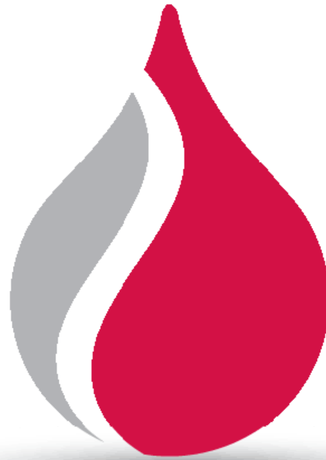

CARDINAL
ENERGY LTD.

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 year ended December 31, 2015 and is dated March 15, 2016. The MD&A should be read in conjunction with Cardinal's audited financial statements as at and 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", "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			**Year ended**		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Cash flow from operating activities	**9,121**	31,166	-71%	**86,735**	92,163	-6%
Decommissioning expenditures	**409**	479	-15%	**1,250**	997	25%
Change in non-cash working capital	**8,425**	(5,075)	-266%	**6,661**	2,019	230%
Cash flow from operations	**17,955**	26,570	-32%	**94,646**	95,179	-1%

"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.

"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 year ended December 31, 2015 increased 51% to 11,838 boe/d compared to the year ended December 31, 2014. Exploration and development capital expenditures for 2015 totaled $36.6 million, including 8 wells successfully drilled at Bantry (7 completed) and optimizing wells and facilities to maintain production. Cardinal's total payout ratio for the year was 87%.

In 2015, Cardinal decreased unit operating expense by 7% from $24.15/boe in 2014 to $22.43/boe. Cash flow from operations for the year ended December 31, 2015 was $94.6 million, consistent with the corresponding period in 2014 despite the decrease in commodity prices.

During the second quarter of 2015 Cardinal closed its light oil acquisition of Pinecrest Energy Inc. ("Pinecrest") in the greater Slave Lake area of Alberta. Cardinal identified other light oil acquisition opportunities in the area that have the potential to diversify Cardinal's existing medium quality crude oil asset base and in the fourth quarter of 2015 acquired light oil and natural gas properties in the Slave Lake area creating a new core operating area at Mitsue, Alberta (the "Mitsue acquisition"). The assets acquired consisted of approximately 3,300 boe/d (78% light crude oil and NGL) production with an annual decline of approximately 9%. Total consideration for the Mitsue acquisition was $144.4 million in cash before closing adjustments.

Concurrent with the acquisition, Cardinal issued 6,627,500 subscription receipts (the "Receipts") at $8.30 per Receipt (including an over-allotment option) and $50 million of 5.5% convertible unsecured subordinated debentures. On October 30, 2015 Cardinal closed the Mitsue acquisition and issued 6,627,500 common shares upon conversion of the Receipts without further consideration.

OPERATIONS

PRODUCTION

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Crude oil (bbl/d)	**11,958**	10,167	18%	**10,681**	7,077	51%
NGL (bbl/d)	**218**	30	n/m	**111**	25	n/m
Crude oil and NGL (bbl/d)	**12,176**	10,197	19%	**10,792**	7,102	52%
Natural gas (mcf/d)	**9,696**	4,147	134%	**6,273**	4,277	47%
boe/d	**13,792**	10,888	27%	**11,838**	7,815	51%
% Crude oil and NGL production	**88%**	94%	-6%	**91%**	91%	0%

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 fourth quarter of 2015 increased by 27% to 13,792 boe/d compared to 10,888 boe/d in the fourth quarter of 2014. The increase is primarily due to the Mitsue acquisition and our development drilling at Bantry.

Production increased by 51% to 11,838 boe/d for the year ended December 31, 2015 compared to 7,815 boe/d in 2014 due to having a full year of production from the Wainwright acquisitions that closed in the third quarter of 2014, our development drilling at Bantry and the Mitsue acquisition.

REVENUE

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Crude oil	**40,694**	61,516	-34%	**171,301**	198,932	-14%
NGL	**491**	157	213%	**902**	630	43%
Crude oil and NGL	**41,185**	61,673	-33%	**172,203**	199,562	-14%
Natural gas	**2,115**	1,486	42%	**5,897**	7,123	-17%
Petroleum and natural gas revenue	**43,300**	63,159	-31%	**178,100**	206,685	-14%
Cardinal average prices						
Crude oil ($/bbl)	**$ 36.99**	$ 65.77	-44%	**$ 43.94**	$ 77.02	-43%
Natural gas ($/mcf)	**2.37**	3.89	-39%	**2.58**	4.56	-43%
$ per boe	**$ 34.13**	$ 63.05	-46%	**$ 41.22**	$ 72.46	-43%
Benchmark pricing						
Crude oil - WTI (US $/bbl)	**$ 42.18**	$ 73.15	-42%	**$ 48.80**	$ 93.00	-48%
Crude oil - WCS (Cdn $/bbl)	**$ 36.86**	$ 66.72	-45%	**$ 44.83**	$ 81.06	-45%
Natural gas - AECO Spot (Cdn $/mcf)	**$ 2.48**	$ 3.63	-32%	**$ 2.70**	$ 4.50	-40%
Exchange rate - (US/CAD)	**0.75**	0.88	-15%	**0.78**	0.91	-14%

Petroleum and natural gas revenue decreased by 31% to $43.3 million ($34.13/boe) in the fourth quarter of 2015 compared to $63.2 million ($63.05/boe) in the fourth quarter of 2014. The decrease is primarily due to a 44% decrease in Cardinal's average crude oil price which was partially offset by an increase in crude oil production of 18%. The decrease in the average crude oil price was consistent with the 45% decrease in the WCS benchmark. A widening of the WCS differential in the fourth quarter of 2015 from the fourth quarter of 2014 was also a contributing factor to the reduction in revenue.

Cardinal's average crude oil price relative to WCS increased slightly in the quarter with the addition of lighter barrels through the Mitsue acquisition. Current North American crude oil production and inventory levels continue to keep downward pressure on both current and forward prices for WTI.

Petroleum and natural gas revenue decreased by 14% to $178.1 million ($41.22/boe) for the year ended December 31, 2015 compared to $206.7 million ($72.46/boe) for the same period in 2014. The decrease is due to a 43% decrease in Cardinal's average crude oil price and a widening WCS differential which was partially offset by an increase in crude oil production of 51%.

Cardinal is primarily exposed to medium oil differentials at its oil and natural gas properties in the Bantry and Wainwright areas. Management has focused its 2015 acquisitions on light oil properties and has entered into WCS differential swaps to mitigate this exposure. To mitigate commodity price risks Cardinal has an active 3 year hedging program for Canadian dollar denominated WTI prices.

FINANCIAL INSTRUMENTS

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Average crude oil volumes hedged	**4,950**	2,700	83%	**4,683**	2,650	77%
Realized gain/(loss) - commodity	**13,982**	4,763	194%	**50,093**	(320)	n/m
Unrealized gain/(loss) - commodity	**2,995**	38,993	-92%	**(13,021)**	41,668	-131%

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 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 and avoids entering into complex derivative structures. For commodities, Cardinal's risk management program allows for hedging a forward profile of 3 years, of up to 75% of gross average forward 12 months production and up to 50% and 30% of the following 12 and 24 months respectively.

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

Commodity	**Derivative Traded**	**Calendar Year**	**Average Volume**			**Average Strike Price**
Oil						
	CAD WTI Swap	2016	6,128	bbl/d		$ 64.94
		2017	3,449	bbl/d		$ 63.24
		2018	500	bbl/d		$ 57.50
	CAD WTI Collar	2016	500	bbl/d	Put	$ 70.00
					Call	$ 78.00
	CAD WCB Differential	2016	5,011	bbl/d		$ 18.37
		2017	1,414	bbl/d		$ 18.24
Natural Gas						
	CAD AECO Swap	2016	586	gj/d		$ 2.10
		2017	1,000	gj/d		$ 2.10
	CAD AECO Collar	2016	3,000	gj/d	Put	$ 2.00
					Call	$ 2.93

ROYALTIES

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Royalties	**5,323**	8,846	-40%	**22,433**	27,398	-18%
Percent of petroleum and natural gas revenue	**12.3%**	14.0%	-12%	**12.6%**	13.3%	-5%
$/boe	**$ 4.20**	$ 8.83	-52%	**$ 5.19**	$ 9.60	-46%

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 40% to $5.3 million (12.3% of revenue) for the fourth quarter of 2015 from $8.8 million (14.0% of revenue) in the fourth quarter of 2014. Royalties for the year ended December 31, 2015 decreased by 18% to $22.4 million (12.6% of revenue) compared to $27.4 million (13.3% of revenue) in 2014. Royalties and royalties as a percentage of revenue decreased as increased production was more than offset by a decrease in commodity prices. Royalties as a percentage of revenue decreased due to the Alberta royalty regime that determines royalty rates based on production and prices.

OPERATING EXPENSES

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Operating expenses	**30,024**	25,782	16%	**96,898**	68,900	41%
$/boe	**$ 23.66**	$ 25.74	-8%	**$ 22.43**	$ 24.15	-7%

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

For the fourth quarter of 2015, operating expenses increased to $30.0 million ($23.66/boe) compared to $25.8 million ($25.74/boe) in the fourth quarter of 2014. The increase is primarily due to increased production associated with the Mitsue acquisition. Operating costs per boe in the fourth quarter of 2014 were higher than the annual average for 2014 due to workovers and one-time costs associated with the Wainwright acquisitions which closed in the third quarter of 2014. Operating costs per boe decreased in 2015 as the Wainwright properties were integrated into Cardinal's operations and various other cost savings initiatives were implemented. Operating costs per boe again increased in the fourth quarter of 2015 due to the higher operating costs associated with the integration of the Mitsue acquisition. Cardinal expects that operating costs per boe will decrease slightly in the first quarter of 2016 as the integration is completed and that additional decreases will be realized throughout the remainder of 2016.

Operating expenses for the year ended December 31, 2015 increased to $96.9 million ($22.43/boe) from $68.9 million ($24.15/boe) in the same period in 2014. The increase is primarily due to a full year of operating expenses from the Wainwright acquisitions that closed in the third quarter of 2014. The decrease in operating costs per boe is due to the cost cutting initiatives implemented in 2015 and additional wells drilled at Bantry that have lower unit costs to operate.

NETBACK

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Petroleum and natural gas revenue	**$ 34.13**	$ 63.05	-46%	**$ 41.22**	$ 72.46	-43%
Royalties	**4.20**	8.83	-52%	**5.19**	9.60	-46%
Operating expenses	**23.66**	25.74	-8%	**22.43**	24.15	-7%
Netback	**$ 6.27**	$ 28.48	-78%	**$ 13.60**	38.71	-65%
Realized gain (loss)	**11.02**	4.75	132%	**11.59**	(0.11)	n/m
Netback after risk management	**$ 17.29**	$ 33.23	-48%	**$ 25.19**	$ 38.60	-35%

Cardinal's netback decreased to $6.27 in the fourth quarter of 2015 compared to $28.48 in the fourth quarter of 2014. For the year ended December 31, 2015, Cardinal's netback decreased to $13.60 compared to $38.71 in the same period in 2014. These reductions in netback are primarily due to decreases in commodity prices experienced throughout 2015. Netbacks after risk management reflect realized gains on commodity contracts and a realized loss on commodity contracts for the year ended December 31, 2014.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A")

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Gross G&A	**2,707**	5,396	-50%	**11,758**	12,183	-3%
Capitalized G&A and overhead recoveries	**(276)**	(479)	-42%	**(921)**	(1,074)	-14%
Net G&A	**2,431**	4,917	-51%	**10,837**	11,109	-2%
$/boe	**$ 1.92**	$ 4.91	-61%	**$ 2.51**	$ 3.89	-35%

G&A for the fourth quarter of 2015 was $2.4 million ($1.92/boe) compared to $4.9 million ($4.91/boe) in the fourth quarter of 2014. The decrease in G&A is primarily due to a 10% salary reduction to all employees, not paying cash bonuses to office staff and other cost saving initiatives to respond to the decrease in commodity prices. The decrease in G&A per boe is also due to the increase in production from the Mitsue acquisition.

For the year ended December 31, 2015, G&A was $10.8 million ($2.51/boe) compared to $11.1 million ($3.89/boe) for the same period in 2014. G&A decreased due to not paying cash bonuses to office staff and cost saving initiatives which offset an increase in staff to manage the Wainwright acquisitions in 2014. The decrease in G&A per boe is also due to the increase in production.

SHARE-BASED COMPENSATION

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Share-based compensation	**2,280**	1,827	25%	**9,249**	7,199	28%
$/boe	**$ 1.80**	$ 1.82	-1%	**$ 2.14**	$ 2.52	-15%

For the fourth quarter of 2015 Cardinal recorded $2.3 million ($1.80/boe) of share-based compensation compared to $1.8 million ($1.82/boe) in the fourth quarter of 2014. Share-based compensation increased primarily due to the additional restricted bonus awards ("RAs") outstanding as a result of the grant to staff and executives in the first quarter of 2015.

For the year ended December 31, 2015, share-based compensation was $9.2 million ($2.14/boe) compared to $7.2 million ($2.52/boe) in the same period in 2014. The increase in share-based compensation is primarily due to additional RAs granted in 2015.

FINANCE

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Interest - bank debt	**483**	562	-14%	**1,897**	880	116%
Other finance charges, net	**125**	164	-24%	**515**	868	-41%
Interest - convertible debentures	**648**	-	N/A	**648**	-	N/A
Accretion	**2,060**	1,380	49%	**6,402**	3,702	73%
Finance expense	**3,316**	2,106	57%	**9,462**	5,450	74%
$/boe	**$ 2.62**	$ 2.10	25%	**$ 2.19**	$ 1.91	15%
Average bank debt	**72,068**	59,362	21%	**57,733**	23,055	150%
Interest - bank debt	**2.7%**	3.8%	-29%	**3.3%**	3.8%	-13%

Finance expense for the fourth quarter of 2015 was $3.3 million ($2.62/boe) compared to $2.1 million ($2.10/boe) in the same period in 2014. Finance expense increased primarily due to an increase in the average bank debt outstanding in the period, the addition of convertible debentures to the Company's capital structure and accretion of the decommissioning obligation. These increases were partially offset by the lower interest rate on the bank debt from 3.8% to 2.7%.

For the year ended December 31, 2015, finance expense was $9.5 million ($2.19/boe) compared to $5.5 million ($1.91/boe) in the same period in 2014. The majority of the increase in finance expense is due to an increase in the average bank debt outstanding in the year and a full year of accretion of the decommissioning obligation associated with the Wainwright acquisitions.

DEPLETION AND DEPRECIATION ("D&D")

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Depletion and depreciation	**20,758**	21,777	-5%	**85,993**	61,402	40%
$/boe	**$ 16.36**	$ 21.74	-25%	**$ 19.90**	$ 21.53	-8%

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 fourth quarter of 2015 decreased to $20.8 million ($16.36/boe) compared to $21.8 million ($21.74/boe) in the fourth quarter of 2014. The decrease in D&D is due to the impairment recognized in the third quarter of 2015 which lowered the depletion rate and offset the increase in production.

For the year ended December 31, 2015, D&D was $86.0 million ($19.90/boe) compared to $61.4 million ($21.53/boe) in the same period in 2014. The increase in D&D expense is due to the increase in production and the decrease in the depletion rate is due to the impairment recognized in the third quarter of 2015.

IMPAIRMENT

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Impairment	-	-	n/m	**156,913**	-	n/m

PP&E

As at December 31, 2015 Cardinal determined that the carrying value of certain CGU's exceeded the recoverable amount and recorded an impairment of $152.0 million. The impairment recognized is the result of sustained declines in forecast forward commodity prices. The impairment at December 31, 2015 specifically relates to the Company's Alberta Central ($85.0 million), Alberta South ($57.5 million), and Jenner ($9.5 million) CGUs. The recoverable amount of Cardinal's impaired CGUs at December 31, 2015 was Alberta Central ($360.4 million), Alberta South ($173.9 million) and Jenner ($34.1 million). The recoverable value of the Company's CGUs was estimated as the value in use based on the net present value of before tax cash flows from crude oil and natural gas proved plus probable reserves estimated by Cardinal's third party reserve evaluators discounted between 10% to 12%. The recoverable amount is sensitive to commodity price, discount rate, production volumes, royalty rates, operating costs and future capital expenditures. In determining the appropriate discount rate for each CGU Cardinal considered various characteristics and risks of the assets.

The change in forecast commodity prices had a minimal impact on the Company's reserve volumes at December 31, 2015 and the impairment had no other impact on the Company's operations.

E&E

An impairment of $4.9 million (2014 – nil), principally comprised of land acquisition costs, was recorded for the year ended December 31, 2015 due to decreases in forward commodity prices and no planned activities at Hudson/Loverna.

DEFERRED TAXES

At December 31, 2015 the Company recorded a deferred tax asset of $86.2 million (2014 – liability of $9.8 million). The deferred tax asset is the result of the impairment recognized in the third quarter of 2015 and the corporate acquisition of Pinecrest in the second quarter of 2015. The deferred tax asset associated with Pinecrest was $49.8 million (based on approximately $199 million of tax pools at the then statutory rate of 25%). The remaining deferred tax asset is due to temporary differences related to property, plant and equipment and exploration and evaluation assets. These deferred tax assets were recognized as management considered it probable that there will be sufficient future taxable income to utilize the benefits.

During the year ended December 31, 2015, there was an increase in the statutory tax rate from 25% to 27%, which resulted in a deferred tax reduction of $5.7 million.

The Company has approximately $1.1 billion of tax pools ($1.0 billion are unrestricted) 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.

		As at December 31		
Tax Pool Balance	**Maximum Annual Claim**	**2015**	2014	Change %
COGPE	10%	**592,793**	506,970	17%
CEE and non-capital losses	100%	**267,604**	79,990	235%
CDE	30%	**122,203**	22,731	n/m
Undepreciated capital cost	25%	**134,198**	132,373	1%
Other	20%	**26,136**	23,808	10%
Total		**1,142,934**	765,872	49%

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

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Net earnings (loss)	**938**	26,879	-97%	**(95,898)**	53,806	-278%
$/share						
Basic	**$ 0.01**	$ 0.47	-98%	**$ (1.63)**	$ 1.23	-233%
Diluted	**$ 0.01**	$ 0.46	-98%	**$ (1.63)**	$ 1.20	-236%
Cash flow from operating activities	**9,121**	31,166	-71%	**86,735**	92,163	-6%
Cash flow from operations	**17,955**	26,570	-32%	**94,646**	95,179	-1%
$/share						
Basic	**$ 0.29**	$ 0.47	-38%	**$ 1.61**	$ 2.18	-26%
Diluted	**$ 0.28**	$ 0.46	-39%	**$ 1.61**	$ 2.12	-24%
Total payout ratio	**136%**	78%	74%	**87%**	70%	24%
Simple payout ratio	**70%**	40%	75%	**49%**	31%	59%

For the fourth quarter of 2015 the Company had a net earnings of $0.9 million compared to net earnings of $26.9 million in the fourth quarter of 2014. Cash flow from operations for the fourth quarter of 2015 was $18.0 million compared to $26.6 million in the fourth quarter of 2014. The net earnings for the fourth quarter of 2015 is due to the additional gain recorded for the Pinecrest acquisition. The decrease in cash flow from operations is primarily due to lower commodity prices.

For the year ended December 31, 2015 the Company reported a net loss of $95.9 million compared to net earnings of $53.8 million in 2014 while cash flow from operations was consistent at approximately $95 million. Net earnings have decreased mainly due to the $156.9 million impairment partially offset by the $32.8 million gain recorded on the acquisition of Pinecrest. The impairment was driven primarily by the decrease in commodity prices and did not reflect a change in either the Company's operations or cash flow from operations. Cash flow from operations decreased slightly due to a decrease in commodity prices which was offset by an increase in production. Cardinal's total payout ratio increased to 87% from 70% in 2014 primarily due to the decrease in commodity prices however the Company's total payout ratio did not exceed 100% in 2015 and cash flow from operations fully funded its development capital expenditures and dividends.

CAPITAL EXPENDITURES

Corporate Acquisitions

On April 15, 2015, the Company acquired all of the issued and outstanding common shares of Pinecrest Energy Inc. ("Pinecrest") from Virginia Hills Oil Corp. ("Virginia Hills") for cash consideration of $23.5 million with an associated decommissioning obligation of $1.1 million. Pinecrest had developed light oil and natural gas properties located in the greater Slave Lake area of Alberta and Cardinal identified other light oil acquisition opportunities in the area that have the potential to diversify Cardinal's existing medium quality crude oil asset base. At acquisition, Pinecrest had no debt or outstanding liabilities.

The Company recorded a $29.1 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. Cardinal agreed to pay Virginia Hills an additional $5.0 million of cash consideration, subject to certain conditions, that was initially valued at $3.7 million. At December 31, 2015, Cardinal determined the fair value of this obligation to be nil and accordingly an additional gain of $3.7 million was recorded.

On September 12, 2015, Cardinal acquired all of the issued and outstanding common shares of a private oil and gas company ("PrivateCo") with properties that complemented existing assets in Wainwright. Total consideration provided was $7.8 million consisting of 669,936 common shares valued at $8.69 per share and cash of $2.0 million with an associated decommissioning obligation of $0.2 million. The acquisition did not have full tax basis and the Company recorded a deferred tax liability of $1.8 million.

Property Acquisitions/Disposition
On October 30, 2015, Cardinal acquired light oil and natural gas properties in the Slave Lake area creating a new core operating area at Mitsue, Alberta (the "Mitsue acquisition"). Total consideration provided was $144.4 million in cash before closing adjustments with an associated decommissioning obligation of $28.0 million. These assets were acquired with full tax pools and no working capital items.

On November 17, 2015, Cardinal disposed of a gas plant and related facilities acquired in connection with the Mitsue acquisition for proceeds of $12.8 million and associated decommissioning obligation of $0.1 million.

Other Capital expenditures
In the year ended December 31, 2015 Cardinal drilled, completed and tied-in 7 (6.75 net) horizontal wells at Bantry and optimized certain wells and facilities. Cardinal also drilled one well at Bantry that was completed in the first quarter of 2016 and spent $1.5 million on E&E activities (primarily additional land at Bantry).

Capital Expenditures

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Land	**$ 5,397**	$ 178	n/m	**$ 6,158**	$ 3,768	63%
Geological and geophysical	**(16)**	936	-102%	**1,373**	2,871	-52%
Drilling and completion	**2,419**	6,372	-62%	**14,412**	22,568	-36%
Equipment, facilities and pipelines	**3,255**	2,556	27%	**14,628**	8,666	69%
Total exploration and development	**11,055**	10,042	10%	**36,571**	37,873	-3%
Capitalized overhead	**158**	430	-63%	**657**	814	-19%
Other assets	**31**	1,723	-98%	**111**	2,342	-95%
Acquisitions, net (1)	**130,822**	(2,689)	n/m	**162,364**	438,263	-63%
Capital expenditures (2)	**$ 142,066**	9,506	n/m	**$ 199,703**	$ 479,292	-58%

(1) Includes share consideration of $5.8 million associated with the PrivateCo acquisition.
(2) Expenditures exclude non-cash expenditures for the decommissioning obligation and capitalized share-based compensation.

DECOMMISSIONING OBLIGATION

The decommissioning obligation increased by $34.3 million from $79.8 million at December 31, 2014 to $114.1 million at December 31, 2015. The increase relates to $29.4 million for acquisitions, $0.1 million of obligations incurred, $0.1 million of obligations divested and $6.2 million of accretion, offset by $1.3 million for decommissioning obligations settled.

LIQUIDITY AND CAPITAL RESOURCES

Capitalization table	As at Dec 31, 2015	Dec 31, 2014
Net debt [1]	**146,185**	54,065
Shares outstanding	**65,124,209**	56,819,301
Market price at end of year ($ per share)	**$ 8.77**	$ 13.51
Market capitalization	**571,139**	767,629
Total capitalization	**717,324**	821,694

(1) See non-GAAP measures.

CAPITAL FUNDING

As at December 31, 2015 Cardinal had a $130 million syndicated revolving term credit facility and a $20 million non-syndicated revolving operating term credit facility (the "Facilities") with a borrowing base of $325 million. The Facilities are available on a revolving basis until May 27, 2016 and may be extended for a further 364 day period, subject to approval by the syndicate. There are no financial or other restrictive covenants related to the Facilities (provided that Cardinal is not in default of the terms of the Facilities). Cardinal was in compliance with the terms of the Facilities at December 31, 2015.

The next scheduled review of the borrowing base is to be completed on or before May 27, 2016. As the available lending limit of the Facilities is based on the syndicate's interpretation of the Company's reserves and future commodity prices and costs, there can be no assurance that the amount of the Facilities will not decrease at the next scheduled review (see Liquidity). In accordance with the agreements governing the Facilities Cardinal may request an increase in the Facilities up to the borrowing base.

Advances under the Facilities are available by way of either prime rate loans which bear interest at the banks' prime lending rate plus 0.7 to 2.0% and bankers' acceptances and/or LIBOR loans, which are subject to fees and margins ranging from 1.7 to 3.0%. Interest and standby fees on the undrawn amounts of the Facilities depend upon the Company's debt to EBITDA ratio. The Facilities are secured by a general security agreement over all of the Company's assets. Cardinal was in compliance with the terms of the Facilities at December 31, 2015.

On September 15, 2015 Cardinal entered into an Offering with a syndicate of underwriters to issue 6,627,500 Receipts at $8.30 per Receipt (including an over-allotment option) and $50 million of convertible unsecured subordinated debentures ("convertible debentures") for total gross proceeds of $105 million which have a maturity date of December 31, 2020. The convertible debentures have a conversion price of $10.50 per common share and bear interest at 5.5% per annum, payable semi-annually on June 30 and December 31 each year. The convertible debentures are redeemable by the Company after January 1, 2019 subject to certain conditions.

CAPITAL STRUCTURE

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

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

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

	Three months ended			
		Dec 31, 2015		Dec 31, 2014
Bank debt	**$**	**91,817**	$	47,735
Current liabilities [(1)]		**31,011**		27,989
Current assets [(2)]		**(26,643)**		(21,659)
Principal amount of convertible debentures		**50,000**		-
Net debt	**$**	**146,185**	$	54,065
Cash provided from operating activities	**$**	**9,121**	$	31,166
Decommissioning obligation expenditures		**409**		479
Change in non-cash working capital		**8,425**		(5,075)
Cash flow from operations	**$**	**17,955**	$	26,570
Cash flow from operations, annualized	**$**	**71,820**	$	106,280
Net debt to cash flow from operations		**2.0**		0.5

(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 was at the top of its targeted range at 2.0 to 1 due to the Mitsue acquisition and wider differentials in the fourth quarter of 2015.

The only changes in the Company's approach to capital management during the year ended December 31, 2015 were the inclusion of convertible debentures in the Company's capital structure and the change of target net debt to cash flow ratio from less than 1 to less than 2.

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 December 31, 2015 Cardinal had a working capital deficiency of $4.4 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 (excluding the principal amount of convertible unsecured subordinated debentures) of $53.8 million on its Facilities.

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

In response to the continued decrease in commodity prices Cardinal announced on January 14, 2016 that it would reduce its dividend from $0.84 per year ($0.07 per month) to $0.42 per year ($0.035 per month).

The Company believes that it is well positioned to take advantage of its internally developed opportunities funded through available credit facilities combined with anticipated funds flow. 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 achieved its 2015 guidance with the exception that total exploration and development expenditures were exceeded by approximately $6 million. The increase in expenditures was primarily due to a land agreement for approximately 36 gross sections at Bantry that was negotiated late in the fourth quarter of 2015.

DIVIDENDS

	Three months ended			Year ended		
	Dec 31, 2015	Dec 31, 2014	Change %	**Dec 31, 2015**	Dec 31, 2014	Change %
Dividends declared	**13,664**	11,920	15%	**49,911**	32,588	53%
Reinvested dividends (DRIP and SDP)	**(1,006)**	(1,223)	-18%	**(3,713)**	(3,412)	9%
Net cash dividends	**12,658**	10,697	18%	**46,198**	29,176	58%
Dividends declared per share	**$ 0.21**	$ 0.21	0%	**$ 0.84**	$ 0.71	18%

During the year ended December 31, 2015, $49.9 million of dividends ($0.84 per common share) were declared of which $42.0 million was paid in cash, $4.6 million was recognized as a liability at December 31, 2015 and $3.3 million was recognized on the issuance of 278,451 common shares pursuant to the Company's DRIP and SDP. The dividend payable was settled on **January 15, 2016** with cash of $4.2 million and $0.4 million was recognized on the issuance of 48,568 Cardinal common shares pursuant to the DRIP and SDP.

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

SHARE CAPITAL

On January 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.

On September 12, 2015 Cardinal issued 669,936 common shares valued at $8.69 as partial consideration to acquire PrivateCo.

On October 30, 2015, Cardinal issued 6,627,500 common shares pursuant to a bought deal financing (including an over-allotment option) at $8.30 per common share for gross proceeds of $55 million and $50 million of 5.5% convertible debentures at $1,000 principal amount per convertible debenture. The convertible debentures have a conversion price of $10.50 per common share.

Equity Instruments as at	Mar 15, 2016	Dec 31, 2015
Common shares	65,914,574	65,124,209
Convertible debentures ($50.0 million convertible at $10.50)	4,761,904	4,761,904
RAs	2,700,641	1,453,196
Warrants (adjusted for dividends)	707,366	792,120
Stock options	191,393	194,727
SARS	30,996	30,996

OFF BALANCE SHEET ARRANGEMENTS

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

At December 31, 2015, the contractual maturities of Cardinal's obligations were as follows:

	2016	2017	2018	2019	2020	Thereafter
Head office lease	1,070	1,070	1,070	1,070	1,070	3,210
Field office lease	130	130	130	22	-	-
Trade and other payables	26,453	-	-	-	-	-
Dividends payable	4,559	-	-	-	-	-
Bank debt	-	91,817	-	-	-	-
Convertible debentures	2,750	2,750	2,750	2,750	52,750	-
	$ 34,962	**$ 95,767**	**$ 3,950**	**$ 3,842**	**$ 53,820**	**$ 3,210**

Cardinal is also committed to incur $3.5 million of qualifying Canadian Exploration Expense prior to December 31, 2016 including a $1.0 million commitment of PrivateCo.

SUBSEQUENT EVENTS

On **January 7, 2016**, a total of 1,806,568 RAs were issued to Cardinal's officers, directors and employees. The market value of Cardinal's common shares at the grant date was $6.79.

On **January 14, 2016**, the Company announced a reduction to its dividend from $0.84 per year ($0.07 per month) to $0.42 per year ($0.035 per month) in response to the continued decrease in crude oil prices. Cardinal confirmed that a dividend of $0.035 per common share would be paid on February 15, 2016 to shareholders of record on January 29, 2016. The total amount of dividends declared at January 29, 2016 was $2.3 million, of which $2.2 million was paid in cash and the remaining balance participated in the Company's DRIP and SDP programs.

On **February 11, 2016**, the Company confirmed that a dividend of $0.035 per common share would be paid on March 15, 2016 to shareholders of record on February 29, 2016. The total amount of dividends declared at February 29, 2016 was $2.3 million, of which $2.2 million was paid in cash and the remaining balance participated in the Company's DRIP and SDP programs.

On **March 15, 2016**, The Company confirmed that a dividend of $0.035 per common share will be paid on April 15, 2016 to shareholders of record on March 31, 2016.

ADDITIONAL INFORMATION

CRITICAL ACCOUNTING ESTIMATES

Cardinal's significant accounting policies including the use of judgments and key sources of estimation uncertainty are disclosed in note 3 to the December 31, 2015 financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Cardinal continuously refines its management and reporting systems to ensure that accurate, timely and useful information is gathered and disseminated. Cardinal's financial and operating results incorporate certain estimates including the following:

- Estimated accruals for revenues, royalties and operating expenses where actual revenues and costs have not been received;
- Estimated capital expenditures where actual costs have not been received or for projects that are in progress;
- Estimated depletion is based on estimates of oil and gas reserves that Cardinal expects to recover in the future. As a key component in the D&D calculation, the reserve estimates have a significant impact on net earnings and the Company's financial results could differ if there is a revision in our estimate of reserve quantities;
- Estimated future recoverable value of property, plant and equipment and any related impairment charges or recoveries are assessed for impairment when circumstances suggest the carrying amount may exceed its recoverable amount. The recoverable amount calculation requires the use of estimates which are subject to change as new information becomes available. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the related assets;
- Estimated fair values of derivative contracts which are used to manage commodity price and power costs are determined using valuation models which require assumptions regarding the amount and timing of future cash flows and discount rates. As the Company's assumptions rely on external market data, the resulting fair value estimates may not be indicative of the amounts realized or settled and are therefore subject to market uncertainty;
- The decommissioning obligation is based on assumptions which take into consideration current economic factors and experience to date which we believe are reasonable. The actual cost of the Company's decommissioning obligation may change in response to numerous factors; and
- Estimated deferred income tax assets and liabilities are based on current tax interpretations, regulations and legislation which are subject to change. As a result, there are usually a number of tax matters under review and therefore income taxes are subject to measurement uncertainty.

Cardinal hires employees and engages consultants who have the expertise to ensure these estimates are accurate and ensures departments with the most knowledge of the activity are responsible for the estimates. Past estimates are reviewed and analyzed regularly to ensure future estimates continue to track actuals. New information and changed circumstances may result in actual results or changes to estimate amounts that differ materially from current estimates.

FINANCIAL RISKS

A summary of certain financial risks for Cardinal is contained in Note 15 to the audited financial statements as at and for the year ended December 31, 2015.

NEW ACCOUNTING PRONOUNCEMENTS

Certain standards and amendments were issued effective for accounting periods beginning on or after January 1, 2015. Many of these updates are not applicable or not consequential to the Company and have been excluded from the discussion below.

In the year ended December 31, 2015, no new IFRS standards and amendments have been adopted by the Company.

New standards and interpretations not yet adopted.

Leases
On January 13, 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "Revenue From Contracts With Customers" has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 on the Consolidated Financial Statements.

Revenue Recognition
On May 28, 2014, the IASB issued IFRS 15, "Revenue From Contracts With Customers" ("IFRS 15") replacing International Accounting Standard 11, "Construction Contracts" ("IAS 11"), IAS 18, "Revenue" ("IAS 18"), and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded.

This new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the financial statements.

Financial Instruments
On July 24, 2014, the IASB issued the final version of IFRS 9, "Financial Instruments" ("IFRS 9") to replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements; however, where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity’s own credit risk is recorded in other comprehensive income rather than net earnings, unless this creates an accounting mismatch.

In addition, a new expected credit loss model for calculating impairment on financial assets replaces the incurred loss impairment model used in IAS 39. The new model will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management. Cardinal does not currently apply hedge accounting.

IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on the financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), are designed to provide reasonable assurance that material information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

The CEO and the CFO have evaluated the effectiveness of Cardinal's disclosure controls and procedures as at December 31, 2015 and have concluded that such disclosure controls and procedures are effective. The assessment was based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013").

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICOFR"), as defined in NI 52-109, includes those policies and procedures that: a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of Cardinal; b) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that receipts and expenditures of the Company are being made in accordance with authorizations of management and Directors of Cardinal; and c) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in NI 52-109, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The CEO and the CFO have evaluated the design and operating effectiveness of Cardinal's internal controls over financial reporting as at December 31, 2015 and have concluded that such internal controls over financial reporting are designed and operating effectively. The control framework Cardinal's officers used to design the Company's ICOFR is COSO 2013.

Due to their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation relating to the effectiveness in future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate. It should also be noted that a control system, including the Company's DC&P and ICOFR, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met and it should not be expected that the DC&P and ICOFR will prevent all errors or fraud.

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 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.

Cardinal has 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. Management is currently evaluating what it believes are significant development drilling opportunities at Mitsue and has identified a bypass pay zone at Wainwright. 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.

On January 14, 2016, in response to the continued low commodity price environment, Cardinal reduced its dividend from $0.84 per year ($0.07 per month) to $0.42 per year ($0.035 per month). The Company believes that right sizing its dividend for the current crude oil price environment is prudent and will allow Cardinal to maintain its total payout ratio at less than 100% of cash flow from operations. The Company will not use its balance sheet to fund its dividend.

Management will continue to evaluate and pursue other accretive acquisition opportunities to manage its decline rate, maintain its dividend and provide additional production growth.

QUARTERLY DATA

	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
Production				
Oil and NGL (bbl/d)	**12,176**	10,321	10,430	10,225
Natural gas (mcf/d)	**9,696**	5,390	5,179	4,785
Oil equivalent (boe/d)	**13,792**	11,220	11,294	11,023
Financial				
Revenue	**43,300**	42,949	53,442	38,409
Net earnings (loss)	**938**	(105,674)	21,685	(12,847)
Basic per share ($)	**$ 0.01**	$ (1.83)	$ 0.38	$ (0.22)
Diluted per share ($)	**$ 0.01**	$ (1.83)	$ 0.37	$ (0.22)
Cash flow from operating activities	**9,121**	32,497	21,469	23,648
Cash flow from operations	**17,955**	24,810	29,937	21,944
Basic per share ($)	**$ 0.29**	$ 0.43	$ 0.52	$ 0.38
Diluted per share ($)	**$ 0.28**	$ 0.43	$ 0.51	$ 0.38
Working capital surplus (deficiency)[1]	**(4,368)**	(14,673)	(9,205)	(5,840)
Total assets	**964,333**	812,378	920,025	883,738
Bank debt	**91,817**	56,724	53,227	40,095
Principal amount of convertible debentures	**50,000**	-	-	-
Total long-term liabilities	**251,445**	140,347	136,509	124,089
Shareholders' Equity	**680,446**	634,612	743,034	727,091
Weighted average shares - basic (000's)	**62,957**	57,760	57,438	57,197
Weighted average shares - diluted (000's)	**64,280**	57,760	58,814	58,258
Common shares outstanding (000's)	**65,124**	58,334	57,586	57,334
Diluted shares outstanding (000's)	**72,357**	60,849	60,084	59,834

	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Production				
Oil and NGL (bbl/d)	10,167	6,849	5,800	5,513
Natural gas (mcf/d)	4,147	4,424	4,208	4,333
Oil equivalent (boe/d)	10,888	7,587	6,501	6,235
Financial				
Revenue	63,159	54,045	48,194	41,287
Net earnings	26,879	22,250	3,780	897
Basic per share ($)	$ 0.47	$ 0.52	$ 0.10	$ 0.02
Diluted per share ($)	$ 0.46	$ 0.50	$ 0.10	$ 0.02
Cash flow from operating activities	31,166	22,764	25,703	12,530
Cash flow from operations	26,570	25,858	23,522	19,229
Basic per share ($)	$ 0.47	$ 0.60	$ 0.62	$ 0.53
Diluted per share ($)	$ 0.46	$ 0.58	$ 0.60	$ 0.51
Working capital surplus (deficiency)[1]	(8,118)	2,075	518	135
Total assets	913,253	895,475	447,980	439,391
Bank debt	47,735	62,277	-	4,002
Total long-term liabilities	135,548	140,955	53,111	53,886
Shareholders' Equity	747,928	729,317	363,943	362,866
Weighted average shares - basic (000's)	56,745	42,997	37,734	36,502
Weighted average shares - diluted (000's)	58,010	44,425	38,962	37,524
Common shares outstanding (000's)	56,819	56,654	37,805	37,676
Diluted shares outstanding (000's)	58,906	58,769	39,950	39,901

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

Quarterly production has increased with increases in 2014 due to successful drilling at Bantry and the Wainwright acquisitions that closed late in the third quarter of 2015. Production increases in 2015 were primarily due to the successful drilling at Bantry and the Mitsue acquisition. Revenue for the fourth quarter of 2015 was consistent with the third quarter of 2015 due to an increase in production from the Mitsue acquisition which was offset by a decrease in crude oil prices.

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

ANNUAL DATA

	2015	2014	2013
Production			
Oil and NGL (bbl/d)	**10,792**	7,102	1,321
Natural gas (mcf/d)	**6,273**	4,277	317
Oil equivalent (boe/d)	**11,838**	7,815	1,374
Financial			
Revenue	**178,100**	206,685	35,750
Net earnings (loss)	**(95,898)**	53,806	35,198
Basic per share ($)	**$ (1.63)**	$ 1.23	$ 2.90
Diluted per share ($)	**$ (1.63)**	$ 1.20	$ 2.70
Cash flow from operating activities	**86,735**	92,163	8,913
Cash flow from operations	**94,646**	95,179	9,814
Basic per share ($)	**$ 1.61**	$ 2.18	$ 0.81
Diluted per share ($)	**$ 1.61**	$ 2.12	$ 0.75
Dividends per share ($)	**$ 0.84**	$ 0.71	$ -
Working capital surplus (deficiency)[1]	**(4,368)**	(6,330)	118
Total assets	**964,333**	913,253	403,174
Bank debt	**91,817**	47,735	9,318
Principal amount of convertible debentures	**50,000**	-	-
Total long-term liabilities	**251,445**	135,548	58,359
Shareholders' Equity	**678,088**	747,928	336,863
Weighted average shares - basic (000's)	**58,852**	43,604	12,128
Weighted average shares - diluted (000's)	**58,852**	44,906	13,023
Common shares outstanding (000's)	**65,124**	56,819	34,876
Diluted shares outstanding (000's)	**72,357**	58,906	36,829

Annual production has increased from 2013 primarily due to the SE Alberta acquisition, the Wainwright acquisitions and successful drilling at Bantry. Revenue increased in 2014 due to the increase in production and an increase in commodity prices and the decrease in 2015 is due to the decrease in commodity prices which offset the increase in production.

Cash flow from operations increased in 2014 from 2013 primarily due to increased production and an increase in commodity prices. Cash flow from operations in 2015 is consistent with 2014 as the decrease in crude oil prices offset the increase in production. Cardinal's net earnings (loss) varied significantly due to changes in operations including gain on acquisition of $39.0 million in 2013, unrealized gain on commodity contracts of $39.0 million in 2014, an impairment of $156.9 million and gain on acquisition of 32.8 million in 2015.

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**:**

- capital expenditure budget and development capital plans;
- anticipated production and production mix, including expectations for 2016;
- Cardinal’s development drilling inventory;
- Cardinal’s acquisition and growth plans and the source of funding;
- anticipated future production;
- estimated tax pools, future taxability and future taxable income;
- expectations of a decrease in the borrowing base of the Facilities while maintaining the total Facilities of $150 million at the next scheduled review;
- plans to maintain a conservative leverage profile through a targeted net debt to cash flow from operations ratio of less than 2.0;
- anticipated decline rates;
- expectations with respect to payout ratios and other financial results;
- Cardinal's business strategy, goals and management focus;
- future operating costs;
- Cardinal’s dividend plans, the amount and timing of the payment of future dividends and the consistency of our dividend policy;
- anticipated dividend re-investment plan and stock dividend program participation;
- 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;
- future acquisition plans;
- 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.

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
"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