



CARDINAL
ENERGY LTD.

CARDINAL ENERGY LTD.
BUSINESS ACQUISITION REPORT

DECEMBER 7, 2015

PRESENTATION OF FINANCIAL AND OIL AND GAS INFORMATION

Unless indicated otherwise, the financial information in this report has been prepared in accordance with Canadian GAAP (as defined herein) (which, since January 1, 2011, have been consistent with IFRS (as defined herein) as issued by the International Accounting Standards Board). All dollar amounts set forth in this report are in Canadian dollars, except where otherwise indicated.

The securities regulatory authorities in Canada have adopted NI 51-101 (as defined herein), which imposes oil and gas disclosure standards for Canadian public issuers engaged in oil and gas activities. **The recovery and reserves estimates provided in this report are estimates only. Actual reserves and future production from such reserves may be greater than or less than the estimates provided herein.**

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved and probable reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

All estimates of future revenue in this report are, unless otherwise noted, after the deduction of royalties, development costs, operating costs and well abandonment costs but before deduction of future income tax expenses and before consideration of indirect costs such as administrative, overhead, interest and other miscellaneous expenses. **The estimated future net revenues contained in this report do not represent the fair market value of the applicable reserves.**

There is no assurance that the forecast price and cost assumptions estimated will be attained and variances could be material. The recovery and reserves estimates described herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater or less than the estimates provided herein. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

Unless otherwise stated, all of the reserves information contained herein have been calculated and reported using assumptions and methodology guidelines outlined in accordance with the standards contained in the COGE Handbook (as defined herein), NI 51-101 and the reserve definitions contained in the Canadian Securities Administrators Staff Notice 51-324.

OIL AND GAS EQUIVALENCY

The term "Boe" means a barrel of oil equivalent on the basis of 6 Mcf of natural gas to 1 Bbl of oil. The term "Mcf" means a thousand cubic feet of gas equivalent on the basis of 1 Bbl of oil to 6 Mcf of natural gas. Boes and Mcfes may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf: 1 Bbl or an Mcfe conversion ratio of 1 Bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1Bbl, utilizing a conversion ratio at 6 Mcf: 1 Bbl may be misleading as an indication of value.

DRILLING LOCATIONS

This report discloses unbooked drilling locations, which are internal estimates based on our prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic,

seismic, engineering, production and reserves information. There is no certainty that we will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been derisked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

NON-GAAP MEASURES

We use terms within this report 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.

This report uses the term "netback" which does not have a standardized prescribed meaning under GAAP and as such may not be comparable with the calculation of netback by other entities. In this report, "netback" was calculated by the Vendor on a per boe basis by deducting royalties and operating costs from petroleum and natural gas revenue. Netback is used to better analyze the operating performance of the petroleum and natural gas assets described herein against prior periods.

SELECTED CONVERSIONS

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres	28.317
cubic metres	cubic feet	35.494
Bbls	cubic metres	0.159
cubic metres	Bbls	6.293
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471

SELECTED ABBREVIATIONS

In this report, unless otherwise indicated or the context otherwise requires, the following abbreviations shall have the meaning set forth below:

Oil and Natural Gas Liquids

Bbl or bbl	barrel
Bbls	barrels
Bbls/d	barrels per day
BOE, Boe or boe	barrel(s) of oil equivalent
Boe/d	barrels of oil equivalent per day
Mbbls	thousand barrels
NGLs	natural gas liquids
Mstb	thousand stock tank barrels of oil
Mboe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent

Other

AECO	Alberta natural gas hub
°API	the measure of the density or gravity of liquid petroleum products derived from a specific gravity
m	metre(s)
ha	hectare(s)
\$000s	thousands of dollars
C\$	Canadian dollars
US\$	United States dollars
WCS	Western Canadian Select
WTI	West Texas Intermediate

SELECTED DEFINED TERMS

In this report, unless otherwise indicated or the context otherwise requires, the following terms have the meaning set forth below:

Acquired Assets means 75% of the Vendor's interest in the petroleum and natural gas properties and related assets located in the greater Mitsue area of Alberta;

Acquisition means the acquisition by us, pursuant to the terms of the Acquisition Agreement, of the Acquired Assets;

Acquisition Agreement means the purchase and sale agreement dated September 15, 2015 between us, PrivateCo and the Vendor providing for the Acquisition among other things;

Acquisition Report means a subset of the independent engineering evaluation prepared by Sproule dated February 11, 2015, evaluating the oil, NGL and natural gas reserves attributable to the Acquired Assets effective December 31, 2014;

Board of Directors means our board of directors;

Canadian GAAP or GAAP means the generally accepted accounting principles as set by the Chartered Professional Accountants of Canada and as permitted by National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, for the preparation of financial statements;

COGE Handbook means the Canadian Oil and Gas Evaluation Handbook;

Common Shares means our common shares;

Debentures means the 5.50% extendible convertible unsecured subordinated debentures offered pursuant to the Offering;

developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown;

developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty;

developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing;

development cost means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to: (i) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves; (ii) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and wellhead assembly; (iii) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and (iv) provide improved recovery systems;

development well means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive;

Disposed Assets means a 33 MMcf/d gas plant and related facilities acquired by us and PrivateCo pursuant to the Acquisition Agreement;

Disposition means the sale of the Disposed Assets by us and PrivateCo to an unrelated third party on November 17, 2015 for proceeds to us of \$12.75 million;

exploration costs means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are: (i) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies; (ii) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence and the maintenance of land and lease records; (iii) dry hole contributions and bottom hole contributions; (iv) costs of drilling and equipping exploratory wells; and (v) costs of drilling exploratory type stratigraphic test wells;

exploratory well means a well that is not a development well, a service well or a stratigraphic test well;

field means a defined geographical area consisting of one or more pools;

forecast prices and costs means future prices and costs that are: (i) generally acceptable as being a reasonable outlook of the future; and (ii) if and only to the extent that, there are fixed or presently determinable future prices or costs to which we are legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (i);

formation means a layer of rock which has distinct characteristics that differ from nearby rock;

gross means: (i) in relation to a company's interest in production or reserves, its "company gross reserves", which are the company's working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of the company; (ii) in relation to wells, the total number of wells in which a company has an interest; and (iii) in relation to properties, the total area of properties in which a company has an interest;

IFRS means International Financial Reporting Standards;

net means: (i) in relation to a company's interest in production and reserves, the company's interest (operating and non-operating) share after deduction of royalty obligations, plus the company's royalty interest in production or

reserves; (ii) in relation to a company's interest in wells, the number of wells obtained by aggregating the company's working interest in each of its gross wells; and (iii) in relation to a company's interest in a property, the total area in which the company has an interest multiplied by the working interest owned by the company;

net acres means the percentage of total acres an owner has out of a particular number of acres, or a specified tract. An owner who has 50% interest in 100 acres owns 50 net acres;

NI 51-101 means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;

Offering means the public offering of 6,627,500 Subscription Receipts at a price of \$8.30 per Subscription Receipt (including the 602,500 Subscription Receipts issuable to the Underwriters pursuant to an over-allotment option granted to the Underwriters) and \$50,000,000 principal amount of Debentures at a price of \$1,000 per \$1,000 principal amount;

PrivateCo means a private Alberta oil and gas company, which has some common shareholders and directors with us;

probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves;

proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves;

reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates;

reservoir means a porous and permeable subsurface rock formation containing a separate accumulation of petroleum that is confined by impermeable rock or water barriers and is characterized by a single pressure system;

Revolving Credit Facility means, collectively, our \$130 million syndicated revolving term credit facility and our \$20 million non-syndicated operating term credit facility;

service well means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation or injection for combustion;

Sproule means Sproule Associates Limited, independent oil and gas reservoir engineers;

Subscription Receipts means the subscription receipts offered pursuant to the Offering each of which entitled the holder to receive without payment of additional consideration or further action on the part of the holder, one Common Share on the closing of the Acquisition;

Underwriters means, collectively, CIBC World Markets Inc., RBC Dominion Securities Inc., FirstEnergy Capital Corp., GMP Securities L.P., National Bank Financial Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Macquarie Capital Markets Canada Ltd., Peters & Co. Limited and Dundee Securities Ltd.;

undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned;

Vendor means the vendor of the Acquired Assets and the assets to be acquired by PrivateCo pursuant to the Acquisition Agreement, an oil and gas company located in Calgary, Alberta; and

working interest means the right granted to the lessee of a property to explore for and to produce and own oil, gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

CERTAIN RESERVES DATA INFORMATION

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved and probable reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The qualitative certainty levels referred to in the oil and gas definitions set forth in the "*Selected Defined Terms*" above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed nonproducing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report constitute forward-looking statements and forward-looking information (collectively referred to herein as "**forward-looking statements**") within the meaning of applicable Canadian securities laws. Such forward-looking statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in

such forward-looking statements. We believe the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference in, this report should not be unduly relied upon as we cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements speak only as of the date of this report or as of the date specified in the documents incorporated by reference in this report, as the case may be.

Specifically, this report contains forward-looking statements relating to the Acquired Assets, including, without limitation: anticipated development capital; our development plans for the undeveloped reserves; the sources of funding such development; future production; oil and natural gas reserves; anticipated drilling locations and drilling inventories; exploration and development plans and opportunities; future land expiries; and future abandonment and reclamation costs.

Our actual results, performance or achievements could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this report, including but not limited to: failure to realize the anticipated benefits of the Acquisition; unforeseen difficulties in integrating the Acquired Assets into our operations; volatility in market prices for oil and natural gas and foreign exchange rates; operational risks and liabilities inherent in oil and natural gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; geological, technical, drilling and processing problems; changes in general economic, market and business conditions; the accuracy of oil and natural gas reserves estimates and estimated production levels as they are affected by exploration and development drilling and estimated decline rates; fluctuations in the costs of borrowing; political or economic developments; ability to obtain regulatory approvals; and the occurrence of unexpected events.

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

With respect to forward-looking statements contained in this report, we have made assumptions regarding, among other things: the success of our operations and exploration and development activities; our ability to develop the Acquired Assets and obtain the anticipated benefits therefrom; commodity prices and royalty regimes; our ability to hedge at certain prices; availability of skilled labour and services; the timing and amount of capital expenditures; future exchange rates; the price of oil and natural gas; the impact of increasing competition; conditions in general economic and financial markets; access to capital; availability of drilling and related equipment; effects of regulation by governmental agencies; and royalty rates and future operating costs.

We have included the above summary of assumptions and risks related to forward-looking information provided in this report in order to provide investors with a more complete perspective on our current and future operations and such information may not be appropriate for other purposes. Forward-looking statements contained in certain documents incorporated by reference in this report are based on the key assumptions and are subject to the risks described in such documents. The reader is cautioned that such assumptions, although considered reasonable by us at the time of preparation, may prove to be incorrect.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this report are expressly qualified by this cautionary statement. Except as required by applicable securities laws, we do not undertake any obligation to publicly update or revise any forward-looking statements.

**CARDINAL ENERGY LTD.
BUSINESS ACQUISITION REPORT**

Item 1 – Identity of Reporting Issuer

1.1 Name and Address of Issuer

We are a corporation incorporated under the *Business Corporations Act* (Alberta). Our full name is "Cardinal Energy Ltd.". Our head office is located at Suite 600, 400 – 3rd Avenue S.W., Calgary, Alberta T2P 4H2 and our registered office is located at Suite 2400, 525 – 8th Avenue S.W., Calgary, Alberta T2P 1G1.

1.2 Executive Officer

The name of the executive officer who is knowledgeable about the significant acquisition and this report is Douglas Smith, Chief Financial Officer and his business telephone number is (403) 216-2709.

Item 2 – Details of Acquisition

2.1 – Nature of Business Acquired

On September 15, 2015, we entered into the Acquisition Agreement with the Vendor and PrivateCo pursuant to which we agreed to purchase 75% and PrivateCo agreed to purchase 25% of the Vendor's interest in certain strategic light oil assets focused primarily in the Mitsue area of Alberta from the Vendor for an aggregate purchase price of \$192.5 million, subject to customary closing adjustments. The Acquisition was completed on October 30, 2015 with an effective date of July 1, 2015.

Principal Oil and Natural Gas Properties

The Acquired Assets are comprised of oil and natural gas producing assets located approximately 280 kilometres north of Edmonton, Alberta and include approximately 3,300 boe/d (78% light crude oil and NGLs) of production with a low decline production profile. The majority of the production is from the Mitsue Gilwood Sand Units. These wells are pipeline connected to a main oil battery where the oil and natural gas are connected to sales pipelines. We will operate the wells and facilities within the Mitsue Gilwood Sand Units.

The Mitsue Gilwood A Pool was discovered in 1964 and produces from the Gilwood sandstone of the Middle Devonian Watt Mountain formation. The Gilwood Sandstone is stratigraphically contained within the Watt Mountain Shale. The reservoir is approximately 120,000 acres in size and 42 miles long. It is one of the largest sandstone reservoirs in Canada still drilled on quarter section spacing and management believes that there are over 70 gross infill horizontal drilling locations in the Mitsue Gilwood A Pool. Only 9 wells have been drilled in the pool since 1997 and the pool has not benefited from the advances in current horizontal drilling technology. Nearby pools have been further exploited utilizing horizontal drilling and completion technology increasing oil and total fluid production. We have identified horizontal drilling locations for the Mitsue Gilwood A Pool and will further exploit the pool by managing existing waterfloods and optimizing wells.

Oil and Natural Gas Wells

The following table sets forth the number and status of wells as at December 31, 2014 in which we acquired a working interest pursuant to the Acquisition.

	Oil Wells				Natural Gas Wells			
	Producing		Non-Producing		Producing		Non-Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	239	146	377	216	51	25	159	84
Total	239	146	377	216	51	25	159	84

Note:

- (1) Does not include 221 gross (131 net) service wells and 43 gross (32 net) standing wells.

Production History

The following tables summarize certain information in respect of the production, product prices received, royalties paid, operating expenses and resulting netback in respect of the Acquired Assets for the periods indicated below.

	Quarter Ended 2014		Year Ended	Quarter Ended 2015	
	Sept 30	Dec 31	Dec 31, 2014	Mar 31	June 30
Average Daily Production ⁽¹⁾					
Light and Medium Oil (Bbls/d)	2,405	2,595	2,605	2,499	2,468
Natural Gas (Mcf/d)	5,407	5,232	5,386	4,680	4,706
NGLs (Bbls/d)	293	262	275	241	262
Combined (Boe/d)	3,600	3,728	3,778	3,521	3,515
Average Price Received ⁽¹⁾					
Light and Medium Oil (\$/Bbl)	94.45	72.97	91.77	48.96	64.41
Natural Gas (\$/Mcf)	3.87	3.55	4.33	2.57	2.33
NGLs (\$/Bbl)	48.45	36.85	50.37	18.21	12.38
Combined (\$/Boe)	72.86	58.35	73.11	39.42	49.28
Royalties					
Light and Medium Oil (\$/Bbl)	28.33	19.46	25.74	8.16	5.91
Natural Gas (\$/Mcf)	0.70	0.60	0.78	0.35	0.27
NGLs (\$/Bbl)	16.61	12.42	16.62	7.51	7.62
Combined (\$/Boe)	21.33	15.25	20.07	6.77	5.09
Operating Costs ⁽²⁾⁽³⁾⁽⁴⁾					
Light and Medium Oil (\$/Bbl)	29.62	20.56	25.83	21.29	30.62
Natural Gas (\$/Mcf)	4.94	3.43	4.31	3.55	5.10
NGLs (\$/Bbl)	29.62	20.56	25.83	21.29	30.62
Combined (\$/Boe)	29.62	20.56	25.83	21.29	30.62
Netback Received ⁽⁵⁾					
Light and Medium Oil (\$/Bbl)	36.50	32.95	40.20	19.51	27.88
Natural Gas (\$/Mcf)	(1.77)	(0.48)	(0.76)	(1.33)	(3.04)
NGLs (\$/Bbl)	2.22	3.87	7.92	(10.59)	(25.86)
Combined (\$/Boe)	21.91	22.54	27.21	11.36	13.57

Notes:

- (1) Before the deduction of royalties.
- (2) Operating costs are composed of direct costs incurred to operate both oil and natural gas wells. A number of assumptions are required to allocate these costs between product types.
- (3) Operating recoveries associated with operated properties are charged to operating costs and accounted for as a reduction to general and administrative costs.
- (4) Operating costs include costs associated with the gas plant that was disposed of pursuant to the Disposition. These amounts are not material.
- (5) See "Non-GAAP Measures".

Reserve Data

The reserves data for the Acquired Assets set forth below is based upon the Acquisition Report with an effective date as of December 31, 2014. The reserves data summarizes the crude oil, natural gas liquids and natural gas reserves and the net present values of future net revenue for these reserves using forecast prices and costs, not including the impact of any price risk management activities. The Acquisition Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101.

The information presented below is solely in respect of the 75% of the Vendor's interest acquired by us pursuant to the Acquisition. It does not include the production and reserves concurrently acquired by PrivateCo.

The Acquisition Report was prepared by Sproule for the Vendor and we were not given the opportunity to participate in the preparation of the Acquisition Report or to review the reserves data with management of the Vendor or Sproule in conjunction with the preparation. As a result of not participating in the preparation of the Acquisition Report, we are unable to assess the Vendor's procedures for providing information to Sproule or for assembling and reporting other information to Sproule associated with the Vendor's oil and gas activities.

The tables below are a summary of the oil, natural gas liquids and natural gas reserves attributable to the Acquired Assets and the net present value of future net revenue attributable to such reserves as evaluated in the Acquisition Report based on forecast prices and cost assumptions. The tables summarize the data contained in the Acquisition Report and, as a result, may contain slightly different numbers than such report due to rounding. Due to rounding, certain columns may not add exactly. There are no heavy oil reserves or production associated with the Acquired Assets.

It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by Sproule represent the fair market value of those reserves. The recovery and reserve estimates of oil, natural gas liquids and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.

All reserves associated with the Acquired Assets are located in the Province of Alberta.

Summary of Reserves (Forecast Prices and Costs)

RESERVES CATEGORY	SUMMARY OF OIL AND NATURAL GAS RESERVES FORECAST PRICES AND COSTS							
	RESERVES							
	LIGHT AND MEDIUM OIL		NATURAL GAS		NATURAL GAS LIQUIDS		TOTAL	
	Gross (Mbbbls)	Net (Mbbbls)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbls)	Net (Mbbbls)	Gross (Mboe)	Net (Mboe)
PROVED:								
Developed Producing	9,268.6	7,398.6	12,555	10,852	1,400.4	842.3	12,761.5	10,049.6
Developed Non-Producing	54.7	46.7	21	20	0.3	0.2	58.5	50.2
Undeveloped	831.5	700.1	1,184	1,018	131.5	76.6	1,160.4	946.4
TOTAL PROVED	10,154.7	8,145.4	13,760	11,890	1,532.2	919.2	13,980.3	11,046.2
PROBABLE	3,030.3	2,257.9	4,072	3,527	458.9	278.9	4,167.9	3,124.7
TOTAL PROVED PLUS PROBABLE	13,185.1	10,403.3	17,832	15,417	1,991.1	1,198.1	18,148.2	14,170.9

**NET PRESENT VALUES OF FUTURE NET REVENUE
BEFORE INCOME TAXES DISCOUNTED (%/year)
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	20% (\$000s)
PROVED:					
Developed Producing	426,956	286,464	211,653	167,087	138,086
Developed Non-Producing	749	642	557	488	432
Undeveloped	21,050	11,848	5,961	2,104	(471)
TOTAL PROVED	448,756	298,954	218,171	169,679	138,046
PROBABLE	176,291	65,544	30,197	16,011	9,126
TOTAL PROVED PLUS PROBABLE	625,046	364,498	248,368	185,689	147,172

**TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	REVENUE ⁽¹⁾ (\$000s)	ROYALTIES ⁽²⁾ (\$000s)	OPERATING COSTS (\$000s)	DEVELOPMENT COSTS (\$000s)	WELL ABANDONMENT COSTS (\$000s)	FUTURE NET REVENUE BEFORE INCOME TAXES (\$000s)
Proved Reserves	1,240,877	247,912	496,199	35,033	12,978	448,756
Proved Plus Probable Reserves	1,708,696	361,956	660,608	45,661	15,425	625,046

Notes:

- (1) Total revenue includes company revenue before royalty and includes other income.
(2) Royalties include Crown, freehold and overriding royalties and mineral tax.

**FUTURE NET REVENUE BY PRODUCTION GROUP
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (\$000s)	UNIT VALUE BEFORE INCOME TAXES ⁽¹⁾ (\$/Boe)
Proved	Light and Medium Crude Oil (including solution gas and other by-products)	215,879	20.10
	Natural Gas (including by-products but excluding natural gas from oil wells)	2,292	7.47
	Total	218,171	19.75
Proved plus Probable	Light and Medium Crude Oil (including solution gas and other by-products)	245,666	17.82
	Natural Gas (including by-products but excluding natural gas from oil wells)	2,702	7.00
	Total	248,368	17.53

Note:

- (1) Unit values determined based on net reserves.

Pricing Assumptions

The forecast cost and price assumptions above assume increases in wellhead selling prices and take into account inflation with respect to future operating and capital costs. The following crude oil and natural gas benchmark reference pricing, inflation and exchange rates provided by Sproule are utilized in the Acquisition Report.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS OF DECEMBER 31, 2014 FORECAST PRICES AND COSTS

Year	OIL				NATURAL GAS	NATURAL GAS LIQUIDS			INFLATION RATE ⁽¹⁾ %/Year	EXCHANGE RATE ⁽²⁾ (\$US/\$Cdn)
	WTI Cushing Oklahoma (\$US/Bbl)	Canadian Light Sweet (\$Cdn/Bbl)	Hardisty Heavy 12° API (\$Cdn/Bbl)	Bow River Hardisty (\$Cdn/Bbl)	AECO Gas Price (\$Cdn/MMBtu)	Edmonton Propane (\$Cdn/Bbl)	Edmonton Butane (\$Cdn/Bbl)	Edmonton Pentanes Plus (\$Cdn/Bbl)		
2015	65.00	70.35	55.58	61.21	3.32	34.77	50.34	78.60	1.5	0.850
2016	80.00	87.36	69.01	76.00	3.71	43.17	62.51	97.60	1.5	0.870
2017	90.00	98.28	77.64	85.50	3.90	48.57	70.32	109.80	1.5	0.870
2018	91.35	99.75	78.80	86.78	4.47	49.30	71.37	111.44	1.5	0.870
2019	92.72	101.25	79.98	88.08	5.05	50.04	72.44	113.12	1.5	0.870
2020	94.11	103.85	82.04	90.35	5.13	51.32	74.31	116.02	1.5	0.870
2021	95.52	105.40	83.27	91.70	5.22	52.09	75.42	117.76	1.5	0.870
2022	96.96	106.99	84.52	93.08	5.31	52.87	76.55	119.53	1.5	0.870
Thereafter	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%

Notes:

- (1) Inflation rates for forecasting prices and costs.
- (2) Exchange rates used to generate the benchmark reference prices in this table.

Weighted average historical prices realized by the Vendor in respect of the Acquired Assets for six months ended June 30, 2015, were \$2.45/Mcf for natural gas and \$52.86/Bbl for oil and NGLs.

Reserves Reconciliation

The Acquisition Report was prepared by Sproule for the Vendor in connection with the Acquisition. As such there is no opening data to be reconciled.

Undeveloped Reserves

Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty to be recoverable where significant expenditure is required to render them capable of production. Probable undeveloped reserves are those additional reserves that are less certain to be recovered than proved reserves where significant expenditure is required to render them capable of production. The Acquisition Report contains proved and probable undeveloped reserves that have been estimated in accordance with the procedures and standards contained in the COGE Handbook. The significant majority of the undeveloped reserves are currently scheduled to be developed by us within the next three years.

In some cases, it will take longer than three years to develop these reserves. We plan to develop a significant majority of the proved and probable undeveloped reserves in the Acquisition Report over the next three years. There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals).

Proved Undeveloped Reserves

Proved undeveloped reserves have been assigned in known accumulations where the reserves can be estimated with a high degree of certainty. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves. Sproule has assigned 1,160 Mboe of proved undeveloped reserves in the Acquisition Report with \$29.3 million of associated undiscounted capital, of which \$14.5 million is forecast to be spent in 2016.

Probable Undeveloped Reserves

Probable undeveloped reserves have been assigned in known accumulations where the reserves can be estimated with less certainty. It is equally likely that the actual remaining quantities recovered will be greater or less than the proved plus probable reserves. In most instances probable undeveloped reserves have been assigned on lands in the area with existing producing wells but there is some uncertainty as to whether they are directly analogous to the producing accumulation or pool. Sproule has assigned 178.6 Mboe of probable undeveloped reserves in the Acquisition Report with no incremental capital over and above the proved undeveloped capital.

Significant Factors or Uncertainties

We do not anticipate any significant economic factors or significant uncertainties that will affect any particular components of the reserves data for the Acquired Assets. However, reserves can be affected significantly by fluctuations in product pricing, capital expenditures, operating costs, royalty regimes and well performance that are beyond our control.

Future Development Costs

The following table sets forth development costs deducted in the estimation of the future net revenue attributable to the reserve categories noted below for the Acquired Assets.

<u>Year</u>	FORECAST PRICES AND COSTS	
	Proved Reserves (\$000s)	Proved Plus Probable Reserves (\$000s)
2015	85	3,980
2016	14,496	16,710
2017	7,357	9,564
2018	7,467	9,708
Remaining	5,628	5,699
Total (Undiscounted)	35,033	45,661
Total (Discounted at 10%)	25,994	35,125

We expect to fund the development costs of these reserves through a combination of internally generated cash flow, equity issuances and debt. There can be no guarantee that funds will be available or that our Board of Directors will allocate funding to develop all of the reserves attributed to the Acquired Assets in the Acquisition Report. Failure to develop those reserves could have a negative impact on our future cash flow.

The interest or other costs of external funding are not included in the reserves and future net revenue estimates set forth above and would reduce reserves and future net revenue to some degree depending upon the funding sources utilized. We do not anticipate that interest or other funding costs would make development of any of the Acquired Assets uneconomic.

Developed and Undeveloped Lands

The following table sets out for the Acquired Assets, the developed and undeveloped land holdings as at the date of the Acquisition Report.

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Alberta	200,891	153,979	75,457	50,924	276,348	204,903
Total	200,891	153,979	75,457	50,924	276,348	204,903

As at September 15, 2015 up to 1,440 acres of the undeveloped land holdings associated with the Acquired Assets could expire by December 31, 2015 if not continued.

Additional Information Concerning Abandonment and Reclamation Costs

As at December 31, 2014 there were 1,090 (634 net) wells associated with the Acquired Assets for which we expect to incur abandonment and reclamation costs.

The Acquisition Report includes abandonment costs for wells included in the evaluation. In the report, \$15,425 thousand (undiscounted) and \$1,769 thousand (discounted at 10%), for the forecast prices and costs case for abandonment costs of wells with proved and probable reserves were deducted as abandonment costs in estimating the future net revenue.

Production Estimates

The following table sets out the volumes of working interest production before royalties, using forecast prices and costs, estimated for the period of January 1, 2015 to December 31, 2015 in the Acquisition Report which is reflected in the estimate of future net revenue disclosed in the tables above.

	Light and Medium Oil (Bbls/d)	Natural Gas (Mcf/d)	Natural Gas Liquids (Bbls/d)	Boe (Boe/d)
Total Proved	2,325	2,831	315	3,112
Total Proved plus Probable	2,364	2,867	318	3,160

Forward Contracts

We did not assume any hedging commitments in connection with the Acquisition.

2.2 – Acquisition Date

October 30, 2015.

2.3 – Consideration

Our total purchase price for the Acquired Assets was approximately \$142.5 million in cash, after giving effect to customary closing adjustments.

The majority of the purchase price of the Acquisition was funded through the net proceeds of the Offering. Pursuant to the Offering, we issued 6,627,500 Subscription Receipts at \$8.30 per Subscription Receipt for gross proceeds of \$55,008,250 (including the Underwriters over-allotment option) and \$50,000,000 aggregate principal amount of Debentures, for total combined gross proceeds of approximately \$105 million.

The Offering closed on October 6, 2015. The balance of the purchase price was funded through a draw on our Revolving Credit Facility.

In accordance with the terms of the Subscription Receipts, each Subscription Receipt was exchanged for one Common Share upon the closing of the Acquisition. In addition, as a result of the closing of the Acquisition, the maturity date of the Debentures was automatically extended from the initial maturity date of December 31, 2015 to December 31, 2020.

On the closing date for the Acquisition, we and PrivateCo entered into an agreement with an arm's length party to sell the Disposed Assets for net proceeds to us of \$12.75 million. The Disposition was completed on November 17, 2015.

2.4 – Effect on Financial Position

There are presently no plans or proposals for material changes in our business affairs or the affairs of the Acquired Assets which may have a significant effect on our financial performance and financial position.

2.5 – Prior Valuations

No valuation required by securities legislation or a Canadian stock exchange or market to support the consideration payable by us pursuant to the acquisition of the Acquisition Assets has been obtained by us within the past 12 months.

2.6 – Parties to Transaction

The Vendor was not with an "informed person", "associate" or "affiliate" (as each term is defined in securities legislation) of us.

2.7 – Date of Report

This business acquisition report is dated December 7, 2015.

Item 3 – Financial Statements

Schedule A hereto contains the operating statements for the Acquired Assets containing revenue, royalties, operating expenses and operating income for the six months ended June 30, 2015 and 2014 and the years ended December 31, 2014 and 2013. The information presented in those operating statements reflects 75% of the Vendor's interest acquired by us pursuant to the Acquisition.

Schedule B hereto contains our unaudited pro forma operating statements for the six months ended June 30, 2015 and the year ended December 31, 2014.

SCHEDULE A
OPERATING STATEMENTS

Mitsue Properties

Operating Statement Containing Revenue, Royalties, Operating Expenses and Operating Income

For the six months ended June 30, 2015 and 2014 (unaudited) and the years ended December 31, 2014 (audited) and 2013 (unaudited)



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Penn West Petroleum Ltd.

We have audited the accompanying operating statement containing revenue, royalties, operating expenses and operating income of certain petroleum and natural gas properties in the Mitsue area of Alberta (the "Acquired Assets") for the year ended December 31, 2014, and notes, comprising of a summary of significant accounting policies and other explanatory information (together "the operating statement").

Management's Responsibility for the Operating Statement

Management of Penn West Petroleum Ltd. is responsible for the preparation of this operating statement of the Acquired Assets in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*, for operating statements of an acquired oil and gas property, and for such internal control as management determines is necessary to enable the preparation of the operating statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the operating statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the operating statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the operating statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the operating statement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the operating statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the operating statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the operating statement of the Acquired Assets for the year ended December 31, 2014 is prepared, in all material respects, in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for operating statements of an acquired oil and gas property.

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Other Matter

The operating statement of the Acquired Assets for the year ended December 31, 2013, is unaudited.

KPMG LLP

Chartered Accountants
Calgary, Canada
September 18, 2015

Mitsue Properties

Operating Statement Containing Revenue, Royalties, Operating Expenses and Operating Income

For the six months ended June 30, 2015 and 2014 (unaudited) and the years ended December 31, 2014 (audited) and 2013 (unaudited)

(\$ Canadian *thousands*)

	Six months ended June 30,		Years ended December 31,	
	2015 <i>(unaudited)</i>	2014 <i>(unaudited)</i>	2014 <i>(audited)</i>	2013 <i>(unaudited)</i>
Revenue				
Petroleum and natural gas	\$ 28,253	\$ 56,663	\$ 100,807	\$ 116,616
Royalties	<u>(3,772)</u>	<u>(15,377)</u>	<u>(27,673)</u>	<u>(32,473)</u>
	24,481	41,286	73,134	84,143
Expense				
Operating	<u>16,543</u>	<u>18,748</u>	<u>35,607</u>	<u>42,462</u>
Operating income	<u>\$ 7,938</u>	<u>\$ 22,538</u>	<u>\$ 37,527</u>	<u>\$ 41,681</u>

See accompanying notes to the operating statement.

Mitsue Properties

Operating Statement Containing Revenue, Royalties, Operating Expenses and Operating Income

For the six months ended June 30, 2015 and 2014 (unaudited) and the years ended December 31, 2014 (audited) and 2013 (unaudited)

1. Basis of presentation

The operating statement containing the revenue, royalties, operating expenses and operating income of certain petroleum and natural gas properties in the Mitsue area of Alberta (the "Mitsue Properties") includes 75% of Penn West Petroleum Ltd.'s (the "Vendor") net working interest of the operating results relating to certain wells and facilities within the Mitsue Properties sold to the purchaser.

The operating statement of the Mitsue Properties has been prepared by the vendor of the Mitsue Properties and includes only working interest revenue, royalties and operating expenses of the Mitsue Properties sold. The operating statement does not include any provision for depletion and depreciation, accretion of decommissioning obligations, future capital costs, impairment of unevaluated properties, general and administrative expense, and income taxes for the Mitsue Properties as these amounts are based on the consolidated operations of the vendor of which the Mitsue Properties form only a part.

The operating statement has been prepared in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards* for business statements that are an operating statement of an oil and gas property. The revenue, royalties, operating expenses and operating income reported in the operating statement for the six months ended June 30, 2015 and 2014 along with the years ended December 31, 2014 and 2013 are stated in accordance with International Financial Reporting Standards ("IFRS").

2. Summary of significant accounting policies

Revenue recognition

Petroleum and natural gas revenues are recognized when the commodities are delivered and title passes to the external third-party purchaser. Petroleum and natural gas revenues are based on realized prices. Revenue does not include any amounts from financial derivative contracts.

Royalties

Royalties are recorded at the time the product is produced and sold. Royalties are calculated in accordance with the applicable regulations and/or terms of individual royalty agreements.

Operating expense

Operating expenses include all the costs related to the lifting, gathering, processing and delivery to a sales point of the petroleum and natural gas.

Joint operations

As the properties in Mitsue Properties are jointly operated, the operating statement only reflects the proportionate interest sold.

SCHEDULE B
PRO FORMA OPERATING STATEMENTS

Cardinal Energy Ltd.

Pro Forma Operating Statement

For the Six Months Ended June 30, 2015

Amounts are presented in accordance with IFRS in thousands of Canadian dollars (unaudited)

	Cardinal Energy Ltd.	Mitsue Acquisition	Pro Forma
Revenue			
Petroleum and natural gas	\$ 91,851	\$ 28,253	\$ 120,104
Royalties	(11,488)	(3,772)	(15,260)
	80,363	24,481	104,844
Expense			
Operating	45,608	16,543	62,151
Operating income	\$ 34,755	\$ 7,938	\$ 42,693

See accompanying notes to the pro forma operating statements.

Cardinal Energy Ltd.

Pro Forma Operating Statement

For the Year Ended December 31, 2014

Amounts are presented in accordance with IFRS in thousands of Canadian dollars (unaudited)

	Cardinal Energy Ltd.	Acquired Properties (Appendix A)	Pro Forma
Revenue			
Petroleum and natural gas	\$ 206,685	\$ 217,898	\$ 424,583
Royalties	(27,398)	(36,063)	(63,461)
	179,287	181,835	361,122
Expense			
Operating	68,900	86,529	155,429
Operating income	\$ 110,387	\$ 95,306	\$ 205,693

See accompanying notes to the pro forma operating statements.

Cardinal Energy Ltd.

Notes to the Pro Forma Operating Statements

For the six months ended June 30, 2015 and for the year ended December 31, 2014
(unaudited)

1. Basis of presentation

These pro forma operating statements of Cardinal Energy Ltd. ("Cardinal") have been prepared to reflect the following acquisitions:

On August 22, 2014, Cardinal acquired petroleum and natural gas properties to expand its core operating area in the Wainwright area of Alberta (the "Wainwright #2 Acquisition").

On September 30, 2014, Cardinal acquired additional petroleum and natural gas properties to expand its core operating area in the Wainwright area of Alberta (the "Wainwright #3 Acquisition").

On October 30, 2015, Cardinal acquired certain petroleum and natural gas properties in a new core area in the Mitsue area of Alberta (the "Mitsue Acquisition").

The pro forma statements have been prepared by management from information derived from the following:

Cardinal's audited financial statements for the year ended December 31, 2014 and unaudited interim condensed financial statements for the six months ended June 30, 2015.

Wainwright Acquisition #2 properties unaudited operating statement for the three months ended March 31, 2014. Cardinal has included revenue, royalties, operating expenses and operating income based on the unaudited accounting records for the period from April 1, 2014 to August 21, 2014 in the adjustments column for Appendix A.

Wainwright Acquisition #3 properties unaudited operating statement for the six months ended June 30, 2014. Cardinal has included revenue, royalties, operating expenses and operating income based on the unaudited accounting records for the period from July 1, 2014 to September 29, 2014 in the adjustments column for Appendix A.

Mitsue properties audited operating statement for the year ended December 31, 2014 and unaudited operating statement for the six months ended June 30, 2015.

The pro forma operating statements do not include any provision for depletion and depreciation, accretion of the decommissioning obligation, future capital costs, impairment of unevaluated properties, general and administrative costs and income taxes as these amounts are based on the operations of Cardinal.

The pro forma operating statements have been prepared in accordance with applicable Canadian securities legislation.

2. Significant Accounting Policies

Revenue recognition

Petroleum and natural gas revenues are recognized when the commodities are delivered and title passes to the external third-party purchaser. Petroleum and natural gas revenues are based on realized prices. Revenue does not include any amounts from financial derivative contracts.

Royalties

Royalties are recorded at the time the product is produced and sold. Royalties are calculated in accordance with the applicable regulations and/or terms of individual royalty agreements.

Operating expense

Operating expenses include all the costs related to the lifting, gathering, processing and delivery to a sales point of the petroleum and natural gas.

Joint operations

A portion of the petroleum and natural gas activities are conducted jointly with others and accordingly these pro forma operating statements reflect the proportionate interest in such activities.

Cardinal Energy Ltd.

Appendix A – Acquired Properties

For the Year ended December 31, 2014

Amounts are presented in accordance with IFRS in thousands of Canadian dollars (unaudited)

	Wainwright #2 Acquisition	Wainwright #3 Acquisition	Mitsue Acquisition	Adjustments ⁽¹⁾	Total from Acquired Properties
Revenue					
Petroleum and natural gas	\$ 14,305	\$ 54,385	\$ 100,807	\$ 48,401	\$ 217,898
Royalties	(1,117)	(2,855)	(27,673)	(4,418)	(36,063)
	13,188	51,530	73,134	43,983	181,835
Expense					
Operating	4,822	29,172	35,607	16,928	86,529
Operating income	\$ 8,366	\$ 22,358	\$ 37,527	\$ 27,055	\$ 95,306

(1) Refer to note 1 for details of amounts included in this column.