CARDINAL
ENERGY LTD.

MANAGEMENT DISCUSSION & ANALYSIS

Q1 2015

ADVISORIES

This management's discussion and analysis ("MD&A") is a review of operations, financial position and outlook for Cardinal Energy Ltd. ("Cardinal" or the "Company") for the three months ended March 31, 2015 and is dated May 11, 2015. The MD&A should be read in conjunction with the unaudited interim condensed financial statements of Cardinal for the three months ended March 31, 2015 and the audited consolidated financial statements of Cardinal for the years ended December 31, 2014 and 2013. There have been no significant changes to the critical estimates disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2014 and 2013. Financial data presented has been prepared in accordance with International Financial Reporting Standards ("IFRS" or, alternatively, "GAAP"), unless otherwise indicated.

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

Non-GAAP Financial Measures

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

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

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

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Cash flow from operating activities	**23,648**	31,166	12,530
Decommissioning expenditures	**457**	479	148
Change in non-cash working capital	**(2,161)**	(5,075)	6,551
Cash flow from operations	**21,944**	26,570	19,229

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

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

The term "net debt" is not recognized under GAAP and is calculated as bank debt plus working capital deficiency or minus working capital surplus (adjusted for the fair value of financial instruments and the current portion of the decommissioning obligation). Net debt is used by management to analyze the financial position, liquidity and leverage of Cardinal.

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

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

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

51-101 Advisory
In accordance with 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

First quarter production increased 77% to 11,023 boe/d compared to the first quarter of 2014. Capital expenditures for the first quarter totaled $2.8 million and were focused on production maintenance as the start of the 2015 drilling program was deferred to the second quarter of 2015 to maximize anticipated costs savings.

Cash flow from operations for the first quarter of 2015 increased 14% to $21.9 million compared to the corresponding period in 2014.

In the first quarter of 2015 Cardinal decreased unit operating expenses 10% from $25.74/boe in the fourth quarter of 2014 to $23.20/boe.

Cardinal's total payout ratio for the first quarter of 2015 was 68% despite lower commodity prices and management expects a total payout ratio of 82% for the year.

The Company exited the first quarter of 2015 with net debt of $45.9 million (an $8.1 million reduction compared to year end) and a net debt to cash flow from operations ratio of 0.5 while maintaining its dividend of $0.07 per share ($0.84 annualized). Cardinal is committed to the sustainability of its dividend and is well positioned for acquisition and other opportunities in 2015.

Cardinal continued its strategy of balancing organic growth with acquisitions and on April 15, 2015 closed the acquisition of Pinecrest Energy Inc.

OPERATIONS

PRODUCTION

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Crude Oil (bbl/d)	**10,155**	10,167	5,497
NGL (bbl/d)	**70**	30	16
Oil and NGL (bbl/d)	**10,225**	10,197	5,513
Natural Gas (mcf/d)	**4,785**	4,147	4,333
boe/d	**11,023**	10,888	6,235
% Oil and NGL production	**93%**	94%	88%

Cardinal's production in the first quarter of 2015 of 11,023 boe/d was consistent with production of 10,888 boe/d in the fourth quarter of 2014 and increased 77% compared to 6,235 boe/d in the first quarter of 2014. The increase compared to the first quarter of 2014 is primarily due to the Wainwright acquisitions that closed late in the third quarter of 2014 and our successful drilling program at Bantry.

REVENUE

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Crude Oil	**37,174**	61,516	39,140
NGL	**109**	157	103
Oil and NGL	**37,283**	61,673	39,243
Natural Gas	**1,126**	1,486	2,044
Petroleum and natural gas revenue	**38,409**	63,159	41,287
Cardinal average prices			
Crude Oil ($/bbl)	**$ 40.67**	$ 65.77	$ 79.11
Natural Gas ($/mcf)	**2.62**	3.89	5.24
$ per boe	**$ 38.72**	$ 63.05	$ 73.58
Benchmark pricing			
Crude Oil - WTI (US $/bbl)	**$ 48.56**	$ 73.12	$ 98.62
Crude Oil - WCS (Cdn $/bbl)	**$ 43.45**	$ 66.72	$ 83.15
Natural Gas - AECO Spot (Cdn $/mcf)	**$ 2.75**	$ 3.63	$ 5.57
Exchange Rate - (US/CAD)	**0.81**	0.88	0.91

Petroleum and natural gas revenue decreased to $38.4 million ($38.72/boe) in the first quarter of 2015 compared to $63.2 million ($63.05/boe) in the fourth quarter of 2014 and $41.3 million ($73.58/boe) in the first quarter of 2014. The decreases compared to the prior periods are due to decreases in commodity prices which more than offset increases in production. WCS differentials to WTI tightened in the fourth quarter of 2014 and first quarter of 2015. Cardinal's realized crude oil price was relatively consistent with WCS for all periods.

FINANCIAL INSTRUMENTS

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Average crude oil volumes hedged (bbls/d)	**4,383**	2,700	2,107
Realized gain/(loss) - commodity contracts	**14,980**	4,763	(1,549)
Unrealized gain/(loss) - commodity contracts	**(13,879)**	38,993	(3,873)

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

The Company's crude oil and natural gas derivatives are referenced to WTI and AECO, unless otherwise noted. Cardinal utilizes a variety of derivatives, including swaps and collars to protect against downward commodity price movements. For commodities, Cardinal's risk management program allows for hedging a forward profile of 3 years, of up to 60% of gross average forecast production in the current year and up to 40% and 30% of the following 2 years.

Including the derivative financial instruments that were entered into subsequent to March 31, 2015 to the date of this MD&A Cardinal had the following commodity derivatives outstanding:

Remaining Term	Average Volume		Option Traded	Index	Average Strike Price
April 1, 2015 - June 30, 2015	500	bbl/d	Swap	CAD WTI	$ 103.00
April 1, 2015 - December 31, 2015	1,200	bbl/d	Swap	CAD WTI	$ 86.36
January 1, 2016 - December 31, 2016 (1)	500	bbl/d	Swap	CAD WTI	$ 75.25
July 1, 2015 - June 30, 2016	1,000	bbl/d	Swap	CAD WTI	$ 76.00
January 1, 2016 - December 31, 2016	1,000	bbl/d	Swap	CAD WTI	$ 77.38
January 1, 2016 - December 31, 2017	500	bbl/d	Swap	CAD WTI	$ 78.60
April 1, 2015 - June 30, 2015	500	bbl/d	Collar - put	CAD WTI	$ 95.00
			Collar - call	CAD WTI	$ 106.28
April 1, 2015 - December 31, 2015	2,250	bbl/d	Collar - put	CAD WTI	$ 95.28
			Collar - call	CAD WTI	$ 105.48
July 1, 2015 - June 30, 2016	500	bbl/d	Collar - put	CAD WTI	$ 70.00
			Collar - call	CAD WTI	$ 78.00
April 1, 2015 - December 31, 2015	1,000	gj/d	Swap	CAD AECO	$ 3.65

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

ROYALTIES

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Royalties	**4,833**	8,846	4,636
As a percentage of oil and gas revenue	**12.6%**	14.0%	11.2%
$/boe	**$ 4.87**	$ 8.83	$ 8.26

Royalties are either paid or taken in kind and are owed to provincial governments and to land and mineral rights owners. Royalty rates for royalties owed to provincial governments are generally dependent on commodity prices and well productivity. Royalties were $4.8 million (12.6% of revenue) for the first quarter of 2015 compared to $8.8 million (14.0% of revenue) in the fourth quarter of 2014 and $4.6 million (11.2% of revenue) in the first quarter of 2014. The decreases in royalties and royalty rate compared to the fourth quarter of 2014 are due to the decrease in commodity prices. The increase in royalties compared to the first quarter of 2014 is due to increased production offset by lower commodity prices. The increase in royalty rate for the same period is due to higher royalty rates associated with the Wainwright acquisitions and wells drilled at Bantry in 2014.

OPERATING EXPENSES

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Operating expenses	**23,013**	25,782	13,374
$/boe	**$ 23.20**	$ 25.74	$ 23.83

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

For the first quarter of 2015, operating expenses decreased to $23.0 million ($23.20/boe) compared to $25.8 million ($25.74/boe) in the fourth quarter of 2014 and increased compared to $13.4 million ($23.83/boe) in the first quarter of 2014. The decrease compared to the fourth quarter of 2014 is due to reductions in work overs and one-time costs associated with the Wainwright acquisitions and lower power costs. It is expected that unit operating expenses will gradually decrease in 2015 as the Company continues its integration of the Wainwright properties and additional wells are drilled and brought on production at Bantry that have lower unit operating expenses.

NETBACK

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Petroleum and natural gas revenue	**$ 38.72**	$ 63.05	$ 73.58
Royalties	**4.87**	8.83	8.26
Operating expenses	**23.20**	25.74	23.83
Netback per boe	**$ 10.65**	$ 28.48	$ 41.49
Realized gain (loss)	**15.10**	4.75	(2.76)
Netback after risk management	**$ 25.75**	$ 33.23	$ 38.73

Cardinal's netback decreased to $10.65 in the first quarter of 2015 compared to $28.48 in the fourth quarter of 2014 and $41.49 in the first quarter of 2014. Reductions in netbacks relative to the first quarter of 2014 are primarily due to decreases in commodity prices and compared to the fourth quarter of 2014 this reduction was partially offset by a 10% decrease in unit operating expenses.

Netbacks after risk management reflect a realized gain on commodity contracts in the first quarter of 2015 and fourth quarter of 2014 and a realized loss on commodity contracts in the first quarter of 2014.

GENERAL AND ADMINISTRATIVE EXPENSES (“G&A”)

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Gross G&A	**3,110**	5,396	2,294
Capitalized G&A and overhead recoveries	**(196)**	(479)	(151)
Net G&A	**2,914**	4,917	2,143
$/boe	**$ 2.94**	$ 4.91	$ 3.82

G&A for the first quarter of 2015 was $2.9 million ($2.94/boe) compared to $4.9 million ($4.91/boe) in the fourth quarter of 2014 and $2.1 million ($3.82/boe) in the first quarter of 2014. The decrease in G&A (both total and unit G&A) compared to the fourth quarter in 2014 is due to bonuses and corporate costs associated with year-end professional fees recognized in the fourth quarter. The increase in G&A compared to the first quarter of 2014 is primarily due to additional staff to manage the properties acquired in 2014 and the decrease in unit G&A is due to increased production.

SHARE-BASED COMPENSATION

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Share-based compensation	**2,256**	1,827	1,574
$/boe	**$ 2.27**	$ 1.82	$ 2.81

For the first quarter of 2015 Cardinal recorded $2.3 million ($2.27/boe) of share-based compensation compared to $1.8 million ($1.82/boe) in the fourth quarter of 2014 and $1.6 million ($2.81/boe) in the first quarter of 2014. Share-based compensation increased primarily due to the grant of restricted bonus awards including an additional award in the first quarter of 2015 granted to all staff and executives.

FINANCE

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Interest	**438**	562	140
Accretion	**1,395**	1,380	748
Other finance charges	**248**	166	216
Finance income	**(1)**	(2)	-
Finance expense	**2,080**	2,106	1,104
Bank debt	**40,095**	47,735	4,002
Interest rate	**3.7%**	3.8%	3.8%
$/boe	**$ 2.10**	$ 2.10	$ 1.97

Finance expense for the first quarter of 2015 was $2.1 million ($2.10/boe) compared to $2.1 million ($2.10/boe) in the fourth quarter of 2014 and $1.1 million ($1.97/boe) in the first quarter of 2014. Finance expense for the first quarter of 2015 was consistent with the fourth quarter of 2014 and increased compared to the first quarter of 2014 due to increases in bank debt and accretion.

DEPLETION AND DEPRECIATION (“D&D”)

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Depletion and depreciation	**20,929**	21,777	11,729
$/boe	**$ 21.10**	$ 21.74	$ 20.90

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

D&D recorded in the first quarter of 2015 decreased to $20.9 million ($21.10/boe) compared to $21.8 million ($21.74/boe) in the fourth quarter of 2014 and increased from $11.7 million ($20.90/boe) in the first quarter of 2014. Depletion rates for all periods are relatively consistent and the change in D&D compared to the first quarter of 2014 is due to increased production.

DEFERRED TAXES

At March 31, 2015 the Company recorded a deferred tax liability of $5.6 million (2014 - $9.8 million).

The Company has $747.2 million of tax pools available to be applied against future income for tax purposes. Based on available pools and current commodity prices, Cardinal does not expect to pay current income taxes in 2015 or 2016. Taxes payable beyond 2016 will be primarily a function of commodity prices, capital expenditures and production volumes.

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

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Net earnings (loss)	**(12,847)**	26,879	897
$/share			
Basic	**$ (0.22)**	$ 0.47	$ 0.02
Diluted	**$ (0.22)**	$ 0.46	$ 0.02
Cash flow from operating activities	**23,648**	31,166	12,530
Cash flow from operations	**21,944**	26,570	19,229
$/share			
Basic	**$ 0.38**	$ 0.47	$ 0.53
Diluted	**$ 0.38**	$ 0.46	$ 0.51

For the first quarter of 2015 the Company had a net loss of $12.8 million compared to net earnings of $26.9 million in the fourth quarter of 2014 and $0.9 million in the first quarter of 2014. Cash flow from operations for the first quarter of 2015 was $21.9 million compared to $26.6 million in the fourth quarter of 2014 and $19.2 million in the first quarter of 2014. The loss in the first quarter of 2015 is primarily due to the decrease in commodity prices. Net earnings in the fourth quarter of 2014 included an unrealized gain on commodity contracts. The decrease in cash flow from operations compared to the fourth quarter of 2014 is due primarily to lower commodity prices and the increase compared to the first quarter of 2014 is due to increased production which was partially offset by lower commodity prices.

CAPITAL EXPENDITURES

PP&E Expenditures

Property Acquisitions

During the first quarter of 2015 Cardinal recognized several minor adjustments related to the acquisitions of properties in 2014.

Other PP&E expenditures

Cardinal spent minimal capital in the first quarter of 2015 with efforts focused on maintaining production.

PP&E Expenditures

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Land	**$ 41**	$ 16	$ -
Geological and geophysical	**15**	936	950
Drilling and completion	**253**	6,372	6,641
Equipment, facilities and pipelines	**2,402**	2,556	1,157
Capitalized overhead	**171**	430	133
Total exploration and development	**2,882**	10,310	8,881
Other assets	**57**	1,723	-
Acquisitions, net	**(128)**	(2,689)	26,634
PP&E expenditures (1)	**$ 2,811**	$ 9,344	$ 35,515

E&E Expenditures

	Three months ended		
	Mar 31, 2015	Dec 31, 2014	Mar 31,2014
Undeveloped land	**$ 22**	$ 162	$ 1,179
E&E expenditures	**$ 22**	$ 162	$ 1,179
TOTAL CAPITAL EXPENDITURES (1)	**$ 2,833**	$ 9,506	$ 36,694

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

DECOMMISSIONING OBLIGATION

The decommissioning obligation increased by $0.9 million from $79.8 million at December 31, 2014 to $80.7 million at March 31, 2015. The increase is due to $1.4 million of accretion for the period offset by $0.5 million for decommissioning obligations settled.

LIQUIDITY AND CAPITAL RESOURCES

	As at	
Capitalization table	**Mar 31, 2015**	Dec 31, 2014
Net debt	**45,935**	54,065
Shares outstanding	**57,333,919**	56,819,301
Market price at end of period ($ per share)	**$ 14.56**	$ 13.51
Market capitalization	**834,782**	767,629
Total capitalization	**880,717**	821,694

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

CAPITAL FUNDING

As at March 31, 2015 Cardinal had a $105 million syndicated revolving term credit facility and a $20 million non-syndicated revolving operating term credit facility (the “Facilities”). The Facilities are available on a revolving basis until May 29, 2015 and may be extended for a further 364 day period, subject to approval by the syndicate. As at March 31, 2015 Cardinal had a working capital deficiency of $5.8 million (excluding the fair value of commodity contracts and the current portion of the decommissioning obligation) and unused capacity (total credit capacity less net debt) of $79.1 million on its Facilities.

The next scheduled review of the borrowing base is to be completed on or before May 29, 2015. As the available lending limit of the Facilities is based on the syndicate's interpretation of the Company's reserves and future commodity prices and costs, there can be no assurance that the amount of the Facilities will not decrease at the next scheduled review. At the last review the syndicate determined that the borrowing base had increased to $220 million but the total commitment was unchanged at $125 million. In accordance with the agreements governing the Facilities Cardinal may request an increase in the Facilities up to the borrowing base.

Advances under the Facilities are available by way of prime rate loans which bear interest at the banks' prime lending rate plus 1.0 to 2.5% (depending on certain financial ratios) and standby fees are charged on the undrawn amounts of the Facilities. The Facilities are secured by a general security agreement over all of the Company's assets and Cardinal must maintain a working capital ratio of not less than 1 to 1 at all times. The working capital ratio is defined as current assets (including the undrawn amount under the Facilities) divided by current liabilities (excluding the current portion of bank debt) and excluding the fair value of commodity contracts. Cardinal was in compliance with the terms of the Facilities at March 31, 2015.

GUIDANCE

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

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

CAPITAL STRUCTURE

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

The key measures that the Company utilizes in evaluating its capital structure are the credit available from the syndicate in relation to the Company's budgeted capital expenditure program and the ratio of net debt to cash flow from operations. The ratio of net debt to cash flow from operations is calculated as net debt, defined as bank debt plus working capital deficiency or minus working capital surplus (excluding the fair value of commodity contracts and the current portion of the decommissioning obligation), divided by cash flow from operating activities before changes in non-cash working capital and decommissioning obligation expenditures for the most recent quarter, annualized.

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

	Three months ended			
		Mar 31, 2015		Dec 31, 2014
Bank debt	**$**	**40,095**	$	47,735
Working capital deficiency (surplus)		**5,840**		6,330
Net debt	**$**	**45,935**	$	54,065
Cash provided from operating activities	**$**	**23,648**	$	31,166
Decommissioning obligation expenditures		**457**		479
Change in non-cash working capital		**(2,161)**		(5,075)
Cash flow from operations	**$**	**21,944**	$	26,570
Cash flow from operations, annualized	**$**	**87,776**	$	106,280
Net debt to cash flow from operations		**0.5**		0.5

There were no changes in the Company's approach to capital management during the three months ended March 31, 2015.

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.

As at March 31, 2015, the Company had a total of 57,333,919 common shares, 207,505 stock options, 750,158 warrants (adjusted for dividends during the period), 1,481,510 RAs, and 61,004 Stock Appreciation Rights ("SARs") outstanding. The warrants have an exercise price of $2.83 and the stock options have an average exercise price of $7.60. As of the date of this MD&A, the Company has a total of 57,354,391 common shares, 203,061 stock options and 1,449,666 RAs outstanding. There were no changes to warrants or SARs.

DIVIDENDS

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

During the three months ended March 31, 2015, $12.0 million of dividends ($0.21 per common share) were declared of which $7.3 million was paid in cash, $4.0 million was recognized as a liability at March 31, 2015 and $0.7 million was recognized on the issuance of 52,785 common shares pursuant to the DRIP and SDP. The dividend payable was settled on April 15, 2015 with cash of $3.7 million and $0.3 million was recognized on issuance of 16,028 Cardinal common shares pursuant to the DRIP and SDP.

OFF BALANCE SHEET ARRANGEMENTS

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

	2015	2016	2017	2018	2019	Thereafter
Head office lease	802	1,070	1,070	1,070	1,070	4,280
Field office lease	98	130	130	130	22	-
Trade and other payables	24,107	-	-	-	-	-
Dividends payable	4,013	-	-	-	-	-
Bank debt	-	40,095	-	-	-	-
	$ 29,020	**$ 41,295**	**$ 1,200**	**$ 1,200**	**$ 1,092**	**$ 4,280**

SUBSEQUENT EVENTS

On **April 13, 2015**, the Company confirmed that a dividend of $0.07 per common share will be paid on May 15, 2015 to shareholders of record on April 30, 2015. The total amount of dividends declared at April 30, 2014 was $4.0 million.

On **April 15, 2015**, the Company acquired all of the issued and outstanding common shares of Pinecrest Energy Inc. ("Pinecrest") pursuant to an Arrangement Agreement (the "Arrangement") with Pinecrest and a newly formed publicly listed company, Virginia Hills Oil Corp ("Virginia Hills"). Pursuant to the Arrangement, Pinecrest transferred certain assets and liabilities to Virginia Hills and Cardinal acquired the common shares of Pinecrest from Virginia Hills for cash consideration of $23.5 million. Pinecrest had no debt or outstanding liabilities to be assumed by Cardinal.

Cardinal will pay Virginia Hills additional cash consideration of $5 million if at any point during the period from April 16, 2015 to April 26, 2016 the then 12 month forward price curve is equal to or greater than USD $65 per bbl WTI.

On **May 11, 2015**, the Company confirmed that a dividend of $0.07 per common share will be paid on June 15, 2015 to shareholders of record on May 29, 2015.

ADDITIONAL INFORMATION

CRITICAL ACCOUNTING ESTIMATES

There have been no changes in Cardinal's critical accounting estimates in the three months ended March 31, 2015. Further information on the Company's critical accounting policies and estimates can be found in the notes to the annual consolidated financial statements and MD&A for the year ended December 31, 2014.

INTERNAL CONTROL UPDATE

Cardinal is required to comply with National Instrument 52-109 "Certification of Disclosure on Issuers' Annual and Interim Filings". The certificate requires that Cardinal disclose in the interim MD&A any change in the Company's internal control over financial reporting ("ICOFR") that occurred during the period that have materially affected, or are reasonably likely to materially affect Cardinal's ICOFR. As of the date of this MD&A Cardinal confirms that there have been no such changes in Cardinal's ICOFR during the first quarter of 2015.

ENVIRONMENTAL RISKS

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

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

OUTLOOK

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

Cardinal had significant drilling success at Bantry in 2014 in the Glauconite formation. This play has enabled the Company to maintain or grow production organically with strong capital efficiencies. Management also sees development drilling opportunities in a bypass pay zone at Wainwright. In both of its core areas Cardinal also sees opportunities to enhance existing water flood schemes and improve recovery factors. The Company deferred its drilling program in 2015 until the second quarter to maximize anticipated cost savings that are expected following the decline in oil prices which will further enhance our capital efficiencies. Development drilling in all core areas will be balanced with acquisitions to maintain a low production decline portfolio of assets and provide organic growth while maintaining the Company's dividend.

In response to the decline in oil prices Cardinal implemented various initiatives in the first and second quarter of 2015. These included a salary freeze for all employees, terminating the services of head office consultants, various initiatives for operating expenses including reductions to field consultants' daily rates and requiring vendors for drilling and completions to re-bid the cost of their equipment and services.

Cardinal exited the first quarter of 2015 with net debt of $45.9 million and a net debt to cash flow from operations ratio of 0.5. The Company is well positioned to execute its base capital budget and maintain production at 11,200 boe/d while maintaining a total payout ratio of less than 100% in the current low price environment. If oil prices continue to improve and we continue to add to our existing 2016 and 2017 commodity hedges we will consider increasing our base capital budget and guidance for 2015.

QUARTERLY DATA

	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014
Production				
Oil and NGL (bbl/d)	**10,225**	10,197	6,849	5,800
Natural gas (mcf/d)	**4,785**	4,147	4,424	4,208
Oil equivalent (boe/d)	**11,023**	10,888	7,587	6,501
Financial				
Revenue	**38,409**	63,159	54,045	48,194
Net earnings (loss)	**(12,847)**	26,879	22,250	3,780
Basic per share ($)	**$ (0.22)**	$ 0.47	$ 0.52	$ 0.10
Diluted per share ($)	**$ (0.22)**	$ 0.46	$ 0.50	$ 0.10
Cash flow from operating activities	**23,648**	31,166	22,764	25,703
Cash flow from operations	**21,944**	26,570	25,858	23,522
Basic per share ($)	**$ 0.38**	$ 0.47	$ 0.60	$ 0.62
Diluted per share ($)	**$ 0.38**	$ 0.46	$ 0.58	$ 0.60
Working capital surplus (deficiency)(1)	**(5,840)**	(8,118)	2,075	518
Total assets	**883,738**	913,253	895,475	447,980
Bank debt	**40,095**	47,735	62,277	-
Total long-term liabilities	**124,089**	135,548	140,955	53,111
Shareholders' Equity	**727,091**	747,928	729,317	363,943
Weighted average shares - basic (000's)	**57,197**	56,745	42,997	37,734
Weighted average shares - diluted (000's)	**57,197**	58,010	44,425	38,962
Common shares outstanding	**57,333,919**	56,819,301	56,654,104	37,804,824
Diluted shares outstanding	**59,834,096**	58,906,424	58,768,972	39,949,851

	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013
Production				
Oil and NGL (bbl/d)	5,513	1,965	1,099	1,083
Natural gas (mcf/d)	4,333	1,139	71	23
Oil equivalent (boe/d)	6,235	2,155	1,111	1,087
Financial				
Revenue	41,287	12,246	9,353	7,658
Net earnings (loss)	897	36,433	(654)	(92)
Basic per share ($)	$ 0.02	$ 2.47	$ (0.06)	$ (0.01)
Diluted per share ($)	$ 0.02	$ 2.33	$ (0.06)	$ (0.01)
Cash flow from operating activities	12,530	584	3,025	4,061
Cash flow from operations	19,229	1,211	3,081	2,871
Basic per share ($)	$ 0.53	$ 0.08	$ 0.27	$ 0.25
Diluted per share ($)	$ 0.51	$ 0.08	$ 0.27	$ 0.25
Working capital surplus (deficiency)(1)	135	118	342	132
Total assets	439,391	403,174	112,670	91,813
Bank debt	4,002	9,318	36,274	19,233
Total long-term liabilities	53,886	58,359	8,263	5,921
Shareholders' Equity	362,866	336,863	63,268	63,410
Weighted average shares - basic (000's)	36,502	14,751	11,304	11,284
Weighted average shares - diluted (000's)	37,524	15,646	11,304	11,284
Common shares outstanding	37,675,910	34,875,532	11,304,104	11,304,104
Diluted shares outstanding	39,901,401	36,828,679	13,142,751	13,142,751

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

Quarterly petroleum and natural gas revenue has fluctuated with commodity prices and production. Quarterly production increased significantly in the first quarter of 2014 due to production associated with the South East Alberta acquisition properties included for the entire period and successful drilling at Bantry. The third and fourth quarters of 2014 increased primarily due to the Wainwright acquisitions. Production in the first quarter of 2015 was relatively consistent with the fourth quarter of 2014 as the Company deferred its 2015 drilling program until the second quarter. Revenue for the first quarter of 2015 decreased compared to the previous four quarters primarily due to weaker commodity prices.

Cash flow from operations for the first quarter of 2015 has decreased primarily due to decreases in commodity prices. Cardinal’s quarterly net earnings (loss) has varied significantly due to changes in operations including an unrealized gain on commodity contracts of $39.0 million in the fourth quarter of 2014, gains on acquisitions of $9.4 million and an $8.5 million unrealized gain on commodity contracts in the third quarter of 2014 and a $39.0 million gain on acquisitions in the fourth quarter of 2013.

FORWARD LOOKING STATEMENTS

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

- drilling and development budget, plans and the timing thereof;
- anticipated production, including expectations for 2015;
- anticipated cash flow from operations;
- Cardinal’s development drilling inventory;
- Cardinal’s acquisition and growth plans and the source of funding;
- anticipated future production and unit operating expenses;
- estimated tax pools and future taxability;
- maintaining a conservative leverage profile through a targeted net debt to cash flow from operations ratio of less than one in a normalized price environment;
- anticipated decline rates;
- expectations with respect to total payout ratio and other financial results;
- Cardinal's business strategy, goals and management focus;
- Cardinal’s dividend plans, the amount and timing of the payment of future dividends and the consistency of our dividend policy;
- Cardinal’s risk management strategy and the benefits to be obtained therefrom;
- sources of funds for the Company’s operations, capital expenditures and decommissioning obligations;
- future liquidity and the Company’s access to sufficient debt and equity capital;
- Cardinal's asset base and future prospects for development and growth therefrom;
- additional potential consideration payable pursuant to the Pinecrest acquisition;
- expectations regarding the business environment, industry conditions and future commodity prices;
- expectations regarding the timing and results of the review of the borrowing base of the Facilities;
- expectations regarding the Company’s cost savings initiatives and enhancements to capital efficiencies;
- Cardinal’s capital management strategies; and
- treatment under governmental and other regulatory regimes and tax, environmental and other laws.

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

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

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about our prospective results of operations, cash flows, and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. FOFI contained in this MD&A were made as of the date of this MD&A and is provided for the purpose of describing the anticipated effects of the acquisition and the offering on our business operations. We disclaim any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.

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

Frequently Used Terms

Term or abbreviation	
“bbl”	Barrel(s)
“bbl/d”	Barrel(s) per day
“boe”	Barrel(s) of oil equivalent
“boe/d”	Barrel(s) of oil equivalent per day
“GJ”	Gigajoule
“m” preceding a volumetric measure	1,000 units of the volumetric measure
“mcf”	Thousand cubic feet
“mcf/d”	Thousand cubic feet per day
“MW”	Megawatt
“NGLs”	Natural gas liquids
“n/m”	Not meaningful (certain per unit or per share calculations)
“US”	United States
“USD”	United States dollars
“WCS”	Western Canadian Select
“WTI”	West Texas Intermediate