased to 11,159 boe/d for the six months ended June 30, 2015 compared to 6,369 boe/d in 2014 due to the Wainwright acquisitions, our successful development drilling at Bantry and from the Pinecrest acquisition.

REVENUE

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Crude Oil	52,060	37,174	46,034	89,233	85,174
NGL	161	109	185	270	288
Oil and NGL	52,221	37,283	46,219	89,503	85,462
Natural Gas	1,221	1,126	1,975	2,348	4,019
Petroleum and natural gas revenue	53,442	38,409	48,194	91,851	89,481
Cardinal average prices					
Crude Oil (\$/bbl)	\$ 55.45	\$ 40.67	\$ 87.62	\$ 48.16	\$ 83.49
Natural Gas (\$/mcf)	2.59	2.62	5.16	2.60	5.20
\$ per boe	\$ 52.00	\$ 38.72	\$ 81.46	\$ 45.48	\$ 77.63
Benchmark pricing					
Crude Oil - WTI (US \$/bbl)	\$ 57.94	\$ 48.56	\$ 102.96	\$ 53.29	\$ 100.82
Crude Oil - WCS (Cdn \$/bbl)	\$ 57.05	\$ 43.45	\$ 91.39	\$ 49.59	\$ 88.60
Natural Gas - AECO Spot (Cdn \$/mcf)	\$ 2.67	\$ 2.75	\$ 4.71	\$ 2.17	\$ 5.17
Exchange Rate - (US/CAD)	0.81	0.81	0.92	0.81	0.91

Petroleum and natural gas revenue increased to \$53.4 million (\$52.00/boe) in the second quarter of 2015 compared to \$38.4 million (\$38.72/boe) in the first quarter and \$48.2 million (\$81.46/boe) in the second quarter of 2014. The increase compared to the first quarter is primarily due to an increase in crude oil prices and compared to the second quarter of 2014 is due to increased production which offset a decrease in prices. WCS differentials as a percentage of WTI (adjusted for the exchange rate) tightened in the first quarter.

Petroleum and natural gas revenue increased to \$91.9 million (\$45.48/boe) for the six months ended June 30, 2015 compared to \$89.5 million (\$77.63/boe) for the same period in 2014. The increase is due to increased production offset by decline in commodity prices. Cardinal's realized crude oil price was relatively consistent with WCS for all periods.



FINANCIAL INSTRUMENTS

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Average crude oil volumes hedged (bbls/d)	4,450	4,383	2,967	4,417	2,533
Realized gain (loss) - commodity contracts	9,224	14,980	(2,681)	24,204	(4,230)
Unrealized gain (loss) - commodity contracts	(19,126)	(13,879)	(2,001)	(33,005)	(5,874)

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 the 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 by Cardinal through the use of 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. For commodities, Cardinal's risk management program allows for hedging a forward profile of 3 years, of up to 60% of gross average forecast production in the current year and up to 40% and 30% of the following 2 years.

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

Remaining Term	Average Volume	Option Traded	Reference	Average Strike Price
July 1, 2015 - December 31, 2015	700 bbl/d	Swap	CAD WTI	\$ 100.19
July 1, 2015 - March 31, 2016	500 bbl/d	Swap	CAD WTI	\$ 67.00
July 1, 2015 - June 30, 2016	1,000 bbl/d	Swap	CAD WTI	\$ 76.00
January 1, 2016 - December 31, 2016 ⁽¹⁾	1,500 bbl/d	Swap	CAD WTI	\$ 76.67
January 1, 2016 - December 31, 2017	500 bbl/d	Swap	CAD WTI	\$ 78.60
July 1, 2016 - June 30, 2017	250 bbl/d	Swap	CAD WTI	\$ 79.00
July 1, 2015 - December 31, 2015	2,250 bbl/d	Collar - put	CAD WTI	\$ 95.28
		Collar - call	CAD WTI	\$ 105.48
July 1, 2015 - June 30, 2016	500 bbl/d	Collar - put	CAD WTI	\$ 70.00
		Collar - call	CAD WTI	\$ 78.00
July 1, 2015 - December 31, 2015	1,000 gj/d	Swap	CAD AECO	\$ 3.65

(1) Cardinal granted an option to the counterparty to put Cardinal into a swap on December 31, 2016 for 500 bbl/d at \$80 CAD WTI (referenced to WTI) for the period January 1, 2017 to December 31, 2017.

ROYALTIES

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Royalties	6,655	4,833	6,570	11,488	11,206
As a percentage of oil and gas revenue	12.5%	12.6%	13.6%	12.5%	12.5%
\$/boe	\$ 6.48	\$ 4.87	\$ 11.11	\$ 5.69	\$ 9.72



Royalties are either paid or taken in kind and are owed to provincial governments and to land and mineral rights owners. Royalty rates for royalties owed to provincial governments are generally dependent on commodity prices and well productivity. Royalties were \$6.7 million (12.5% of revenue) for the second quarter of 2015 compared to \$4.8 million (12.6% of revenue) in the first quarter and \$6.6 million (13.6% of revenue) in the second quarter of 2014. The increase in royalties compared to the first quarter is due to increased commodity prices and production.

Royalties for the six months ended June 30, 2015 were \$11.5 million (12.5% of revenue) compared to \$11.2 million (12.5%) in 2014. Royalties and royalties as a percentage of revenue remained consistent as increased production was offset by a decrease in commodity prices.

OPERATING EXPENSES

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Operating expenses	22,595	23,013	13,134	45,608	26,508
\$/boe	\$ 21.99	\$ 23.20	\$ 22.20	\$ 22.58	\$ 23.00

Operating expenses include activities in the field required to operate wells and facilities, lift to surface, gather, process, treat, store and ship production.

For the second quarter of 2015, operating expenses decreased to \$22.6 million (\$21.99/boe) compared to \$23.0 million (\$23.20/boe) in the first quarter and increased compared to \$13.1 million (\$22.20/boe) in the second quarter of 2014. The decrease from the first quarter of 2015 is due to the continued integration of the Wainwright properties and additional wells drilled and brought on production at Bantry that have lower unit operating expenses which offset an increase in power costs. The increase from the second quarter of 2014 is due to the Wainwright acquisitions that closed late in the third quarter of 2014.

Operating expenses for the six months ended June 30, 2015 increased to \$45.6 million (\$22.58/boe) from \$26.5 million (\$23.00/boe) in the same period in 2014. The increase in operating expenses is primarily due to increased production.

NETBACK

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Petroleum and natural gas revenue	\$ 52.00	\$ 38.72	\$ 81.46	\$ 45.48	\$ 77.63
Royalties	6.48	4.87	11.11	5.69	9.72
Operating expenses	21.99	23.20	22.20	22.58	23.00
Netback per boe	\$ 23.53	\$ 10.65	\$ 48.15	\$ 17.21	\$ 44.91
Realized gain (loss)	8.98	15.10	(4.53)	11.98	(3.67)
Netback after risk management	\$ 32.51	\$ 25.75	\$ 43.62	\$ 29.19	\$ 41.24

Cardinal's netback increased to \$23.53 in the second quarter of 2015 compared to \$10.65 in the first quarter and \$48.15 in the second quarter of 2014. The increase in netback relative to the first quarter is primarily due to an increase in commodity prices. Netbacks in 2015 are lower than 2014 primarily due to lower commodity prices.

For the six months ended June 30, 2015, Cardinal's netback decreased to \$17.21 compared to \$44.91 in the same period in 2014 primarily due to the decrease in commodity prices.

Netbacks after risk management reflect realized gains on commodity contracts in 2015 and realized losses on commodity contracts in 2014.



GENERAL AND ADMINISTRATIVE EXPENSES (“G&A”)

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Gross G&A	2,911	3,110	2,196	6,020	4,490
Capitalized G&A and overhead recoveries	(29)	(196)	(288)	(224)	(439)
Net G&A	2,882	2,914	1,908	5,796	4,051
\$/boe	\$ 2.80	\$ 2.94	\$ 3.22	\$ 2.87	\$ 3.51

G&A for the second quarter of 2015 was \$2.9 million (\$2.80/boe) compared to \$2.9 million (\$2.94/boe) in the first quarter and \$1.9 million (\$3.22/boe) in the second quarter of 2014. G&A compared to the first quarter was relatively consistent and the decrease on a per boe basis is due to increased production. The increase in G&A compared to the same period in 2014 is primarily due to additional staff to manage the properties acquired in 2014 and the decrease in G&A per boe is due to increased production.

For the six months ended June 30, 2015, G&A was \$5.8 million (\$2.87/boe) compared to \$4.1 million (\$3.51/boe) for the same period in 2014. G&A increased due to additional staff and other costs required to manage the properties acquired while the decrease in G&A per boe is due to increased production.

SHARE-BASED COMPENSATION

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Share-based compensation	2,281	2,256	2,085	4,537	3,660
\$/boe	\$ 2.22	\$ 2.27	\$ 3.53	\$ 2.25	\$ 3.18

For the second quarter of 2015 Cardinal recorded \$2.3 million (\$2.22/boe) of share-based compensation compared to \$2.3 million (\$2.27/boe) in the first quarter and \$2.1 million (\$3.53/boe) in the second quarter of 2014. Share-based compensation for the second quarter of 2015 was consistent with the first quarter as forfeitures offset new awards granted. The increase compared to the second quarter of 2014 is primarily due to new awards to staff and executives in the first quarter of 2015.

For the six months ended June 30, 2015, share-based compensation was \$4.5 million (\$2.25/boe) compared to \$3.7 million (\$3.18/boe) in the same period in 2014. The increase in share-based compensation is primarily due to additional restricted bonus awards granted in 2015.

FINANCE

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Interest	515	438	25	953	165
Accretion	1,450	1,395	773	2,845	1,521
Other finance charges	82	248	358	330	574
Finance income	-	(1)	(4)	(1)	(4)
Finance expense	2,047	2,080	1,152	4,127	2,256
Bank debt	53,227	40,095	4,002	53,227	4
Interest rate	3.5%	3.7%	4.0%	3.6%	4.0%
\$/boe	\$ 1.99	\$ 2.10	\$ 1.95	\$ 2.04	\$ 1.96



Finance expense for the second quarter of 2015 was \$2.0 million (\$1.99/boe) compared to \$2.1 million (\$2.10/boe) in the first quarter and \$1.2 million (\$1.95/boe) in the second quarter of 2014. Finance expense for the second quarter of 2015 was consistent with the first quarter and increased compared to the second quarter of 2014 due to increases in bank debt and accretion of the decommissioning obligations associated with the Wainwright acquisitions.

For the six months ended June 30, 2015, finance expense was \$4.1 million (\$2.04/boe) compared to \$2.3 million (\$1.96/boe) in the same period in 2014. The increase in finance expense is primarily due to increases in bank debt outstanding and accretion of a larger decommissioning obligation due to the increased asset base.

DEPLETION AND DEPRECIATION (“D&D”)

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Depletion and depreciation	22,048	20,929	12,661	42,977	24,390
\$/boe	\$ 21.45	\$ 21.10	\$ 21.40	\$ 21.28	\$ 21.16

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 second quarter of 2015 increased to \$22.0 million (\$21.45/boe) compared to \$20.9 million (\$21.10/boe) in the first quarter and \$12.7 million (\$21.40/boe) in the second quarter of 2014. Depletion rates for all periods are relatively consistent and the increases in D&D are due to increased production.

For the six months ended June 30, 2015, D&D was \$43.0 million (\$21.28/boe) compared to \$24.4 million (\$21.16/boe) in the same period in 2014. The increase in D&D expense is due to the increases in production and depletion rates are relatively consistent.

DEFERRED TAXES

At June 30, 2015 the Company recorded a deferred tax asset of \$50.0 million (2014 – liability of \$9.8 million). The deferred tax asset is the result of the integration of the corporate acquisition of Pinecrest in the second quarter of 2015. The deferred tax asset value associated with the acquisition of \$48.5 million (based on approximately \$194 million of tax pools at the then statutory rate of 25%) was recognized as management considered it probable that future taxable income would be available so that the tax pools could be utilized.

During the three months ended June 30, 2015, there was an increase in the statutory tax rate from 25% to 27%. This resulted in deferred tax reduction of \$3.9 million.

The Company has approximately \$1.0 billion of tax pools available to be applied against future income for tax purposes. Based on available pools and current commodity prices, Cardinal does not expect to pay current income taxes until approximately 2020. Taxes payable beyond 2020 will be primarily a function of commodity prices, capital expenditures and production volumes.



NET EARNINGS (LOSS), CASH FLOW FROM OPERATING ACTIVITIES AND CASH FLOW FROM OPERATIONS

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	Jun 30, 2015	Jun 30, 2014
Net earnings (loss)	21,685	(12,847)	3,780	8,838	4,677
\$/share					
Basic	\$ 0.38	\$ (0.22)	\$ 0.10	\$ 0.15	\$ 0.13
Diluted	\$ 0.37	\$ (0.22)	\$ 0.10	\$ 0.15	\$ 0.12
Cash flow from operating activities	21,469	23,648	25,703	45,117	38,233
Cash flow from operations	29,937	21,944	23,522	51,881	42,751
\$/share					
Basic	\$ 0.52	\$ 0.38	\$ 0.62	\$ 0.91	\$ 1.15
Diluted	\$ 0.51	\$ 0.38	\$ 0.60	\$ 0.89	\$ 1.12

For the second quarter of 2015 the Company had net earnings of \$21.7 million compared to net loss of \$12.8 million in the first quarter and net earnings of \$3.8 million in the second quarter of 2014. Cash flow from operations for the second quarter of 2015 was \$29.9 million compared to \$21.9 million in the first quarter and \$23.5 million in the second quarter of 2014. The increase in net earnings for the second quarter of 2015 is due to the \$27.8 million gain recorded on the acquisition of Pinecrest, the increase in commodity prices and increased production. The loss in the first quarter was primarily due to the significant decrease in commodity prices. The increase in cash flow from operations compared to the first quarter is due primarily to higher commodity prices while the increase compared to the second quarter of 2014 is due to increased production which was partially offset by lower commodity prices.

For the six months ended June 30, 2015 net earnings and cash flow from operations increased to \$8.8 million and \$51.9 million respectively compared to \$4.7 million and \$42.8 million in 2014. Net earnings and cash flow from operations have increased primarily due to increases in production volumes offset by decrease in commodity prices and the \$27.8 million gain recorded on the acquisition of Pinecrest.

CAPITAL EXPENDITURES

PP&E Expenditures

Corporate Acquisition

On April 15, 2015, the Company acquired all of the issued and outstanding common shares of Pinecrest Energy Inc. from Virginia Hills Oil Corp. ("Virginia Hills") for cash consideration of \$23.5 million with an associated decommissioning obligation of \$1.1 million. Cardinal agreed to pay Virginia Hills an additional \$5MM of cash consideration, subject to certain conditions, that was valued at \$3.7 million. At acquisition, Pinecrest had no debt or outstanding liabilities. The Company recorded a \$27.8 million gain on this acquisition due to the deferred tax asset recognized which related to temporary differences in the carrying amount of the acquired properties and their tax bases.

Other PP&E expenditures

In 2015 Cardinal drilled, completed and tied-in 4 (4.0 net) horizontal wells at Bantry and optimized certain wells and facilities.



PP&E Expenditures

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Land	\$ 5	\$ 26	\$ 151	\$ 31	\$ 151
Geological and geophysical	94	15	167	109	1,117
Drilling and completion	6,813	253	6,065	7,066	12,706
Equipment, facilities and pipelines	4,162	2,417	2,364	6,579	3,521
Capitalized overhead	171	171	126	342	259
Total exploration and development	11,245	2,882	8,873	14,127	17,754
Other assets	(5)	57	4	52	4
Non-cash expenditures ⁽¹⁾	3,700	-	-	3,700	-
Acquisitions, net	23,849	(128)	5,103	23,721	31,737
PP&E expenditures ⁽²⁾	\$ 38,789	\$ 2,811	\$ 13,980	\$ 41,600	\$ 49,495

E&E Expenditures

	Three months ended			Six months ended	
	June 30, 2015	Mar 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Undeveloped land	\$ 2	\$ 22	\$ -	\$ 24	\$ 1,179
Other assets	-	-	1	-	1
E&E expenditures	\$ 2	\$ 22	\$ 1	\$ 24	\$ 1,180
TOTAL CAPITAL EXPENDITURES ⁽²⁾	\$ 38,791	\$ 2,833	\$ 13,981	\$ 41,624	\$ 50,675

(1) Contingent consideration associated with the Pinecrest acquisition

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

DECOMMISSIONING OBLIGATION

The decommissioning obligation increased by \$3.5 million from \$79.8 million at December 31, 2014 to \$83.2 million at June 30, 2015. The increase relates to \$1.1 million for acquisitions, \$0.04 million of obligations incurred and \$2.8 million of accretion, offset by \$0.6 million for decommissioning obligations settled.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization table	As at	
	June 30, 2015	Dec 31, 2014
Net debt	62,432	54,065
Shares outstanding	57,586,023	56,819,301
Market price at end of period (\$ per share)	\$ 14.33	\$ 13.51
Market capitalization	825,208	767,629
Total capitalization	887,640	821,694

The Company's net debt is calculated as bank debt plus working capital deficiency or minus working capital surplus (adjusted for the fair value of commodity contracts and the current portion of the decommissioning obligation).



CAPITAL FUNDING

As at June 30, 2015 Cardinal had a \$130 million syndicated revolving term credit facility and a \$20 million non-syndicated revolving operating term credit facility (the “Facilities”). 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. As at June 30, 2015 Cardinal had a working capital deficiency of \$9.2 million (excluding the fair value of commodity contracts and the current portion of the decommissioning obligation) and unused capacity (total credit capacity less net debt) of \$87.6 million on its Facilities.

The next scheduled review of the borrowing base is to be completed on or before October 30, 2015. 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. At the last review the syndicate determined that the borrowing base had increased to \$300 million and the total commitment was increased to \$150 million. 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 was in compliance with the terms of the Facilities at June 30, 2015.

GUIDANCE

There has been no change to Cardinal’s base capital expenditures budget (“budget”) for 2015. The budget is anticipated to result in average and exit production for 2015 of approximately 11,200 boe/d and deploys total development capital of \$30 million. We continue to expect \$95 million in cash flow from operations based on a forecast WTI price of USD \$55/barrel, an exchange rate of 0.80 \$USD/CAD, a differential to WCS of \$15.75 and the effect of our existing 2015 hedges. The budget achieves a total payout ratio of 82% in this lower commodity price environment.

Management believes that with the Company’s high quality low decline reserve base and development inventory, excellent balance sheet and hedging program, Cardinal is well positioned to meet its planned growth and development activities and generate strong operating and financial results through 2015 and beyond.

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. The ratio of net debt to cash flow from operations is calculated as net debt, defined as bank debt plus working capital deficiency or minus working capital surplus (excluding the fair value of commodity contracts and the current portion of the decommissioning obligation), divided by cash flow from operating activities before changes in non-cash working capital and decommissioning obligation expenditures for the most recent quarter, annualized.

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 syndicate, the level of credit that may be attainable due to increases in petroleum and natural gas reserves and new equity if available on favorable terms.



The Company prepares an annual capital expenditure budget, which is monitored quarterly and updated as necessary.

	Three months ended	
	June 30, 2015	Dec 31, 2014
Bank debt	\$ 53,227	\$ 47,735
Working capital deficiency	9,205	6,330
Net debt	\$ 62,432	\$ 54,065
Cash provided from operating activities	\$ 21,469	\$ 31,166
Decommissioning obligation expenditures	120	479
Change in non-cash working capital	8,348	(5,075)
Cash flow from operations	\$ 29,937	\$ 26,570
Cash flow from operations, annualized	\$ 119,748	\$ 106,280
Net debt to cash flow from operations	0.5	0.5

There were no changes in the Company's approach to capital management during the six months ended June 30, 2015.

DIVIDENDS

On January 10, 2014 the Company adopted a dividend reinvestment plan ("DRIP") and a stock dividend program ("SDP") which enable shareholders to receive dividends in common shares rather than cash.

During the six months ended June 30, 2015, \$24.1 million of dividends (\$0.42 per common share) were declared of which \$18.6 million was paid in cash, \$4.0 million was recognized as a liability at June 30, 2015 and \$1.5 million was recognized on the issuance of 100,445 common shares pursuant to the DRIP and SDP. The dividend payable was settled on July 15, 2015 with cash of \$3.7 million and \$0.3 million was recognized on the issuance of 20,593 Cardinal common shares pursuant to the DRIP and SDP.

SHARE CAPITAL

On January 7, 2015, Cardinal granted 813,449 Restricted Bonus Awards ("RAs") to officers, directors and employees pursuant to the Company's restricted bonus award plan.

On May 25, 2015, Cardinal issued 200,000 flow-through common shares pursuant to a private placement at \$19.00 per common share for gross proceeds of \$3.8 million. The Company recorded a deferred liability for the premium in the amount of \$0.8 million.

As at June 30, 2015, the Company had a total of 57,586,023 common shares, 1,475,593 RAs, 758,154 warrants (adjusted for dividends during the period), 203,061 stock options, and 61,004 Stock Appreciation Rights ("SARs") outstanding. The warrants have an exercise price of \$2.80 and the stock options have an average exercise price of \$7.59. As of the date of this MD&A, the only change to share capital was the issuance of an additional 20,593 common shares on July 15, 2015 pursuant to the DRIP and SDP.

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

	2015	2016	2017	2018	2019	Thereafter
Head office lease	534	1,070	1,070	1,070	1,070	4,280
Field office lease	66	130	130	130	22	-
Trade and other payables	28,242	-	-	-	-	-
Dividends payable	4,031	-	-	-	-	-
Bank debt	-	-	53,227	-	-	-
	\$ 32,873	\$ 1,200	\$ 54,427	\$ 1,200	\$ 1,092	\$ 4,280

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

Cardinal is also committed to incur \$3.8 million of qualifying Canadian Exploration Expense prior to December 31, 2016.

SUBSEQUENT EVENTS

On **July 15, 2015**, the Company confirmed that a dividend of \$0.07 per common share will be paid on August 17, 2015 to shareholders of record on July 29, 2015.

ADDITIONAL INFORMATION

CRITICAL ACCOUNTING ESTIMATES

There have been no changes in Cardinal's critical accounting estimates in the six months ended June 30, 2015. Further information on the Company's critical accounting policies and estimates can be found in the notes to the annual consolidated financial statements and MD&A for the year ended December 31, 2014. Management used judgment to determine the likelihood of whether the deferred income tax asset recognized on the Pinecrest acquisition would be recognized from future taxable income.

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 second quarter of 2015.

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 seven strategic acquisitions since the Company commenced operations in May of 2012. These accretive acquisitions have established two core areas at Bantry and Wainwright with a high quality, low decline reserve base and development inventory. The acquired assets enabled the Company to realize its business plan and management continues to evaluate other accretive acquisition opportunities to manage Cardinal's decline rate, maintain its dividend and provide additional production growth.

Cardinal had significant drilling success at Bantry in 2014 and 2015 in the Glauconite formation. This play has enabled the Company to maintain or grow production organically with strong capital efficiencies. The new wells at Bantry had average drilling and completion costs \$1.7 million, significantly lower than similar wells drilled in 2014. Management also sees development drilling opportunities in a bypass pay zone at Wainwright. In both 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.

In response to the decline in oil prices Cardinal implemented various initiatives in the first quarter of 2015 that have been realized in the second quarter. These included decreases in general and administrative expenses due to terminating the services of head office consultants, a salary freeze for all employees and various initiatives for operating expenses including reductions to field consultants' daily rates. The Company is well positioned to execute its base capital budget and maintain production at 11,200 boe/d while maintaining a total payout ratio of less than 100%.



QUARTERLY DATA

	June 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014
Production				
Oil and NGL (bbl/d)	10,430	10,225	10,197	6,849
Natural gas (mcf/d)	5,179	4,785	4,147	4,424
Oil equivalent (boe/d)	11,294	11,023	10,888	7,587
Financial				
Revenue	53,442	38,409	63,159	54,045
Net earnings (loss)	21,685	(12,847)	26,879	22,250
Basic per share (\$)	\$ 0.38	\$ (0.22)	\$ 0.47	\$ 0.52
Diluted per share (\$)	\$ 0.37	\$ (0.22)	\$ 0.46	\$ 0.50
Cash flow from operating activities	21,469	23,648	31,166	22,764
Cash flow from operations	29,937	21,944	26,570	25,858
Basic per share (\$)	\$ 0.52	\$ 0.38	\$ 0.47	\$ 0.60
Diluted per share (\$)	\$ 0.51	\$ 0.38	\$ 0.46	\$ 0.58
Working capital surplus (deficiency) ⁽¹⁾	(9,205)	(5,840)	(6,330)	2,075
Total assets	920,025	883,738	913,253	895,475
Bank debt	53,227	40,095	47,735	62,277
Total long-term liabilities	136,509	124,089	135,548	140,955
Shareholders' Equity	743,034	727,091	747,928	729,317
Weighted average shares - basic (000's)	57,438	57,197	56,745	42,997
Weighted average shares - diluted (000's)	58,814	58,258	58,010	44,425
Common shares outstanding	57,586,023	57,333,919	56,819,301	56,654,104
Diluted shares outstanding	60,083,835	59,834,096	58,906,424	58,768,972
	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013
Production				
Oil and NGL (bbl/d)	5,800	5,513	1,965	1,099
Natural gas (mcf/d)	4,208	4,333	1,139	71
Oil equivalent (boe/d)	6,501	6,235	2,155	1,111
Financial				
Revenue	48,194	41,287	12,246	9,353
Net earnings (loss)	3,780	897	36,433	(654)
Basic per share (\$)	\$ 0.10	\$ 0.02	\$ 2.47	\$ (0.06)
Diluted per share (\$)	\$ 0.10	\$ 0.02	\$ 2.33	\$ (0.06)
Cash flow from operating activities	25,703	12,530	584	3,025
Cash flow from operations	23,522	19,229	1,211	3,081
Basic per share (\$)	\$ 0.62	\$ 0.53	\$ 0.08	\$ 0.27
Diluted per share (\$)	\$ 0.60	\$ 0.51	\$ 0.08	\$ 0.27
Working capital surplus (deficiency) ⁽¹⁾	518	135	118	342
Total assets	447,980	439,391	403,174	112,670
Bank debt	-	4,002	9,318	36,274
Total long-term liabilities	53,111	53,886	58,359	8,263
Shareholders' Equity	363,943	362,866	336,863	63,268
Weighted average shares - basic (000's)	37,734	36,502	14,751	11,304
Weighted average shares - diluted (000's)	38,962	37,524	15,646	11,304
Common shares outstanding	37,804,824	37,675,910	34,875,532	11,304,104
Diluted shares outstanding	39,949,851	39,901,401	36,828,679	13,142,751

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



Quarterly production increased significantly in the first quarter of 2014 due to production associated with the South East Alberta acquisition properties included for the entire period and successful drilling at Bantry. The third and fourth quarters of 2014 increased primarily due to the Wainwright acquisitions. Production in the first and second quarter of 2015 increased compared with the fourth quarter of 2014 due to the success in drilling at Bantry along with production associated with the Pinecrest acquisition. Revenue for the second quarter of 2015 increased from first quarter predominantly due to an increase in crude oil prices and decreased compared to the last two quarters in 2014 mainly due to weaker commodity prices.

Cash flow from operations for the second quarter of 2015 increased compared to the first quarter of 2015 primarily due to an increase in commodity prices. Cardinal's quarterly net earnings (loss) has varied significantly due to changes in operations including 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 and a \$39.0 million gain on acquisitions in the fourth quarter of 2013.

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:

- drilling and development budget, plans and the timing thereof;
- anticipated production, including expectations for 2015;
- anticipated cash flow from operations;
- Cardinal's development drilling inventory;
- Cardinal's acquisition and growth plans and the source of funding;
- anticipated future production and unit operating expenses;
- estimated tax pools and future taxability;
- maintaining a conservative leverage profile through a targeted net debt to cash flow from operations ratio of less than one in a normalized price environment;
- anticipated decline rates;
- expectations with respect to total payout ratio and other financial results;
- 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;
- 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 our prospective results of operations, cash flows, and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this MD&A were made as of the date of this MD&A and is provided for the purpose of describing the anticipated effects of the acquisition and the offering on our business operations. We disclaim any intention or obligation to update or revise any FOFI contained in this document, 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 document 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
"GJ"	Gigajoule
"m" preceding a volumetric measure	1,000 units of the volumetric measure
"mcf"	Thousand cubic feet
"mcf/d"	Thousand cubic feet per day
"MW"	Megawatt
"NGLs"	Natural gas liquids
"US"	United States
"USD"	United States dollars
"WCS"	Western Canadian Select
"WTI"	West Texas Intermediate

