CARDINAL ENERGY LTD.

MANAGEMENT DISCUSSION & ANALYSIS

Q2 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 and six months ended June 30, 2016 and is dated August 2, 2016. The MD&A should be read in conjunction with Cardinal's unaudited interim condensed financial statements for the three and six months ended June 30, 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			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Cash flow from operating activities	**11,167**	21,469	-48	**29,142**	45,117	-35
Decommissioning expenditures	**247**	120	106	**373**	577	-35
Change in non-cash working capital	**5,508**	8,348	-34	**(4,835)**	6,187	-178
Cash flow from operations	**16,922**	29,937	-43	**24,680**	51,881	-52

"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 S*tandards 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 of 2016 increased by 29% to 14,621 boe/d from 11,294 boe/d in the second quarter of 2015. Production for the six months ended June 30, 2016 also increased 29% to 14,433 boe/d from 11,159 boe/d in the same period of 2015.

Cardinal continued to focus on decreasing operating expenses in 2016. Operating expenses per boe for the second quarter of 2016 decreased by 8% to $20.23/boe from $21.99 in the second quarter of 2015 and decreased by 6% compared to the first quarter of 2016.

On June 15, 2016 Cardinal closed a bought deal financing with a syndicate of underwriters (including an over-allotment option) and issued 7.15 million common shares at $9.35 per common share for gross proceeds of $66.9 million.

Exploration and development capital expenditures totaled $12.1 million in the second quarter of 2016 and included drilling and completing four (4 net) horizontal wells at Bantry and optimizing wells and facilities at Bantry and Mitsue.

Cardinal modified its frac design at Bantry without increasing completion costs. Preliminary results indicate improvements in well performance and capital efficiency.

OPERATIONS

PRODUCTION

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Crude oil (bbl/d)	**12,598**	10,317	22	**12,462**	10,237	22
NGL (bbl/d)	**272**	113	141	**272**	92	196
Crude oil and NGL (bbl/d)	**12,870**	10,430	23	**12,734**	10,329	23
Natural gas (mcf/d)	**10,506**	5,179	103	**10,196**	4,983	105
boe/d	**14,621**	11,294	29	**14,433**	11,159	29
% Crude oil and NGL production	**88%**	92%	-5	**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 second quarter of 2016 increased by 29% to 14,621 boe/d compared to 11,294 boe/d in the second quarter of 2015. For the six months ended June 30, 2016 production increased by 29% to 14,433 boe/d compared to 11,159 boe/d in 2015. The increases were due to the Mitsue acquisition and our development drilling at Bantry which was brought on production late in the second quarter.

REVENUE

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Crude oil	**48,407**	52,060	-7	**79,772**	89,233	-11
NGL	**306**	161	90	**599**	270	122
Crude oil and NGL	**48,713**	52,221	-7	**80,371**	89,503	-10
Natural gas	**1,411**	1,221	16	**3,177**	2,348	35
Petroleum and natural gas revenue	**50,124**	53,442	-6	**83,548**	91,851	-9
Cardinal average prices						
Crude oil ($/bbl)	**$ 42.22**	$ 55.45	-24	**$ 35.17**	$ 48.16	-27
Natural gas ($/mcf)	**1.48**	2.59	-43	**1.71**	2.60	-34
Equivalent ($/boe)	**$ 37.67**	$ 52.00	-28	**$ 31.81**	$ 45.48	-30
Benchmark prices						
Crude oil - WTI (US $/bbl)	**$ 45.59**	$ 57.94	-21	**$ 39.52**	$ 53.29	-26
Crude oil - WCS (Cdn $/bbl)	**$ 41.61**	$ 57.05	-27	**$ 33.95**	$ 49.59	-32
Natural gas - AECO Spot (Cdn $/mmbtu)	**$ 1.42**	$ 2.67	-47	**$ 1.62**	$ 2.17	-25
Exchange rate - (US/CAD)	**0.78**	0.81	-4	**0.75**	0.81	-7

Petroleum and natural gas revenue decreased by 6% to $50.1 million ($37.67/boe) in the second quarter of 2016 compared to $53.4 million ($52.00/boe) in the second quarter of 2015. The decrease is due to a 24% decrease in Cardinal's average crude oil price which was partially offset by a 22% increase in crude oil production.

Cardinal's average realized crude oil price relative to WCS increased in the second quarter and first half of 2016 compared to the same periods 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.

Petroleum and natural gas revenue decreased to $83.5 million ($31.81/boe) for the six months ended June 30, 2016 compared to $91.9 million ($45.48/boe) for the same period of 2015 due to a 27% decrease in Cardinal's average crude oil price which was partially offset by an increase in crude oil production.

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			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Average crude oil volumes hedged	**6,667**	4,450	50	**5,833**	4,417	32
Realized gain - commodity contracts	**3,047**	9,224	-67	**13,885**	24,204	-43
Unrealized loss - commodity contracts	**(39,921)**	(19,126)	109	**(44,217)**	(33,005)	34

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.

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. Contracts settled in the period result in realized gains or losses based on the market price compared to the contract price. Changes in the fair value of the contracts, as measured at the balance sheet date, are reported as unrealized gains or losses in the period as the forward markets for commodities and currencies fluctuate and as new contracts are executed. 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, referenced to WTI and AECO (unless otherwise noted) outstanding:

Commodity	**Derivative Traded**	**Period**	**Average Volume**			**Average Strike Price**
Crude Oil						
	CAD WTI Swap	Jul - Dec 2016	6,916	bbl/d		$ 64.00
		Jan - Dec 2017	5,453	bbl/d		$ 62.69
		Jan - Dec 2018	1,496	bbl/d		$ 64.50
	WCS Differential	Jul - Dec 2016	6,000	bbl/d		$ 18.38
		Jan - Dec 2017	4,414	bbl/d		$ 18.53
Natural Gas						
	AECO Swap	Jul - Dec 2016	3,000	gj/d		$ 2.12
		Jan - Dec 2017	4,496	gj/d		$ 2.37
		Jan - Dec 2018	2,329	gj/d		$ 2.59
	AECO Collar	Jul - Dec 2016	3,000	gj/d	Put	$ 2.00
					Call	$ 2.93

In connection with certain of the contracts summarized above Cardinal has also granted the counterparties call options on 500 bbl/d for fiscal 2017 at $80 CAD WTI and 1,000 bbl/d for fiscal 2018 at $70 CAD WTI.

ROYALTIES

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Royalties	**5,672**	6,655	-15	**10,295**	11,488	-10
Percent of revenue	**11.3%**	12.5%	-10	**12.3%**	12.5%	-2
$/boe	**$ 4.26**	$ 6.48	-34	**$ 3.92**	$ 5.69	-31

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 15% to $5.7 million (11.3% of revenue) for the second quarter of 2016 from $6.7 million (12.5% of revenue) in the second quarter of 2015. Royalties for the six months ended June 30, 2016 were $10.3 million (12.3% of revenue) compared to $11.5 million (12.5% of revenue) in 2015.

The decreases in royalties for all periods were due to the decreases in commodity prices which were partially offset by increases in production. Royalties as a percentage of revenue for all periods were consistent.

OPERATING EXPENSES

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Operating expenses	**26,923**	22,595	19	**54,794**	45,608	20
$/boe	**$ 20.23**	$ 21.99	-8	**$ 20.86**	$ 22.58	-8

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 second quarter of 2016, operating expenses increased to $26.9 million ($20.23/boe) compared to $22.6 million ($21.99/boe) in the second quarter of 2015 due to the Mitsue acquisition. Operating expenses for the six months ended June 30, 2016 increased to $54.8 million ($20.86/boe) from $45.6 million ($22.58/boe) in the same period of 2015. The increase in operating expenses is primarily due to the Mitsue acquisition partially offset by a decrease in operating costs at Wainwright.

Operating expenses per boe continued to decrease in 2016 with a reduction in the second quarter of 8% compared to the second quarter of 2015. Operating expenses per boe for the first half of 2016 also decreased by 8% compared to 2015. The decreases were due to several cost cutting initiatives implemented in the Company's core operating areas and a reduction in the frequency and per well cost of workovers.

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

NETBACK

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Petroleum and natural gas revenue	**$ 37.67**	$ 52.00	-28	**$ 31.81**	$ 45.48	-30
Royalties	**4.26**	6.48	-34	**3.92**	5.69	-31
Operating expenses	**20.23**	21.99	-8	**20.86**	22.58	-8
Netback	**$ 13.18**	23.53	-44	**$ 7.03**	17.21	-59
Realized gain	**2.29**	8.98	-74	**5.29**	11.98	-56
Netback after risk management	**$ 15.47**	$ 32.51	-52	**$ 12.32**	$ 29.19	-58

Cardinal's netback decreased to $13.18 in the second quarter of 2016 from $23.53 in the second quarter of 2015 and for the first half of 2016 the netback decreased to $7.03 from $17.21 in 2015. The decreases are primarily due to the decreases in commodity prices.

Netback after risk management reflects realized gains on commodity contracts in all periods.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Gross G&A	**3,109**	3,082	1	**6,039**	6,192	-2
Capitalized G&A and overhead recoveries	**(332)**	(200)	66	**(661)**	(396)	67
Net G&A	**2,777**	2,882	-4	**5,378**	5,796	-7
$/boe	**$ 2.09**	$ 2.80	-25	**$ 2.05**	$ 2.87	-29

G&A for the second quarter of 2016 was $2.8 million ($2.09/boe) compared to $2.9 million ($2.80/boe) in the second quarter of 2015. For the six months ended June 30, 2016, G&A was $5.4 million ($2.05/boe) compared to $5.8 million ($2.87/boe) for the same period of 2015.

The decreases in G&A are primarily due to increases in overhead recoveries. The decreases in G&A per boe are primarily due to production from the Mitsue acquisition.

SHARE-BASED COMPENSATION

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Share-based compensation	**2,541**	2,281	11	**4,973**	4,537	10
$/boe	**$ 1.91**	$ 2.22	-14	**$ 1.89**	$ 2.25	-16

For the second quarter of 2016 Cardinal recorded $2.5 million ($1.91/boe) of share-based compensation compared to $2.3 million ($2.22/boe) in the second quarter of 2015. For the six months ended June 30, 2016, share-based compensation was $5.0 million ($1.89/boe) compared to $4.5 million ($2.25/boe) in the same period of 2015.

The increase for both periods is due to additional restricted bonus awards ("RAs") granted to staff and executives in the first quarter of 2016 and the decrease in share-based compensation per boe is primarily due to production from the Mitsue acquisition.

FINANCE

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Interest - bank debt	**527**	515	2	**1,131**	953	19
Other finance charges, net	**138**	82	68	**218**	329	-34
Interest - convertible debentures	**683**	-	n/a	**1,371**	-	n/a
Accretion	**2,275**	1,450	57	**4,512**	2,845	59
Finance expense	**3,623**	2,047	77	**7,232**	4,127	75
$/boe	**$ 2.72**	$ 1.99	37	**$ 2.75**	$ 2.04	35
Average bank debt	**75,374**	57,974	30	**82,385**	52,842	56
Interest rate - bank debt	**2.8%**	3.6%	-22	**2.8%**	3.6%	-22

Finance expense for the second quarter of 2016 was $3.6 million ($2.72/boe) compared to $2.0 million ($1.99/boe) in the second quarter of 2015. For the first half of 2016, finance expense was $7.2 million ($2.75/boe) compared to $4.1 million ($2.04/boe) in the same period of 2015.

The increases in finance expense were 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 increases in interest on bank debt were partially offset by lower average interest rates of 2.8%.

DEPLETION AND DEPRECIATION ("D&D")

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Depletion and depreciation	**20,888**	22,048	-5	**40,876**	42,977	-5
$/boe	**$ 15.70**	$ 21.45	-27	**$ 15.56**	$ 21.28	-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 second quarter of 2016 decreased to $20.9 million ($15.70/boe) compared to $22.0 million ($21.45/boe) in the second quarter of 2015. For the six months ended June 30, 2016, D&D was $40.9 million ($15.56/boe) compared to $43.0 million ($21.28/boe) in the same period of 2015.

The decreases in D&D were due to the impairment recognized in 2015 and the lower depletion rates associated with the Mitsue acquisition that more than offset the increases in production.

DEFERRED TAXES

At June 30, 2016 the Company recorded a deferred tax asset of $105.5 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.

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

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Earnings (loss)	**(35,317)**	21,685	-263	**(50,961)**	8,838	n/m
$/share						
Basic	**$ (0.52)**	$ 0.38	-239	**$ (0.77)**	$ 0.15	n/m
Diluted	**$ (0.52)**	$ 0.37	-242	**$ (0.77)**	$ 0.15	n/m
Cash flow from operating activities	**11,167**	21,469	-48	**29,142**	45,117	-35
Cash flow from operations	**16,922**	29,937	-43	**24,680**	51,881	-52
$/share						
Basic	**$ 0.25**	$ 0.52	-52	**$ 0.37**	$ 0.91	-59
Diluted	**$ 0.25**	$ 0.51	-51	**$ 0.37**	$ 0.89	-58
Total payout ratio	**112%**	75%	50	**111%**	70%	60
Simple payout ratio	**41%**	38%	8	**54%**	43%	25

For the second quarter of 2016 the Company had a loss of $35.3 million compared to earnings of $21.7 million in the second quarter of 2015 (which included a gain on acquisition of $27.8 million). Cash flow from operations for the second quarter was $16.9 million compared to $29.9 million in the second quarter of 2015. The decrease in cash flow from operations is due to lower commodity prices which were partially offset by an increase in production while the loss also included an unrealized loss on commodity contracts of $39.9 million.

For the six months ended June 30, 2016 the Company had a loss of $51.0 million compared to earnings of $8.8 million in 2015 and cash flow from operations decreased to $24.7 million from $51.9 million. Cash flow from operations decreased primarily due to decreases in commodity prices which were partially offset by an increase in production while the loss also included an unrealized loss on commodity contracts of $44.2 million.

The increases in Cardinal's total payout ratio for the second quarter of 2016 from 75% to 112% and for the first half of 2016 from 70% to 111% are primarily due to the decreases in cash flow from operations.

CAPITAL EXPENDITURES

In the six months ended June 30, 2016 Cardinal drilled, completed and tied-in 4 (4.0 net) horizontal wells at Bantry, completed 1 (1.0 net) well that was drilled in 2015 and optimized certain wells and facilities at Bantry and Mitsue.

Capital Expenditures

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Land	**$ 5**	$ 7	-29	**$ 147**	$ 55	167
Geological and geophysical	**7**	94	-93	**7**	109	-94
Drilling and completion	**7,898**	6,813	16	**8,482**	7,066	20
Equipment, facilities and pipelines	**4,167**	4,162	0	**5,518**	6,579	-16
Total exploration and development	**12,077**	11,076	9	**14,154**	13,809	2
Capitalized overhead	**152**	171	-11	**304**	342	-11
Other assets	**6**	(5)	-220	**8**	52	-85
Acquisitions, net	**160**	23,849	-99	**335**	23,721	-99
Capital expenditures [1]	**$ 12,395**	$ 35,091	-65	**$ 14,801**	$ 37,924	-61

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

DECOMMISSIONING OBLIGATION

The decommissioning obligation increased by $3.8 million from $114.1 million at December 31, 2015 to $117.8 million at June 30, 2016. The increase is due to $4.1 million of accretion which was reduced by $0.4 million related to the settlement of certain obligations.

LIQUIDITY AND CAPITAL RESOURCES

	As at		
Capitalization table	**Jun 30, 2016**	Dec 31, 2015	Change %
Net debt (1)	**81,908**	146,185	-44
Shares outstanding	**73,482,302**	65,124,209	13
Market price at end of period ($ per share)	**$ 9.97**	$ 8.77	14
Market capitalization	**732,619**	571,139	28
Total capitalization	**814,527**	717,324	14

(1) See non-GAAP measures.

CAPITAL FUNDING

As at June 30, 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 $250 million. The Facilities are available on a revolving basis until May 26, 2017 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 June 30, 2016.

The next scheduled review of the borrowing base is to be completed on or before May 26, 2017. 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.

On June 15, 2016, Cardinal closed a bought deal financing with a syndicate of underwriters and issued 7.15 million common shares at $9.35 per common share which included an over-allotment option of 650,000 common shares for gross proceeds of $66.9 million that were initially used to pay down debt.

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		
	Jun 30, 2016	Dec 31, 2015	Change %
Bank debt	**$ 25,017**	$ 91,817	-73
Current liabilities (1)	**35,829**	31,011	16
Current assets (2)	**(28,938)**	(26,643)	9
Principal amount of convertible debentures	**50,000**	50,000	0
Net debt	**$ 81,908**	$ 146,185	-44
Cash provided from operating activities	**$ 11,167**	$ 9,121	22
Decommissioning obligation expenditures	**247**	409	-40
Change in non-cash working capital	**5,508**	8,425	-35
Cash flow from operations	**$ 16,922**	$ 17,955	-6
Cash flow from operations, annualized	**$ 67,688**	$ 71,820	-6
Net debt to cash flow from operations	**1.2**	2.0	-41

(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 June 30, 2016 was 1.2 : 1, well within the Company's target of less than 2 : 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 June 30, 2016 Cardinal had a working capital deficiency of $6.9 million and unused capacity (total credit capacity less bank debt adjusted for working capital) of $118.1 million on its Facilities.

Since Cardinal's total Facilities are set at 60% 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

Cardinal has increased its base capital expenditure budget by $10 million for the last half of 2016. Capital expenditures for the last half will consist of 4 wells in Bantry, 1 well in Slave Lake, well optimizations and facility expenditures to further reduce operating expenses. The revised expenditures are expected to result in average production of 15,100 boe/d in Q4 of 2016, an increase from our previous guidance of 14,600 boe/d.

DIVIDENDS

	Three months ended			Six months ended		
	Jun 30, 2016	Jun 30, 2015	Change %	**Jun 30, 2016**	Jun 30, 2015	Change %
Dividends declared	**7,202**	12,075	-40	**14,119**	24,097	-41
Reinvested dividends (DRIP and SDP)	**(297)**	(728)	-59	**(871)**	(1,827)	-52
Net cash dividends	**6,905**	11,347	-39	**13,248**	22,270	-41
Dividends declared per share	**$ 0.105**	$ 0.21	-50	**$ 0.210**	$ 0.42	-50

During the six months ended June 30, 2016, $14.1 million of dividends ($0.21 per common share) were declared of which $11.0 million was paid in cash, $2.6 million was recognized as a liability at June 30, 2016 and $0.5 million was settled on the issuance of 65,415 common shares pursuant to the Company's DRIP and SDP. The dividend payable was settled on July 15, 2016 with cash of $2.45 million and $0.1 million was recognized on the issuance of 13,776 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

Equity Instruments as at	Aug 2, 2016	Jun 30, 2016
Common shares	73,496,078	73,482,302
Convertible debentures ($50.0 million convertible at $10.50)	4,761,905	4,761,905
RAs	2,667,423	2,667,423
Warrants (adjusted for dividends)	714,210	711,476
Stock options	191,393	191,393
SARs	30,663	30,663

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

	2016	2017	2018	2019	2020	Thereafter
Head office lease	535	1,070	1,070	1,070	1,070	3,210
Field office lease	65	130	130	22	-	-
Trade and other payables	33,257	-	-	-	-	-
Dividends payable	2,572	-	-	-	-	-
Bank debt	-	-	25,017	-	-	-
Convertible debentures	1,375	2,750	2,750	2,750	52,750	-
	$ 37,804	**$ 3,950**	**$ 28,967**	**$ 3,842**	**$ 53,820**	**$ 3,210**

Cardinal is also committed to incur qualifying Canadian Exploration Expense of $2.5 million prior to December 31, 2016 and $3.9 million prior to December 31, 2017.

SUBSEQUENT EVENT

On July 15, 2016, the Company confirmed that a dividend of $0.035 per common share would be paid on August 15, 2016 to shareholders of record on July 29, 2016. The total amount of dividends declared at July 29, 2016 was $2.6 million.

ADDITIONAL INFORMATION

CRITICAL ACCOUNTING ESTIMATES

There have been no changes in Cardinal's critical accounting estimates in the six months ended June 30, 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 second 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, 2015 and 2016 in the Glauconite formation. This play has enabled the Company to maintain or grow production organically with strong capital efficiencies. During the second quarter Cardinal drilled and completed four (4 net) wells at Bantry using a modified frac design. Based on initial results, the new frac design has improved well productivity and capital efficiency. Management believes that there are significant development drilling opportunities at Mitsue and will commence its drilling program in the second half of the year. 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

	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
Production				
Oil and NGL (bbl/d)	**12,870**	12,597	12,176	10,321
Natural gas (mcf/d)	**10,506**	9,886	9,696	5,390
Oil equivalent (boe/d)	**14,621**	14,245	13,792	11,220
Financial				
Revenue	**50,124**	33,424	43,300	42,949
Net earnings (loss)	**(35,317)**	(15,644)	938	(105,674)
Basic per share ($)	**$ (0.52)**	$ (0.24)	$ 0.01	$ (1.83)
Diluted per share ($)	**$ (0.52)**	$ (0.24)	$ 0.01	$ (1.83)
Cash flow from operating activities	**11,167**	17,975	9,121	32,497
Cash flow from operations	**16,922**	7,758	17,955	24,810
Basic per share ($)	**$ 0.25**	$ 0.12	$ 0.29	$ 0.43
Diluted per share ($)	**$ 0.25**	$ 0.12	$ 0.28	$ 0.43
Working capital (deficiency)[1]	**(6,891)**	(10,225)	(4,368)	(14,673)
Total assets	**941,999**	945,998	964,333	812,378
Bank debt	**25,017**	86,797	91,817	56,724
Principal amount of convertible debentures	**50,000**	50,000	50,000	-
Total long-term liabilities	**200,381**	249,318	251,445	140,347
Shareholders' Equity	**689,987**	661,463	680,446	634,612
Weighted average shares - basic (000's)	**67,356**	65,725	62,957	57,760
Weighted average shares - diluted (000's)	**67,356**	65,725	64,280	57,760
Common shares outstanding (000's)	**73,482**	65,936	65,124	58,334
Diluted shares outstanding (000's)	**81,845**	74,309	72,357	60,849

	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014
Production				
Oil and NGL (bbl/d)	10,430	10,225	10,167	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)	(8,118)	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	124,624	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	57,197	58,010	44,425
Common shares outstanding (000's)	57,586	57,334	56,819	56,654
Diluted shares outstanding (000's)	60,084	59,834	58,906	58,769

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

Quarterly production increased significantly in the fourth quarter of 2014 due to the Wainwright acquisition 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 that closed in the fourth quarter. Production increases in 2016 were due to full quarters of production from the Mitsue acquisition and successful development drilling at Bantry that was brought on production late in the second quarter. Revenue for the second quarter of 2016 increased compared to first quarter of 2016 primarily due to a recovery of crude oil prices.

Cash flow from operations for the second quarter of 2016 increased compared to the first quarter of 2016 primarily due to a recovery in commodity prices. Cash flow from operations for the fourth quarter of 2015 decreased significantly compared to prior quarters due to a significant decrease in crude oil prices and a widening of the WCS differential. Cardinal's quarterly earnings (loss) have varied significantly due to changes in operations and commodity prices including an unrealized loss on commodity contracts of $39.9 million in second quarter of 2016, impairment of $156.9 million in the third quarter of 2015, a gain on acquisition of $27.8 million in the second quarter of 2015, 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 and opportunities;
- Cardinal's acquisition and growth plans and the source of funding;
- estimated tax pools, future taxability and future taxable income;
- anticipated decline rates;
- expectations with respect to future operating expenses per boe;
- 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;
- timing and results of the next borrowing base review;
- expectations with respect to Cardinal's revised 2016 budget and fourth quarter production;
- 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;
- 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.

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