CARDINAL
ENERGY LTD.

MANAGEMENT'S DISCUSSION
&
ANALYSIS

Q3 2014

ADVISORIES

The following management's discussion and analysis ("MD&A") is a review of operations, financial position and outlook for Cardinal Energy Ltd. ("Cardinal" or the "Company") for the three and nine months ended September 30, 2014 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Cardinal for the three and nine months ended September 30, 2014 and the audited financial statements of Cardinal for the year ended December 31, 2013. Cardinal was incorporated on December 21, 2010 and commenced operations on May 30, 2012. There have been no significant changes to the critical estimates disclosed in the Company's audited financial statements for the year ended December 31, 2013. This MD&A is dated November 3, 2014**.**

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" or "netback per boe", "net debt", "free cash flow", "simple payout ratio" and "total payout ratio" in this MD&A are not recognized measures under GAAP. Management believes that in addition to net earnings and cash flow from operating activities as defined by GAAP, these terms are useful supplemental measures to evaluate operating performance and assess leverage. 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. A reconciliation of cash flow from operating activities to cash flow from operations is as follows:

	Three months ended			**Nine months ended**	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Cash flow from operating activities	**22,764**	25,703	3,025	**60,997**	8,329
Decommissioning expenditures	**253**	117	-	**518**	62
Change in non-cash working capital	**2,841**	(2,298)	55	**7,094**	212
Cash flow from operations	**25,858**	23,522	3,080	**68,609**	8,603

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

"Netback" or "netback per boe" is calculated on a per 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 (both adjusted for the fair value of financial instruments). Net debt is used by management to analyze the financial position and leverage of Cardinal.

"Free cash flow" represents cash flow from operations less dividends declared and less management's expectation of the amount of capital expenditures necessary to maintain the Company's base production. "Total payout ratio" represents the ratio of the sum of dividends declared plus management's expectation of the amount of 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 dividends, operating activities and capital expenditures.

Forward-Looking Statements

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

51-101 Advisory

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

HIGHLIGHTS

On July 28, 2014, the Board of Directors approved an increase in the monthly dividend to $0.07 per share for the September 2014 dividend. In determining the amount of the dividend and any increases in the dividend the Board of Directors considers a variety of factors and conditions. Cardinal has targeted a simple payout ratio of 30 – 35% and a total payout ratio of between 50 – 60%. As of the date of this MD&A Cardinal has declared a total of $20.7 million of dividends ($0.50336 per common share).

On August 22, 2014 Cardinal completed an acquisition of producing properties in the Wainwright area. The acquired assets consist of approximately 1,900 boe/d (99% crude oil) low decline production, are 99% operated and include associated infrastructure. Concurrent with the acquisition, Cardinal issued 8.8 million common shares at $18.50 per common share for gross proceeds of $162.8 million pursuant to an equity financing including an over-allotment option which closed on August 15, 2014.

On September 30, 2014 Cardinal completed another acquisition of producing properties in its core Wainwright area. The acquired assets consist of approximately 2,500 boe/d (97% crude oil) low decline production, are 99.4% operated and include a high working interest in the associated infrastructure. Concurrent with the acquisition, Cardinal issued 10 million common shares at $19.75 per share for total gross proceeds of $197.5 million pursuant to an equity financing which closed on September 23, 2014.

During the third quarter of 2014 Cardinal increased production 17% to 7,587 boe/d from 6,501 boe/d in the second quarter of 2014. This increase in production generated cash flow from operations of $25.9 million for the third quarter of 2014, a 10% increase compared to $23.5 million in the second quarter.

OPERATIONS

PRODUCTION

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Crude Oil (bbl/d)	**6,820**	5,773	1,099	**6,035**	1,104
NGL (bbl/d)	**29**	27	-	**24**	-
Oil and NGL (bbl/d)	**6,849**	5,800	1,099	**6,059**	1,104
Natural Gas (mcf/d)	**4,424**	4,208	71	**4,321**	40
boepd(6:1)	**7,587**	6,501	1,111	**6,779**	1,111
% Oil and NGL production	**90%**	89%	99%	**89%**	99%

Cardinal's production in the third quarter of 2014 increased to 7,587 boe/d compared to 6,501 boe/d in the second quarter, and 1,111 boe/d in the third quarter of 2013. The increase compared to the second quarter of 2014 is primarily due to the contribution from the second Wainwright acquisition and the continued drilling success at Bantry. The increase compared to the third quarter of 2013 also reflects production associated with the SE Alberta acquisition and the tuck-in acquisitions that closed in the first quarter of 2014.

Production increased to 6,779 boe/d for the nine months ended September 30, 2014 compared to 1,111 boe/d in 2013. The increase in production is primarily due to the success of Cardinal's horizontal drilling program at Bantry and the SE Alberta acquisition that closed in the fourth quarter of 2013.

REVENUE

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Crude Oil	**52,242**	46,034	9,335	**137,416**	23,473
NGLs	**185**	185	-	**472**	-
Oil and NGL	**52,427**	46,219	9,335	**137,888**	23,473
Natural Gas	**1,618**	1,975	18	**5,638**	31
Petroleum and natural gas revenue	**54,045**	48,194	9,353	**143,526**	23,504
Cardinal average prices					
Crude Oil ($/bbl)	**$ 83.26**	$ 87.62	$ 92.32	**$ 83.40**	$ 77.90
Natural Gas ($/mcf)	**3.98**	5.16	2.72	**4.78**	2.84
$ per boe	**$ 77.43**	$ 81.46	$ 91.51	**$ 77.55**	$ 77.53
Benchmark pricing					
Crude Oil - WTI (US $/bbl)	**$ 97.17**	$ 102.96	$ 105.82	**$ 99.61**	$ 98.15
Crude Oil - WCS (Cdn $/bbl)	**$ 85.68**	$ 91.39	$ 86.15	**$ 87.62**	$ 75.23
Natural Gas - AECO Spot (Cdn $/mcf)	**$ 4.03**	$ 4.71	$ 2.43	**$ 4.78**	$ 3.00
Exchange Rate - (US/CAD)	**0.92**	0.92	0.96	**0.91**	0.98

Petroleum and natural gas revenue increased to $54.0 million ($77.43/boe) in the third quarter of 2014 compared to $48.2 million ($81.46/boe) in the second quarter and $9.4 million ($91.51/boe) in the third quarter of 2013. The increases are due to increases in production which were partially offset by lower crude oil prices.

Petroleum and natural gas revenue increased to $143.5 million ($77.55/boe) for the nine months ended September 30, 2014 compared to $23.5 million ($77.53/boe) for the corresponding period in 2013 due to increased production.

ROYALTIES

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Royalties	**7,346**	6,570	1,042	**18,552**	2,587
As a percentage of oil and gas revenue	**14%**	14%	11%	**13%**	11%
$/boe	**$ 10.52**	$ 11.11	$ 10.19	**$ 10.02**	$ 8.53

Royalties consist of royalties paid to provincial governments, freehold land owners and overriding royalty owners. Royalty rates related to royalties paid to provincial governments are generally dependent on commodity prices and well productivity. Royalties were $7.3 million (14% of revenue) for the third quarter of 2014 compared to $6.6 million (14% of revenue) in the second quarter and $1.0 million (11% of revenue) in the third quarter of 2013. The increase in royalties is primarily due to increased production. The royalty rate in the third quarter of 2014 is consistent with the second quarter as higher freehold royalty rates on the new wells drilled at Bantry were offset by lower royalty rates associated with the acquisition at Wainwright that closed on August 22, 2014.

Royalties for the nine months ended September 30, 2014 were $18.6 million (13% of revenue) compared to $2.6 million (11% of revenue) in 2013. Royalties and royalties as a percentage of revenue increased primarily due to increased production and higher royalty rates associated with new horizontal well production at Bantry and the SE Alberta acquisition that closed in late 2013.

FINANCIAL INSTRUMENTS

	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Average crude oil volumes hedged (bbls/d)	2,833	2,967	667	2,633	467
Realized loss - commodity contracts	853	2,681	764	5,083	784
Unrealized (gain)/loss - commodity contracts	(8,549)	2,001	873	(2,675)	1,183

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.

OPERATING EXPENSES

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Operating expenses	**16,610**	13,134	3,316	**43,118**	8,310
$/boe	**$ 23.80**	$ 22.20	$ 32.45	**$ 23.30**	$ 27.41

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 third quarter of 2014, operating expenses increased to $16.6 million ($23.80/boe) compared to $13.1 million ($22.20/boe) in the second quarter and $3.3 million ($32.45/boe) in the third quarter of 2013. The increases in operating expenses are primarily due to increases in production. Operating expenses on a per boe basis increased compared to the second quarter of 2014 due to an increase in work overs and power costs. It is expected that unit operating expenses will increase in the fourth quarter of 2014 as the Company integrates the acquisitions at Wainwright which have had higher unit operating costs. On a go forward basis the Company expects unit operating expenses will trend lower.

Operating expenses for the nine months ended September 30, 2014 increased to $43.1 million ($23.30/boe) from $8.3 million ($27.41/boe) in 2013. The increase in operating expenses is primarily due to increased production.

NETBACK

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Petroleum and natural gas revenue	**$ 77.43**	$ 81.46	$ 91.51	**$ 77.55**	$ 77.53
Royalties	**10.52**	11.11	10.19	**10.02**	8.53
Operating expenses	**23.80**	22.20	32.45	**23.30**	27.41
Netback per boe	**$ 43.11**	$ 48.15	48.87	**$ 44.23**	41.59
Realized loss	**(1.22)**	(4.53)	(7.47)	**(2.75)**	(2.58)
Netback after risk management	**$ 41.89**	$ 43.62	$ 41.40	**$ 41.48**	$ 39.01

Cardinal's netback decreased by 10% to $43.11 in the third quarter of 2014 compared to $48.15 in the second quarter and $48.87 in the third quarter of 2013. Netbacks decreased due to decreases in commodity prices and compared to the second quarter there was a slight increase in unit operating expenses.

For the nine months ended September 30, 2014, Cardinal’s netback increased to $44.23 compared to $41.59 for the corresponding period in 2013. The increase in netback is due to a decrease in unit operating expenses. Netbacks after risk management reflect realized losses on commodity contracts.

GENERAL AND ADMINISTRATIVE EXPENSES (“G&A”)

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Gross G&A expenses	**2,297**	2,196	916	**6,787**	2,611
Capitalized G&A expenses and overhead recovei	**(156)**	(288)	(55)	**(595)**	(175)
Net G&A expenses	**2,141**	1,908	861	**6,192**	2,436
$/boe	**$ 3.07**	$ 3.22	$ 8.43	**$ 3.35**	$ 8.03

G&A for the third quarter of 2014 was $2.1 million ($3.07/boe) compared to $1.9 million ($3.22/boe) in the second quarter and $0.9 million ($8.43/boe) in the third quarter of 2013. G&A increased slightly compared to the second quarter but decreased by 5% on a per boe basis due to increased production.

For the nine months ended September 30, 2014, G&A was $6.2 million ($3.35/boe) compared to $2.4 million ($8.03/boe) in 2013. The increase in G&A for 2014 is primarily due to increases in staff to support the Company’s growth and higher office costs. G&A per boe decreased due to the increase in production.

SHARE-BASED COMPENSATION

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Share-based compensation	**1,712**	2,085	476	**5,372**	1,345
$/boe	**$ 2.45**	$ 3.53	$ 4.65	**$ 2.90**	$ 4.43

For the third quarter of 2014 Cardinal recorded $1.7 million ($2.45/boe) of share-based compensation compared to $2.1 million ($3.53/boe) in the second quarter and $0.5 million ($4.65/boe) in the third quarter of 2013. Share-based compensation decreased in the third quarter compared to the second quarter of 2014 as there were no new grants to recognize in the third quarter and certain unvested awards were forfeited during the quarter thereby reducing the expense recorded. The increase compared to the third quarter of 2013 is primarily due to restricted bonus awards granted in the first quarter of 2014.

For the nine months ended September 30, 2014, share-based compensation expense was $5.4 million ($2.90/boe) compared to $1.3 million ($4.43/boe) for the corresponding period in 2013. Share-based compensation increased primarily due to restricted bonus awards granted to an increased number of staff in 2014.

FINANCE

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Interest	**154**	25	207	**319**	590
Accretion	**800**	774	115	**2,321**	339
Other finance charges	**215**	357	52	**789**	128
Finance income	**(81)**	(4)	-	**(85)**	-
Finance expense, net	**1,088**	1,152	374	**3,344**	1,057
Interest rate	**4%**	4%	4%	**4%**	4%
$/boe	**$ 1.56**	$ 1.95	$ 3.67	**$ 1.81**	$ 3.49

Finance expense for the third quarter of 2014 was $1.1 million ($1.56/boe) compared to $1.2 million ($1.95/boe) in the second quarter and $0.4 million ($3.67/boe) in the third quarter of 2013. For the nine months ended September 30, 2014, finance expense was $3.3 million ($1.81/boe) compared to $1.1 million ($3.49/boe) in the same period in 2013. The increases in finance expense are primarily due to increases in accretion and standby fees associated with the Company's credit facility.

TRANSACTION COSTS

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Transaction costs	**949**	-	30	**949**	66

Transaction costs relate to expenses incurred related to acquisitions.

DEPLETION AND DEPRECIATION ("D&D")

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Depletion and depreciation	**15,235**	12,661	2,325	**39,625**	6,859
$/boe	**$ 21.83**	$ 21.40	$ 22.75	**$ 21.41**	$ 22.62

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 expense recorded in the third quarter of 2014 increased to $15.2 million ($21.83/boe) compared to $12.7 million ($21.40/boe) in the second quarter and $2.3 million ($22.75/boe) in the third quarter of 2013. For the nine months ended September 30, 2014, D&D was $39.6 million ($21.41/boe) compared to $6.9 million ($22.62/boe) in 2013. The increases in D&D expense are due to the increases in production and depletion rates are relatively consistent.

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

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Net earnings (loss)	**22,250**	3,780	(654)	**26,927**	(1,235)
$/share					
Basic	**$ 0.52**	$ 0.10	$ (0.06)	**$ 0.69**	$ (0.11)
Diluted	**$ 0.50**	$ 0.10	$ (0.06)	**$ 0.67**	$ (0.11)
Cash flow from operating activities	**22,764**	25,703	3,025	**60,997**	8,329
Cash flow from operations	**25,858**	23,522	3,080	**68,609**	8,603
$/share					
Basic	**$ 0.60**	$ 0.62	$ 0.27	**$ 1.75**	$ 0.77
Diluted	**$ 0.58**	$ 0.60	$ 0.27	**$ 1.70**	$ 0.77

For the third quarter of 2014 the Company had net earnings of $22.3 million compared to net earnings of $3.8 million for the second quarter and a net loss of $0.7 million for the third quarter of 2013. Cash flow from operations for the third quarter of 2014 increased to $25.9 million compared to $23.5 million in the second quarter and $3.1 million in the third quarter of 2013. The increase in net earnings for the third quarter of 2014 is due to the gain recorded on the acquisition of a private oil and gas company ("Privateco"), the unrealized gain on commodity contracts and increased production. The increase in cash flow from operations is primarily due to increased production.

For the nine months ended September 30, 2014, net earnings and cash flow from operations increased to $26.9 million and $68.6 million respectively compared to a net loss of $1.2 million and cash flow from operations of $8.6 million in 2013. The increase in net earnings is due to increased production and the gain on the acquisition of Privateco. The increase in cash flow from operations is due to increases in production and commodity prices.

CAPITAL EXPENDITURES

PP&E Expenditures

Property Acquisitions

On September 30, 2014, Cardinal acquired additional petroleum and natural gas properties to expand its core operating area at Wainwright, Alberta (the Wainwright #3 acquisition). Total consideration was $241 million in cash before closing adjustments with an associated decommissioning obligation of $19.4 million. These assets were acquired with full tax pools and no working capital items.

On August 22, 2014, Cardinal acquired petroleum and natural gas properties to expand its core area at Wainwright, Alberta (the Wainwright #2 acquisition). Total consideration was $170 million in cash before closing adjustments with an associated decommissioning obligation of $11.8 million. These assets were acquired with full tax pools and no working capital items.

On April 28, 2014, Cardinal closed an acquisition of petroleum and natural gas properties in Chauvin, Alberta. Total consideration was $5.2 million in cash, before closing adjustments, with an associated decommissioning obligation of $0.1 million. These assets were acquired with full tax pools and no working capital items.

On January 28, 2014, Cardinal closed two tuck-in acquisitions of petroleum and natural gas properties in its core area at Bantry, Alberta. Total consideration was $27.0 million in cash, before closing adjustments, with an associated decommissioning obligation of $0.2 million. These assets were acquired with full tax pools and no working capital items.

Corporate Acquisition

On August 29, 2014, Cardinal acquired all the issued and outstanding shares of a private oil and gas company, (“Privateco”) for total cash consideration of $8.2 million and assumed debt of $3.8 million.

Other PP&E expenditures

In 2014 Cardinal drilled, completed and tied-in 5 (5.0 net) horizontal wells at Bantry.

	Three months ended			**Nine months ended**	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Land	**$ 1,376**	$ 151	$ -	**$ 1,527**	$ 129
Geological and geophysical	**818**	167	-	**1,935**	-
Drilling and completion	**3,476**	6,065	365	**16,182**	3,320
Equipment, facilities and pipelines	**2,589**	2,364	345	**6,110**	2,393
Capitalized overhead and other	**125**	126	46	**384**	102
Total exploration and development	**8,384**	8,873	756	**26,138**	5,944
Other assets	**615**	4	14	**619**	294
Acquisitions	**409,215**	5,103	19,139	**440,952**	23,282
Total cash expenditures	**418,214**	13,980	19,909	**467,709**	29,520
Non-cash expenditures (1)	**-**	-	-	**-**	550
PP&E expenditures(2)	**$ 418,214**	$ 13,980	$ 19,909	**$ 467,709**	$ 30,070

E&E Expenditures

	Three months ended			Nine months ended	
	Sep 30, 2014	Jun 30, 2014	Sep 30,2013	**Sep 30, 2014**	Sep 30,2013
Undeveloped land	**$ 884**	$ -	$ -	**$ 2,063**	$ 2,490
Other assets	**13**	1	3	**14**	117
Total cash expenditures	**897**	1	3	**2,077**	2,607
Non-cash expenditures	**-**	-	-	**-**	254
E&E expenditures	**$ 897**	$ 1	$ 3	**$ 2,077**	$ 2,861
TOTAL CAPITAL EXPENDITURES (2)	**$ 419,111**	$ 13,981	$ 19,912	**$ 469,786**	$ 32,931

(1) Non-cash expenditures relate to the shares issued to the vendor as partial consideration for the Wainwright acquisition in the first quarter of 2013.

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

DECOMMISSIONING OBLIGATION

The decommissioning obligation increased by $37.3 million during the nine months ended September 30, 2014 from $40.4 million at December 31, 2013 to $77.7 million. The increase relates to $0.1 million of obligations incurred, $28.6 million for acquisitions, $6.8 million for a change in estimates, and $2.3 million of accretion, offset by $0.5 million for decommissioning obligations settled.

LIQUIDITY AND CAPITAL RESOURCES

	As at	
Capitalization table	**Sep 30, 2014**	Dec 31, 2013
Net debt	**60,202**	9,200
Shares outstanding	**56,654,104**	34,875,532
Market price at end of period ($ per share)	**$ 18.82**	$ 11.53
Market capitalization	**1,066,230**	402,115
Total capitalization	**1,126,432**	411,315

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

CAPITAL FUNDING

As at September 30, 2014 Cardinal had a $115 million syndicated revolving term credit facility and a $10 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 September 30, 2014 Cardinal had a working capital surplus of $2.1 million (excluding the fair value of commodity contracts) and unused capacity of $62.7 million on its Facilities.

The next scheduled review of the borrowing base is to be completed on or before November 30, 2014. 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. Pursuant to an amending agreement dated May 29, 2014 the syndicate determined that the borrowing base had increased to $145 million but the total commitment was unchanged at $125 million.

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) to 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 September 30, 2014.

During the first quarter of 2014, the Company raised new equity pursuant to a private placement for gross proceeds of $28 million at $12.80 per common share.

On August 15, 2014, Cardinal raised new equity (including the exercise of the over-allotment option) for gross proceeds of $162.8 million at $18.50 per common share.

On September 23, 2014, Cardinal raised new equity for gross proceeds of $197.5 million at $19.75 per common share.

We expect cash flow from operations to be substantially in excess of the Company's development capital budget and dividends.

Management believes that with the Company's high quality 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 2014 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 ratio of net debt to cash flow from operations and the credit available from the syndicate in relation to the Company's budgeted capital expenditure program. 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 (both excluding the fair value of commodity contracts), 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	
	Sep 30, 2014	Dec 31, 2013
Bank debt	**$ 62,277**	$ 9,318
Adjusted working capital deficiency (surplus)	**(2,075)**	(118)
Net debt	**$ 60,202**	$ 9,200
Cash provided from operating activities	**$ 22,764**	$ 584
Decommissioning obligation expenditures	**253**	200
Change in non-cash working capital	**2,841**	427
Cash flow from operations	**$ 25,858**	$ 1,211
Cash flow from operations, annualized	**$ 103,432**	$ 4,844
Net debt to cash flow from operations	**0.6**	1.9

Had the Wainwright acquisitions closed on July 1, 2014 cash flow from operations would have increased so that the ratio of net debt to annualized cash flow from operations would have been 0.3 to 1 for the three months ended September 30, 2014.

Had the SE Alberta acquisition closed on October 1, 2013 cash flow from operations would have increased so that the ratio of net debt to annualized cash flow from operations would have been 0.2 to 1 for the three months ended December 31, 2013.

There were no changes in the Company's approach to capital management during the three months ended September 30, 2014.

SHARE CAPITAL

On September 9, 2013 Cardinal consolidated its common shares on the basis of three pre-consolidation common shares for one post-consolidation share. All common shares, per share amounts, stock options and warrants have been restated retrospectively to give effect to the consolidation.

On January 7, 2014, Cardinal granted 980,940 notional share awards to certain officers, directors and employees pursuant to the Company's restricted bonus award plan. On February 28, 2014 and March 27, 2014, Cardinal granted 36,903 and 5,891 notional share awards respectively, to new employees.

On February 10, 2014, Cardinal closed a private placement of 2,187,500 common shares for total gross proceeds of $28 million.

On August 15, 2014, Cardinal issued 8.8 million shares pursuant to a bought deal financing at $18.50 per common share for gross proceeds of $162.8 million (including the exercise of the over-allotment option by the underwriters).

On September 23, 2014, Cardinal issued 10 million shares pursuant to a bought deal financing at $19.75 per common share for gross proceeds of $197.5 million.

As at September 30, 2014, the Company had a total of 56,654,104 common shares, 281,945 options, 823,191 warrants (adjusted for dividends during the period), 918,232 Restricted Bonus Awards ("RA's"), and 91,500 Stock Appreciation Rights ("SAR's") outstanding. The warrants have an exercise price of $2.91 per share and the stock options have an average exercise price of $7.38 per share. As of the date of this MD&A the only change to share capital since September 30, 2014 was the issue of an additional 27,309 common shares related to the DRIP and SDP for the September 2014 dividend and the grant of an additional 59,833 RA's to new employees.

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 nine months ended September 30, 2014, $20.7 million of dividends ($0.50336 per common share) were declared of which $14.5 million was paid in cash, $4.0 million was recognized as a liability at September 30, 2014 and 134,171 common shares were issued pursuant to the Company's DRIP and SDP valued at $2.2 million. The dividend payable was settled on October 15, 2014 with cash of $3.5 million and the issue of 27,309 Cardinal common shares pursuant to the DRIP and SDP valued at $0.5 million.

For the nine months ended September 30, 2014 the simple payout ratio was 30% compared to the Company's target of 30-35%.

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 lease summarized in *Commitments and Contractual Obligations*.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company has an operating lease commitment for its office premises expiring December 31, 2014 of approximately $1.0 million per annum. Cardinal has entered into an operating lease commitment for its office premises expiring December 30, 2023 of approximately $1.0 million per annum.

On March 31, 2013 Cardinal issued 113,333 flow-through common shares pursuant to a private placement for gross proceeds of $1,020,000. The Company incurred $0.8 million of qualifying expenditure at September 30, 2014 and incurred the remaining balance in the fourth quarter of 2014.

SUBSEQUENT EVENTS

On October 14, 2014, the Company confirmed that a dividend of $0.07 per common share will be paid on November 17, 2014 to shareholders of record on October 31, 2014. The total amount of dividends declared at October 31, 2014 was $4.0 million.

Subsequent to September 30, 2014 Cardinal entered into a derivative power contract for 1.0 Megawatts/hour at $52.69 per Megawatt from November 1, 2014 to December 31, 2015.

ADDITIONAL INFORMATION

CRITICAL ACCOUNTING ESTIMATES

A summary of Cardinal's significant accounting policies is contained in Note 3 to the audited financial statements as at and for the year ended December 31, 2013. These accounting policies are subject to estimates and key judgments about future events, many of which are beyond the Company's control.

FINANCIAL RISKS

A summary of certain financial risks for Cardinal is contained in Note 13 to the audited financial statements as at and for the year ended December 31, 2013.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, are designed to provide reasonable assurance that 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.

Internal control over financial reporting ("ICOFR"), as defined in National Instrument 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 generally accepted accounting principles 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 are responsible for establishing and maintaining ICOFR for Cardinal and evaluating the effectiveness of the design and operation of the Company's DC&P. As at the date of this MD&A the CEO and CFO certify that they have designed, or caused to be designed, appropriate ICOFR and DC&P to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework Cardinal's officers used to design the Company's ICOFR is the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Under the supervision of the CEO and the CFO, Cardinal commenced an evaluation of the effectiveness of the Company's ICOFR during the third quarter of 2014 according to the new COSO framework. Based on the results of work completed as of the date of this MD&A it is anticipated that the evaluation will be completed in the fourth quarter of 2014. The CEO and CFO will conclude on the results of their evaluation of the effectiveness of the Company's ICOFR when the year end results are released.

Cardinal's Audit Committee reviews on a quarterly and annual basis the financial statements and key risks of the Company and queries management about significant transactions.

It should 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 in 2013 and 2014 by completing seven major acquisitions since the Company commenced operations in May of 2012. The Company closed two acquisitions at Wainwright in the third quarter adding 4,400 boe/d of production (98% crude oil). Combined with the Company's existing production base, these transactions further enable Cardinal to realize its business plan and be well positioned to sustain and/or increase dividends to its shareholders. Cardinal will focus on successfully integrating these acquisitions with its existing operations and hiring additional field and office staff necessary to manage this growth in operations. We expect total Company production will average 10,800 boe/d in the fourth quarter of 2014.

Cardinal has had continued success drilling in the Company's core area of Bantry which allows the Company to grow organically with high capital efficiencies. Cardinal sees further development drilling opportunities in a bypass pay zone on the properties acquired at Wainwright which will give it a multi-year year development drilling program which will more than offset the decline on the property. Cardinal estimates that it has approximately 35 horizontal drill locations in the area. Development drilling in all core areas will be balanced with acquisitions to maintain a low production decline portfolio of assets while paying a dividend.

The Company believes its management team is one of its core competitive strengths relative to industry peers due to the team's track record of identifying, sourcing and executing accretive transactions. Management will continue to evaluate and pursue other acquisition opportunities in order to maintain its dividend and production growth.

SELECTED QUARTERLY DATA

	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Production				
Oil and NGL (bbl/d)	**6,849**	5,800	5,513	1,965
Natural gas (mcf/d)	**4,424**	4,208	4,333	1,139
Oil equivalent (boe/d)	**7,587**	6,501	6,235	2,155
Financial				
Revenue	**54,045**	48,194	41,287	12,246
Net earnings	**22,250**	3,780	897	36,433
Basic per share ($)	**$ 0.52**	$ 0.10	$ 0.02	$ 2.47
Diluted per share ($)	**$ 0.50**	$ 0.10	$ 0.02	$ 2.33
Cash flow from operating activities	**22,764**	25,703	12,530	584
Cash flow from operations	**25,858**	23,522	19,229	1,211
Basic per share ($)	**$ 0.60**	$ 0.62	$ 0.53	$ 0.08
Diluted per share ($)	**$ 0.58**	$ 0.60	$ 0.51	$ 0.08
Working capital [1]	**2,075**	518	135	118
Total assets	**895,475**	447,980	439,391	403,174
Bank debt	**62,277**	-	4,002	9,318
Total long-term liabilities	**140,955**	53,111	53,886	58,359
Shareholders' Equity	**729,317**	363,943	362,866	336,863
Weighted average shares (basic)	**42,997,245**	37,733,848	36,501,986	14,751,309
Common shares outstanding	**56,654,104**	37,804,824	37,675,910	34,875,532
Diluted shares outstanding	**58,768,972**	39,949,851	39,901,401	36,828,679

	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012
Production				
Oil and NGL (bbl/d)	1,099	1,083	1,129	642
Natural gas (mcf/d)	71	23	27	-
Oil equivalent (boe/d)	1,111	1,087	1,133	642
Financial				
Revenue	9,353	7,658	6,493	3,916
Net earnings (loss)	(654)	(92)	489	850
Per share ($)	$ (0.06)	$ (0.01)	$ 0.04	$ 0.10
Cash flow from operating activities	3,025	4,061	1,243	1,041
Cash flow from operations	3,081	2,871	2,651	1,068
Basic and diluted per share ($)	$ 0.27	$ 0.25	$ 0.24	$ 0.13
Working capital (deficiency) [1]	342	132	(698)	(2,103)
Total assets	112,670	91,813	93,939	81,933
Bank debt	36,274	19,233	19,971	11,267
Total long-term liabilities	8,263	5,921	5,861	4,801
Shareholders' Equity	63,268	63,410	62,757	61,309
Weighted average shares (basic)	11,304,104	11,284,112	11,142,503	8,126,199
Common shares outstanding	11,304,104	11,304,104	11,273,271	11,091,671
Diluted shares outstanding	13,142,751	13,142,751	13,093,603	12,883,318

(1) – Excluding the fair value of financial instruments

Quarterly petroleum and natural gas revenue has fluctuated with commodity prices and production. Production increased in the fourth quarter of 2013 due to the Bantry and SE Alberta acquisitions. The increases in production in 2014 are due production associated with the SE AB acquisition properties included for the entire period and successful drilling at Bantry. The third quarter of 2014 also includes production from the acquisition at Wainwright that closed on August 22, 2014.

Quarterly cash flow from operations has increased primarily due to increased production. Cardinal's quarterly net earnings (loss) has varied significantly due to changes in operations including gains on acquisitions of $39.0 million in the fourth quarter of 2013 and $9.4 million in the third quarter of 2014, a combined $1.6 million realized and unrealized loss on commodity contracts in the third quarter of 2013 and a $7.8 million unrealized gain on commodity contracts in the third quarter of 2014.

FORWARD LOOKING STATEMENTS

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

- drilling and development budget, plans and the timing thereof;
- anticipated production, including expectations for the fourth quarter and growth in our production base;
- expectations regarding the successful integration of acquisitions;
- Cardinal's development drilling inventory;
- Cardinal's acquisition and growth plans and the source of funding;
- anticipated future production and unit operating expenses;
- plans to maintain a conservative leverage profile through a targeted net debt to annualized cash flow from operations multiple of less than one;
- anticipated decline rates;
- expectations with respect to simple payout ratio, total payout ratio and other financial results;
- expectations regarding drilling prospects on the Bantry and Wainwright lands;
- 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 including the assets acquired in Wainwright and future prospects for development and growth therefrom;
- 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;
- Cardinal's capital management strategies;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws; and
- Cardinal's ICOFR and DC&P plans.

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 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: completion of the acquisition and the offering and on the timing planned; the receipt in a timely manner of required approvals in connection with the acquisition and the offering; 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
"WCS"	Western Canadian Select
"WTI"	West Texas Intermediate