

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. Accordingly, except as permitted by the Underwriting Agreement (as defined herein) and pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws, these securities may not be offered or sold, directly or indirectly, in the United States (as such term is defined in Regulation S under the U.S. Securities Act). This short form prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of these securities within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with the securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Cardinal Energy Ltd. at Suite 600, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, telephone (403) 234-0603, and are also available electronically at www.sedar.com.

New Issue

June 14, 2017

SHORT FORM PROSPECTUS



CARDINAL ENERGY LTD.

\$170,005,000

30,910,000 Subscription Receipts

each representing the right to receive one Common Share

We are hereby qualifying pursuant to this short form prospectus the distribution (the "**Offering**") of 30,910,000 subscription receipts (the "**Subscription Receipts**") at a price of \$5.50 per Subscription Receipt.

Each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration or further action on the part of such holder, one common share ("**Common Share**") in our capital (an "**Underlying Common Share**") upon closing of the Acquisition (as defined herein). The gross proceeds from the sale of the Subscription Receipts (the "**Escrowed Funds**") will be held by Computershare Trust Company of Canada, as escrow agent (the "**Escrow Agent**"), and invested in short-term obligations of, or guaranteed by, the Government of Canada (or other approved investments). Upon satisfaction of the Escrow Conditions (as defined herein) on or before 5:00 p.m. (Toronto time) on August 31, 2017 (the "**Deadline**"), the Escrowed Funds and the interest earned thereon (less any amounts required to pay the Dividend Equivalent Amount (as defined herein) upon the issuance of the Underlying Common Shares, if applicable, and the remaining 50% of the Underwriters' Fee (as defined herein) in respect of the Subscription Receipts) will be released to us to enable us to complete the Acquisition. On the closing of the Acquisition, each holder of Subscription Receipts will receive one Underlying Common Share for each Subscription Receipt held, without payment of additional consideration or further action on the part of such holder, and such holder will also be entitled to receive an amount per Subscription Receipt equal to the amount per Common Share of any cash dividends for which record date(s) have occurred during the period commencing on the Closing Date (as defined herein) through the date immediately preceding the date the Underlying Common Shares are issued pursuant to the Subscription Receipts (the "**Dividend Equivalent Amount**"). We will utilize the Escrowed Funds to pay a portion of the purchase price of the Acquired Assets (as defined herein). The balance of the purchase price will be funded through a draw on our Revolving Credit Facility (as defined herein), which we expect will be increased concurrently with the closing of the Acquisition. See "*Details of the Offering*".

If: (i) the Acquisition is not completed by the Deadline; (ii) the Acquisition Agreement (as defined herein) is terminated in accordance with its terms at any earlier time; or (iii) we have advised the Underwriters (as defined herein) or announced to the public that we do not intend to proceed with the Acquisition (the time and date of occurrence of any such event being the "**Termination Time**" and "**Termination Date**"), holders of Subscription Receipts shall receive an amount equal to the full subscription price attributable to the Subscription Receipts and their *pro rata* entitlement to interest accrued on such amount up to and including the Termination Time. See "*Details of the Offering*".

Our issued and outstanding Common Shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol "CJ". The TSX has conditionally approved the listing of the Subscription Receipts and the Underlying Common Shares (collectively, the "Offered Securities"). Such listing of such Offered Securities is subject to us fulfilling of all the requirements of the TSX on or before September 5, 2017. On May 31, 2017, the last full trading day prior to the public announcement of the Offering, the closing price of the Common Shares on the TSX was \$5.68. On June 13, 2017, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSX was \$5.11

There is currently no market through which the Subscription Receipts may be sold and purchasers may not be able to resell Subscription Receipts purchased under this short form prospectus. This may affect the pricing of the Subscription Receipts in the secondary market, the transparency and availability of trading prices and the liquidity of the Subscription Receipts, and the extent of issuer regulation. See "Risk Factors – Risks Relating to the Offering".

Price: \$5.50 per Subscription Receipt

	Price to the Public	Underwriters' Fee ⁽¹⁾	Net Proceeds ^{(2) (3)}
Per Subscription Receipt	\$5.50	\$0.22	\$5.28
Total	\$170,005,000	\$6,800,200	\$163,204,800

Notes:

- (1) Pursuant to the terms of the Underwriting Agreement (as defined herein), we have agreed to pay to the Underwriters a fee equal to 4.0% of the gross proceeds of the Offering other than proceeds raised from an estimated 244,078 Subscription Receipts that are expected to be purchased by our directors, officers, employees and members of their families. The Underwriters' Fee in respect of the Subscription Receipts is payable as to 50% upon the closing of the Offering and 50% upon the closing of the Acquisition. If the Termination Time occurs, the Underwriters' Fee with respect to the Subscription Receipts will be reduced to the amount payable upon closing of the Offering. See "*Details of the Offering*" and "*Plan of Distribution*".
- (2) Excluding interest accrued, if any, on the Escrowed Funds, and before deducting expenses of the Offering, estimated to be \$250,000 (exclusive of GST), which will be deducted from our general funds.
- (3) We have granted to the Underwriters an option (the "**Over-allotment Option**") to purchase up to an additional 3,091,000 Subscription Receipts at a price of \$5.50 per Subscription Receipt, exercisable from time to time, in whole or in part, for a period commencing at closing of the Offering and ending on the earlier of: (i) 30 days following closing of the Offering; and (ii) the Termination Time, to cover over-allotments, if any, and for market stabilization purposes. In the event the Over-allotment Option is exercised following the satisfaction of the Escrow Conditions, we will issue the same number of Common Shares in lieu of Subscription Receipts. A purchaser who acquires Subscription Receipts or Common Shares, as applicable, forming part of the Underwriters' over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-allotment Option or secondary market purchases. If the Over-allotment Option is exercised in full, the total gross proceeds of the Offering, the Underwriters' Fee and the net proceeds to us (before deducting expenses of the Offering) will be \$187,005,500, \$7,480,220 and \$179,525,280, respectively. This short form prospectus also qualifies the distribution of the Over-allotment Option and of the Subscription Receipts or Common Shares, as applicable, issuable upon exercise of the Over-allotment Option. See "*Plan of Distribution*" and the table below.

The following sets forth the number of Subscription Receipts or Common Shares, as applicable that may be issued by us pursuant to the Over-allotment Option:

Underwriters' Position	Maximum number of securities available	Exercise period	Exercise price
Over-allotment Option	3,091,000 Subscription Receipts or Common Shares, as applicable	Exercisable up to the earlier of (i) 30 days following closing of the Offering and (ii) the Termination Time	\$5.50 per Subscription Receipt or Common Share, as applicable

The terms of the Offering, including the offering price for the Subscription Receipts, were determined by negotiation between us and RBC Dominion Securities Inc., as lead underwriter, on its own behalf and on behalf of CIBC World Markets Inc., GMP Securities L.P., National Bank Financial Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., Cormark Securities Inc., Peters & Co. Limited and TD Securities Inc. (collectively, the "**Underwriters**"). See "*Relationship Among Us and Certain Underwriters*".

The Underwriters, as principals, conditionally offer the Securities, subject to prior sale, if, as and when issued by us and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*". The Offering is subject to the approval of certain legal matters relating to Canadian law on our behalf by Burnet, Duckworth & Palmer LLP, Calgary, Alberta and on behalf of the Underwriters by Dentons Canada LLP, Calgary, Alberta.

Subscriptions for Subscription Receipts will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The closing of the Offering is anticipated to occur on or about

June 21, 2017 or such other date as may be agreed upon by us and the Underwriters (the "**Closing Date**"), but in any event not later than 42 days after the date of the receipt for this short form prospectus. Except in certain limited circumstances: (i) the Offered Securities will be registered and represented electronically through the non-certificated inventory of CDS Clearing and Depository Services Inc. ("**CDS**"); (ii) subject to certain exceptions, no certificates evidencing the Offered Securities will be issued; and (iii) purchasers of Subscription Receipts will receive only a customer confirmation from the Underwriter or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Subscription Receipts is purchased. See "*Plan of Distribution*".

Subject to applicable laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Subscription Receipts at levels other than those that might otherwise prevail on the open market in accordance with applicable market stabilization rules. Such transactions, if commenced, may be discontinued at any time. **The Underwriters propose to offer the Subscription Receipts initially at the offering price specified above. After a reasonable effort has been made to sell all the Subscription Receipts at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Subscription Receipts remaining unsold. Any such reduction will not affect the proceeds received by us.** See "*Plan of Distribution*".

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to us, and Dentons Canada LLP, counsel to the Underwriters, based on the provisions of the Tax Act (as defined herein) in force on the date hereof, proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current published administrative policies and assessing practices of the Canada Revenue Agency, provided that we are, on the Closing Date and at all relevant times, a "public corporation" within the meaning of the Tax Act, the Offered Securities will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts provided that, in the case of Subscription Receipts, we and any person that does not deal at arm's length with us is not an annuitant, beneficiary, employer or subscriber under, or a holder of, the particular plan at all relevant times. See "*Eligibility for Investment*".

RBC Dominion Securities Inc., CIBC World Markets Inc., National Bank Financial Inc. and Scotia Capital Inc. are direct or indirect wholly-owned subsidiaries of certain Canadian chartered banks which are lenders to us and to which we are presently indebted. In addition, RBC Dominion Securities Inc., an indirect wholly-owned subsidiary of a Canadian chartered bank which is a lender to us, is acting as financial advisor to the Vendor (as defined herein) and will receive a success fee in connection with the closing of the Acquisition. Consequently, we may be considered to be a connected issuer of these Underwriters under applicable Canadian securities laws. See "*Relationship Among Us and Certain Underwriters*", "*Use of Proceeds*" and "*Capitalization*".

An investment in the Offered Securities is speculative and involves a high degree of risk, including risks inherent in our involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves and certain risks relating to the Acquisition. The risk factors identified under the headings "*Risk Factors*" in the Annual Information Form (as defined herein) and in this short form prospectus and "*Forward-Looking Statements*" in this short form prospectus should be carefully reviewed and evaluated by prospective purchasers before purchasing any Subscription Receipts. An investment in the Offered Securities is suitable for only those investors who are willing to risk a loss of their entire investment.

The Subscription Receipts may be sold only in those jurisdictions where offers and sales are permitted. This short form prospectus is not an offer to sell or a solicitation of an offer to buy the Subscription Receipts in any jurisdiction where it is unlawful. Closing of the Offering is also subject to a number of conditions, including the approval of the TSX.

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.

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IMPORTANT NOTICE ABOUT INFORMATION IN THIS SHORT FORM PROSPECTUS

You should rely only on the information contained or incorporated by reference in this short form prospectus. We have not, and the Underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that only the information appearing in this short form prospectus, as well as information we previously filed with the securities regulatory authority in each of the provinces of Canada that is incorporated by reference in this short form prospectus, is accurate as of the respective dates of the applicable documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

Information on, or connected to our website, even if referred to in a document incorporated by reference does not constitute part of this short form prospectus.

We are not, and the Underwriters are not, making an offer to sell the Subscription Receipts in any jurisdiction where the offer or sale is not permitted.

PRESENTATION OF FINANCIAL AND RESERVES INFORMATION

Unless indicated otherwise, the financial information in this short form prospectus, including the documents incorporated by reference herein, 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 short form prospectus 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 short form prospectus and in the documents incorporated by reference herein 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 short form prospectus and in the documents incorporated herein by reference are, unless otherwise noted, after the deduction of royalties, development costs, production 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 short form prospectus and in the documents incorporated herein by reference 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 and in the documents incorporated by reference 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 and in the documents incorporated herein by reference. 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 and in the documents incorporated herein by reference, 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. Numbers in the reserves tables and other oil and gas information contained in this prospectus may not add due to rounding.

CAUTION REGARDING UNAUDITED PRO FORMA OPERATING STATEMENTS

This short form prospectus contains our unaudited pro forma operating statements for the year ended December 31, 2016 and the three months ended March 31, 2017 giving effect to the Acquisition as if the Acquisition occurred on January 1, 2016 (the "**Pro Forma Statements**"). The Pro Forma Statements have been prepared using IFRS and on a basis consistent with our accounting policies.

The Pro Forma Statements have been prepared from information derived from, and should be read in conjunction with:

- our Annual Financial Statements (as defined herein);
- our unaudited condensed interim financial statements as at March 31, 2017 and for the three months ended March 31, 2017 and March 31, 2016, together with the notes thereto; and
- the audited operating statement of the Vendor (as defined herein) for the year ended December 31, 2016 and the unaudited interim operating statements of the Vendor for the year ended December 31, 2015 and the three months ended March 31, 2017 and 2016 ("**Operating Statements**").

The Operating Statements and Pro Forma Statements are set forth in Schedules A and B.

In preparing the Pro Forma Statements, we have not independently verified the Operating Statements.

The Operating Statements are reported in Canadian dollars and are prepared in accordance with the financial reporting framework specified in subsection 3.11(5) of NI 52-107 (as defined herein) for operating statements. The line items in the Operating Statements have been prepared in all respects using accounting policies that are permitted by generally accepted accounting principles in the United States applicable to publicly accountable enterprises, with such accounting policies applying to those line items as if such line items were presented as part of a complete set of financial statements and may not be comparable to financial statements of Canadian companies prepared in accordance with IFRS.

We did not identify differences between generally accepted accounting principles in the United States and IFRS in the preparation of the Pro Forma Statements.

The Pro Forma Statements are not intended to be indicative of the results that would actually have occurred, or the results expected in future periods, had the events reflected therein occurred on the dates indicated. Actual amounts recorded upon the finalization of the purchase price adjustments under the Acquisition may differ from the amounts reflected in the Pro Forma Statements.

Since the Pro Forma Statements have been developed to retroactively show the effect of transactions that are expected to occur at a later date, and even though such statements were prepared following generally accepted principles using reasonable assumptions, the Pro Forma Statements reflect limitations inherent in the very nature of pro forma data. Undue reliance should not be placed on the Pro Forma Statements. See "*Forward-Looking Statements*" and "*Risk Factors*".

NOTE RELATING TO PROSPECTIVE FINANCIAL INFORMATION

The prospective financial information included or incorporated by reference in this short form prospectus has been prepared by, and is the responsibility of, our management.

Ernst & Young LLP has not examined, compiled, nor performed any procedures with respect to the prospective financial information contained herein or incorporated by reference and, accordingly, Ernst & Young LLP has not expressed an opinion or any other form of assurance on such information or its achievability. Ernst & Young LLP assumes no responsibility for, and Ernst & Young LLP denies any association with the prospective financial information included in or incorporated by reference in this short form prospectus.

The report of Ernst & Young LLP contained in this short form prospectus refers exclusively to the historical financial statements described therein and does not extend to the prospective financial information included in or incorporated by reference in this short form prospectus and should not be read to do so.

OIL AND GAS ADVISORIES

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.

This short form prospectus contains certain oil and gas metrics such as "reserve life index" (or "**RLI**") and "recycle ratio" which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been prepared by management and are included in this short form prospectus to provide readers with additional measures to evaluate our assets (including the Acquired Assets) and our performance however, such measures are not reliable indicators of our future performance and future performance may not compare to our performance in previous periods and therefore such metrics should not be unduly relied upon.

Unless otherwise indicated, "reserve life index" is calculated by dividing estimated company interest reserves (as defined herein) by production. "Recycle ratio" is calculated by dividing netback (See "*Non-GAAP Measures*") per Boe (based on US\$55 WTI with respect to the Acquired Assets) by the finding, development and acquisition costs for the relevant reserve category. Finding development and acquisition costs are calculated per Boe, by dividing the aggregate of the future development capital for the Acquired Assets and the purchase price for the Acquired Assets by the reserves to be acquired.

DRILLING LOCATIONS

This short form prospectus discloses up to 300 drilling locations, all of which are unbooked. Unbooked locations are estimates based on the 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.

SELECTED DEFINITIONS

In this short form prospectus, the following terms shall have the meanings set forth below, unless otherwise indicated:

Acquired Assets means the high quality, low decline light oil assets in Western Canada to be acquired by us pursuant to the Acquisition Agreement as described under the heading "*The Acquisition – The Acquired Assets*";

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

Acquisition Agreement means the purchase and sale agreement dated June 1, 2017 between us and the Vendor providing for the Acquisition;

Acquisition Report means a report as to the oil, NGLs and natural gas reserves attributable to the Acquired Assets as evaluated by GLJ on May 30, 2017 with an effective date of December 31, 2016;

Annual Financial Statements has the meaning attributed thereto under "*Documents Incorporated by Reference*";

Annual Information Form means our annual information form dated March 31, 2017 relating to the year ended December 31, 2016;

Annual MD&A has the meaning attributed thereto under "*Documents Incorporated by Reference*";

Assumed Obligations has the meaning attributed thereto under "*The Acquisition Agreement*";

Business Day means any day other than a Saturday, Sunday or statutory holiday in Calgary, Alberta;

Canadian GAAP or **GAAP** means the generally accepted accounting principles as set by the Chartered Professional Accountants of Canada and as permitted by NI 52-107 for the preparation of financial statements;

CDS means CDS Clearing and Depository Services Inc.;

Closing Date means the closing date of the Offering;

COGE Handbook means the Canadian Oil and Gas Evaluation Handbook;

Common Shares means our common shares;

company interest reserves means the Vendor's working interest (operating and non-operating) share of reserves before deduction of royalties and including any royalty interests of the Vendor;

CRA means the Canada Revenue Agency;

Deadline means 5:00 p.m. (Toronto time) on August 31, 2017;

Debentures mean our 5.50% convertible unsecured subordinated debentures;

Deposit has the meaning attributed thereto under "*The Acquisition Agreement*";

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 costs 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;

Dividend Equivalent Amount means an amount per Subscription Receipt equal to the amount per Common Share of any cash dividends for which record date(s) have occurred during the period commencing on the Closing Date through the date immediately preceding the date the Underlying Common Shares are issued pursuant to the Subscription Receipts;

Escrow Agent means Computershare Trust Company of Canada, which is deemed an "Acceptable Institution" under the guidelines of the Investment Industry Regulatory Organization of Canada and the Canadian Investor Protection Fund, in its capacity as escrow agent pursuant to the Subscription Receipt Agreement;

Escrow Conditions has the meaning attributed thereto under "*Details of the Offering*";

Escrowed Funds means the gross proceeds from the sale of the Subscription Receipts;

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;

GLJ means GLJ Petroleum Consultants Ltd., independent petroleum consultants of Calgary, Alberta;

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;

Information Circular has the meaning attributed thereto under "*Documents Incorporated by Reference*";

Lead Underwriter means RBC Dominion Securities Inc.;

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 44-101 means National Instrument 44-101 – *Short Form Prospectus Distributions*;

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

NI 52-107 means National Instrument 52-107 – *Acceptable Accounting Principles and Auditing Standards*;

Offered Securities means the Subscription Receipts and the Underlying Common Shares;

Offering means the offering of 30,910,000 Subscription Receipts at a price of \$5.50 per Subscription Receipt pursuant to this short form prospectus and, where the context requires, includes the Over-allotment Option and the Subscription Receipts or Common Shares, as applicable, issuable pursuant to the exercise of the Over-allotment Option;

Operating Statements has the meaning set forth in "*Caution Regarding Unaudited Pro Forma Operating Statements*";

Over-allotment Option means the option granted to the Underwriters to purchase up to an additional 3,091,000 Subscription Receipts, on the same terms and conditions as the Offering, exercisable in whole or in part, at any time and from time to time, for a period commencing on the closing of the Offering and ending on the earlier of: (i) 30 days following closing of the Offering; and (ii) the Termination Time, to cover over-allotments, if any and for market stabilization purposes;

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;

Pro Forma Statements has the meaning set forth in "*Caution Regarding Unaudited Pro Forma Operating Statements*";

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;

Purchase Price means the purchase price for the Acquired Assets;

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 subsurface rock unit that contains an accumulation of petroleum;

Revolving Credit Facility has the meaning set forth in Note (2) to the table under the heading "*Capitalization*";

RI means certain royalty interests (which may include newly created royalty interests) and fee title lands associated with the Acquired Assets that we anticipate disposing of prior to year end;

ROFR means right of first refusal;

SEDAR means the System for Electronic Document Analysis and Retrieval;

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, independent petroleum consultants of Calgary, Alberta;

Subscription Receipt Agreement means the agreement to be dated the Closing Date among us, the Lead Underwriter, on behalf of the Underwriters, and the Escrow Agent governing the terms of the Subscription Receipts;

Subscription Receipt Beneficial Owner means a purchaser acquiring a beneficial interest in the Subscription Receipts;

Subscription Receipt Certificates means the certificates representing the Subscription Receipts;

Subscription Receipts means the subscription receipts offered hereby;

Tax Act means the *Income Tax Act* (Canada), R.S.C. 1985, c.1, 5th Supplement, as amended, including the regulations promulgated thereunder;

Termination Date means the date of the occurrence of any one of the following events: (i) the Acquisition is not completed by the Deadline; (ii) the Acquisition Agreement is terminated in accordance with its terms at any earlier time; or (iii) we have advised the Underwriters or announced to the public that we do not intend to proceed with the Acquisition;

Termination Time means the time of the occurrence of any one of the following events: (i) the Acquisition is not completed by the Deadline; (ii) the Acquisition Agreement is terminated in accordance with its terms at any earlier time; or (iii) we have advised the Underwriters or announced to the public that we do not intend to proceed with the Acquisition;

TSX means the Toronto Stock Exchange;

Underlying Common Shares means the Common Shares issuable pursuant to the terms of the Subscription Receipts;

Underwriters means, collectively, RBC Dominion Securities Inc., CIBC World Markets Inc., GMP Securities L.P., National Bank Financial Inc., Scotia Capital Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., Cormark Securities Inc., Peters & Co. Limited, and TD Securities Inc.;

Underwriters' Fee means the fees payable to the Underwriters pursuant to the Offering;

Underwriting Agreement means the agreement dated as of June 1, 2017 among us and the Underwriters in respect of the Offering;

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;

United States or **U.S.** means the United States of America, its territories, its possessions, any state of the United States and the District of Columbia;

U.S. Securities Act means the *United States Securities Act of 1933*, as amended;

Vendor means the vendor of the Acquired Assets, 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.

Words importing the singular number only include the plural, and vice versa, and words importing any gender include all genders.

CONVERSIONS

The following table sets forth certain conversions between Standard Imperial Units and 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
gigajoules	MMbtu	0.950
MMbtu	gigajoules	1.0526

ABBREVIATIONS

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

Natural Gas

Bcf	billion cubic feet
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
Mcfe	thousand cubic feet of natural gas equivalent
MMcf	million cubic feet
MMcf/d	million cubic feet per day
m ³	cubic metres
MMbtu	million British Thermal Units
GJ	gigajoule

Other

AECO	Alberta natural gas hub
° API	the measure of the density or gravity of liquid petroleum products derived from a specific gravity
psi	pounds per square inch
m	metre(s)
ha	hectare(s)
LLR	Alberta Energy Regulator licensee liability rating
\$000s	thousands of dollars
C\$	Canadian dollars
US\$	United States dollars
WCS	Western Canadian Select
WTI	West Texas Intermediate
EOR	enhanced recovery schemes
CO ₂	carbon dioxide
RLI	Reserve life index

NON-GAAP MEASURES

This short form prospectus contains the terms "adjusted funds flow", "adjusted funds flow per share", "development capital expenditures", "simple payout ratio", "total payout ratio", "netback", "net bank debt", "net debt", "net bank debt to annualized adjusted funds flow" and "free cash flow" which do not have a standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures by other companies. We use adjusted funds flow, adjusted funds flow per share, simple payout ratio, total payout ratio and free cash flow to analyze operating performance. We feel these benchmarks are key measures of profitability and overall sustainability for us. Adjusted funds flow, simple payout ratio, total payout ratio and free cash flow are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of performance calculated in accordance with GAAP.

"Adjusted funds flow" is calculated as cash flows from operating activities adjusted for changes in non-cash working capital and decommissioning expenditures. Adjusted funds flow per share is calculated using the same weighted average number of shares outstanding used in calculating earnings per share. "Development capital expenditures" represent expenditures on property, plant and equipment (excluding corporate and other assets and acquisitions) to maintain and grow our base production. "Simple payout ratio" represents the ratio of the amount of dividends declared (net of participation in the dividend reinvestment plan and stock dividend program), divided by adjusted funds flow. "Total payout ratio" represents the ratio of the sum of dividends declared (net of participation in the dividend reinvestment plan and stock dividend program) plus development capital expenditures divided by adjusted funds flow. "Free cash flow" represents adjusted funds flow less dividends declared (net of participation in the dividend reinvestment plan and stock dividend program) and less development capital expenditures. "Netback" is calculated on a Boe basis and is determined by deducting royalties and operating expenses from petroleum and natural gas revenue in accordance with the COGE Handbook. Netback is utilized by us to better analyze the operating performance of our petroleum and natural gas assets against prior periods.

The term "net debt" is not recognized under GAAP and is calculated as bank debt plus the principal amount of the Debentures and current liabilities less current assets (adjusted for the fair value of financial instruments and the current portion of the decommissioning obligation). "Net bank debt" is calculated as net debt less the principal amount of the Debentures. Net debt and net bank debt are used by management to analyze our financial position, liquidity and leverage.

"Net bank debt to annualized adjusted funds flow" is calculated as net bank debt divided by the annualized adjusted funds flow for the period indicated. The ratio of net bank debt to annualized adjusted funds flow is used to measure our overall debt position and to measure the strength of our balance sheet. We monitor this ratio and use this as a key measure in making decisions regarding financing, capital expenditures and dividend levels.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus and in certain of the documents incorporated by reference herein 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 short form prospectus 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 short form prospectus or as of the date specified in the documents incorporated by reference in this short form prospectus, as the case may be.

Specifically, this short form prospectus contains forward-looking statements relating to:

- the use of the net proceeds from the Offering;
- completion of the Offering, the Acquisition and the timing thereof;
- estimated closing adjustments which will adjust the total Purchase Price of the Acquired Assets;
- our expectation that the Acquired Assets will generate significant free cash flow;
- the light oil development drilling inventory included in the Acquired Assets;
- the amount of operating income to be added as a result of the Acquisition;
- optimization and consolidation opportunities available with respect to the Acquired Assets;
- our expectation that we can materially decrease the operating costs of the Acquired Assets;
- our plans to complete the RI sale prior to the end of the year for proceeds of approximately \$130 million and to apply such proceeds to repay all or part of the Purchase Price funded by our Revolving Credit Facility;
- the impact of the Acquisition on us, including our operations, reserves, RLI, product mix, drilling inventory and opportunities, operating costs, netback, adjusted funds flow, decline rate, financial condition and overall strategy;
- the sources of funding for the Acquisition;
- our expectation that concurrent with the closing of the Acquisition, the available lending limit and borrowing base of our Revolving Credit Facility will be increased to \$325 million;

- our 2017 guidance and other financial and operating results before and after giving effect to the Acquisition;
- anticipated future development capital for us and with respect to the Acquired Assets;
- the performance characteristics of the Acquired Assets and the strategic rationale for the Acquisition;
- reserve life indexes and recycle ratios;
- the expected growth in our production base;
- anticipated development costs, royalties, operating costs and netbacks for us and the Acquired Assets;
- future operating and other expenses for us and the Acquired Assets;
- our production and oil and natural gas reserves and those associated with the Acquired Assets;
- anticipated improvements in capital and operational efficiencies;
- our anticipated drilling and development program, plans, objectives, strategies and opportunities including those associated with the Acquired Assets;
- the benefits to be obtained as a result of the Acquisition;
- the potential exercise of ROFRs with respect to the Acquired Assets;
- the timing and amount of our dividend payments and the consistency of our dividend policy;
- our future hedging plans and the benefits to be obtained therefrom;
- anticipated drilling locations and drilling inventories;
- anticipated involvement in the Offering by certain of our directors, officers, employees and members of their families; and
- the exercise of the Over-allotment Option.

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 short form prospectus, including but not limited to:

- failure to complete the Acquisition in all material respects in accordance with the Acquisition Agreement;
- failure to obtain, in a timely manner of regulatory, stock exchange and other required approvals in connection with the Offering and the Acquisition;
- failure to realize the anticipated benefits of the Acquisition;
- the anticipated closing adjustments being less than anticipated;
- 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, acquisition 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 (including oil and natural gas reserves acquired under the Acquisition) estimates and estimated production levels as they are affected by exploration and development drilling and estimated decline rates;
- fluctuations in the costs of borrowing;
- the use of derivative financial instruments;
- political or economic developments;
- ability to obtain regulatory approvals;
- the occurrence of unexpected events; and
- the other factors discussed under "*Risk Factors*".

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 short form prospectus, we have made assumptions regarding, among other things: the satisfaction of all conditions to closing the Offering and the Acquisition and, on the timeframes contemplated; the net purchase price of the Acquired Assets including transaction costs and purchase price adjustments; the success of our operations and exploration and development activities; the successful completion of the Acquisition and 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.

In particular with respect of any forward looking statements contained in this short form prospectus with respect to the estimated sale price of the RIs, we have made certain assumptions, which we believe to be reasonable. Such assumptions are based on, among other things, the assets that would comprise such RIs (which we have determined based on an initial internal evaluation of the Acquired Assets and our other assets), recent evaluation metrics on prior asset sales that are reasonably comparable to the RIs; initial feedback from non-binding expressions of interests from third parties whose business it is to acquire royalty interests or fee title lands; consultations with our independent advisors as the reasonableness of our evaluation approach; US\$50 WTI oil price; and production history and growth potential of the underlying assets in the assets comprising the RIs.

We have included the above summary of assumptions and risks related to forward-looking information provided in this short form prospectus 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 short form prospectus 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.

This prospectus 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 document were made as of the date of this short form prospectus 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.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this short form prospectus and in the documents incorporated by reference in this short form

prospectus 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 and readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this short form prospectus and in the documents incorporated by reference in this short form prospectus.

CARDINAL ENERGY LTD.

We are an oil focused Canadian company built to provide investors with total returns comprised of yield plus growth. Our management is focused on a disciplined growth plan, both financially and operationally, while providing a dividend to our shareholders, through the ownership of higher netback crude oil production focused in all season access areas in Alberta. We have the objective of building core operating areas with sufficient scale of production as well as organic and acquisition growth prospects to achieve operational cost and production efficiency in each core area. We will manage exploration, production and marketing risks via the expertise of our experienced technical and management personnel. See "*Cardinal Energy Ltd.*", "*General Development of our Business*" and "*General Description of our Business*" in the Annual Information Form.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from our Corporate Secretary, at Suite 600, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2, telephone (403) 234-0603. In addition, copies of the documents incorporated herein by reference may be obtained from the securities commissions or similar authorities in Canada through the SEDAR website at www.sedar.com.

The following documents, filed with the various securities commissions or similar authorities in the provinces of Canada, are specifically incorporated by reference in and form an integral part of this short form prospectus:

1. the Annual Information Form;
2. our audited financial statements as at December 31, 2016 and December 31, 2015 and for the years then ended, together with the notes thereto and the report of the auditors thereon (the "**Annual Financial Statements**");
3. our management's discussion and analysis of the financial condition and results of operations for the year ended December 31, 2016 (the "**Annual MD&A**");
4. our unaudited condensed interim financial statements as at March 31, 2017 and for the three months ended March 31, 2017 and 2016, together with notes thereto;
5. our management's discussion and analysis of the financial condition and results of operations for the three months ended March 31, 2017;
6. the information circular – proxy statement dated March 24, 2017 relating to our annual general and special meeting of the shareholders held on May 11, 2017 (the "**Information Circular**");
7. the information circular – proxy statement dated March 28, 2016, relating to our annual general and special meeting of the shareholders held on May 10, 2016;
8. the material change report dated and filed June 9, 2017 with respect to the Acquisition and the Offering;
9. the "template version" (as such term is used in NI 44-101) of the term sheet for the Offering dated and filed June 1, 2017; and

any documents of the type required by NI 44-101 to be incorporated by reference in a short form prospectus including any material change reports (excluding confidential reports), interim financial statements, annual financial statements and the auditors' report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms, marketing materials and business acquisition reports filed by us with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this short form prospectus and prior to the termination of this distribution are deemed to be incorporated by reference in this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus.

MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are used under applicable Canadian securities laws) that are utilized by the Underwriters in connection with the Offering are not part of this short form prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this short form prospectus. Any template version of any marketing material that has been, or will be, filed on SEDAR before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated into this short form prospectus. The marketing materials may be viewed under our profile on SEDAR at www.sedar.com.

RECENT DEVELOPMENTS

The Acquisition

On June 1, 2017, we entered into the Acquisition Agreement to acquire the Acquired Assets for aggregate cash consideration of \$330 million (the "**Purchase Price**") before estimated closing adjustments. The Acquired Assets are in the Weyburn/Midale area of southeast Saskatchewan and in the House Mountain area of Alberta and will add 5,000 Boe/d (100% oil and NGLs) of low decline light oil production (99% operated) that will generate significant free cash flow and include a significant light oil development drilling inventory. See "*The Acquisition Agreement*" and "*The Acquisition – The Acquired Assets*". Completion of the Acquisition is subject to customary closing conditions including the accuracy of representations and warranties and the performance of covenants and receipt of regulatory approvals (including approvals under the *Competition Act* (Canada)). For more information on the Acquisition Agreement, see "*The Acquisition Agreement*" below.

The Acquisition is consistent with our strategy and business plan and will add \$55 million of annualized operating income (revenue less royalties and operating expenses) to us (based on the Q1 2017 production and realized prices from the Acquired Assets). Minimal capital has been spent on the Acquired Assets over the past few years and we believe that there are numerous optimization opportunities available as well as the potential to reduce operating costs. The multiple of adjusted funds flow for the Acquisition based on the Purchase Price less estimated closing adjustments and the \$55 million of operating income above (annualized) is 5.8 times.

The highlighted benefits of the Acquisition for us are as follows:

- Increases our pro forma Q1 2017 netback by 19% to \$19.64/Boe (based on the Q1 2017 average WTI price of US\$51.90).
- Increases our light oil weighting by 20% to 45% of our oil production and our oil and NGLs weighting by 4% to 86%.
- Initially reduces our operating costs per Boe (based on actual Q1 2017 results) by 3% which we expect will be further reduced in 2018.
- Decreases the decline of our base assets (not including our 2016/17 drill programs) to less than a 10% decline per year.
- Improves the percentage of our producing reserves as a percentage of total proved and probable reserves from 86% to 90%.
- Increases our pro forma total proved plus probable RLI (based on our year end gross reserves and annualized fourth quarter production and production of 5,000 Boe/d and company interest reserves for the Acquired Assets) from 12.7 to 13.4 years.
- Adds a new light oil sales point which has opportunities for further consolidation.
- Adds over 300 light oil drilling locations.
- Together with the Offering, increases our overall market capitalization moving us towards index inclusion and increasing overall adjusted funds flow and relevance.

Adjusted funds flow is a non-GAAP measure. See "*Non-GAAP Measures*". Adjusted funds flow above, is based on a number of key assumptions including: (i) WTI oil average price of US\$55.00 per Bbl; (ii) C\$/US\$ exchange rate of 0.74; (iii) operating expenses of \$19.75 - \$20.25 per Boe; (iv) an average royalty rate of 14%; (v) a product mix of 82% oil; and (vi) a differential to WTI of \$19.00 per Bbl.

The Acquired Assets have the following characteristics:

Purchase price:	\$330 million (\$320 million, net of estimated closing adjustments with an effective date of January 1, 2017)
Current production:	5,000 Boe/d (100% oil and NGLs)
Proved plus probable gross producing reserves: ⁽¹⁾⁽³⁾	27.2 MMboe (99% oil and NGLs)
Proved plus probable gross reserves: ⁽¹⁾⁽³⁾	27.3 MMboe (99% oil and NGLs)
Proved plus probable net present value: ⁽¹⁾⁽²⁾⁽³⁾	\$413 million
Proved plus probable RLI:	16 years

Notes:

- (1) Based on the Acquisition Report.
- (2) Before tax net present value based on a 10 percent discount rate and Sproule's December 31, 2016 forecast prices.
- (3) Does not include 1.3 MMBoe of royalty interest proved plus probable reserves.

We were in the process of completing our standard annual banking review and have received an extension from the lending syndicate to increase the borrowing base and lending limit of the Revolving Credit Facility to reflect the Acquisition. Concurrent with the closing of the Acquisition, we expect that the borrowing base and available lending limit under our Revolving Credit Facility will be increased to \$325 million.

We intend to fund the purchase price of the Acquisition from the net proceeds of the Offering and the increased Revolving Credit Facility. We also anticipate selling certain royalty interests (which may include newly created royalty interests) and fee title lands associated with the Acquired Assets prior to year end, for proceeds of approximately \$130 million, which will be applied to repay all or part of the Purchase Price funded by our Revolving Credit Facility. See "*Use of Proceeds*".

Based on the adjusted closing Purchase Price of \$320 million, the acquisition metrics are as follow:

- \$64,000 per flowing Boe;
- Recycle ratio of 2.0X ⁽¹⁾;
- Adjusted funds flow multiple of 5.8X ⁽²⁾⁽³⁾;
- Net bank debt to annualized adjusted funds flow ratio of 1.48 ⁽²⁾⁽³⁾.

Notes:

- (1) See "Oil and Gas Advisories".
- (2) "Adjusted funds flow", "net bank debt" and "annualized adjusted funds flow" are non-GAAP measures. See "Non-GAAP Measures".
- (3) Based on a number of key assumptions including: (i) WTI oil average price of US\$55.00; (ii) C\$/US\$ exchange rate of 0.74; (iii) operating expenses of \$19.75 - \$20.25 per Boe; (iv) an average royalty rate of 14%; (v) a product mix of 82% oil; (vi) a differential to WTI of \$19.00 per Bbl; (vii) AECO \$3.00 per GJ; and (viii) including existing hedges.

For further information in respect of the Acquired Assets, see "The Acquired Assets", the Operating Statements included as Schedule A and the Pro Forma Statements after giving effect to the Acquisition, included as Schedule B. The Pro Forma Statements are not necessarily indicative of the results of operations that actually would have occurred if the events reflected therein had been in effect on the dates indicated or the results that may be obtained in the future.

Updated Guidance

In connection with the announcement of the Acquisition, we announced increased guidance for 2017, after giving effect to the Acquisition and the Offering (prior to the exercise of the Over-allotment Option), as follows:

	2017 Original Guidance	2017 Guidance with the Acquisition and the Offering ⁽¹⁾
Production:		
Oil and NGLs (Bbl/d)	13,900 – 14,300	16,300 – 16,700
Natural Gas (Mcf/d)	17,400 – 18,000	17,400 – 18,000
Average production (Boe/d)	16,800 – 17,300	19,200 – 19,700
Operating costs per Boe	\$19.75 – \$20.25	\$19.75 – \$20.25
G&A per Boe	\$2.10 – \$2.30	\$2.05 – \$2.25
Adjusted funds flow (000s) ⁽²⁾⁽³⁾	\$92,000	\$120,000
Adjusted funds flow per share (basic) ⁽²⁾⁽³⁾	\$1.18	\$1.28
Dividend per share annualized	\$0.42	\$0.42
Development capital expenditures ⁽²⁾ (000s)	\$58,000	\$68,000
Acquisitions (000s)	\$41,000	\$361,000
Simple payout ratio ⁽²⁾⁽⁴⁾	33%	32%
Total payout ratio ⁽²⁾⁽⁴⁾	95%	89%

Notes

- (1) Guidance after giving effect to the Offering not including the exercise of the Over-Allotment Option.
- (2) See "Non-GAAP Measures".
- (3) Based on a number of key assumptions including: (i) WTI oil average price of US\$55.00 per Bbl; (ii) C\$/US\$ exchange rate of 0.74; (iii) operating expenses of \$19.75 - \$20.25 per Boe; (iv) an average royalty rate of 14%; (v) a product mix of 82% oil; (vi) a differential to WTI of \$19.00 per Bbl; (vii) AECO \$3.00 per GJ; and (viii) including existing hedges.
- (4) Net of dividend re-investment plan and stock dividend program participation which was suspended in April 2017.

2017 Second Half Guidance Sensitivities

The following are sensitivities for our anticipated results for the second half of 2017 at varying oil prices after giving effect to the Acquisition and the Offering (prior to the exercise of the Over-allotment Option) and before giving effect to the anticipated RI disposition:

2nd Half 2017 Guidance Sensitivities Prior to any Royalty Disposition (6 months)				
WTI Oil price (US\$)	45.00	50.00	55.00	60.00
Exchange Rate (US\$/C\$)	0.70	0.72	0.74	0.76
OPERATING STATISTICS				
Operating costs per Boe	\$20.03	\$20.03	\$20.03	\$20.03
Netback per Boe	\$18.35	\$21.50	\$24.47	\$27.29
FINANCIAL				
Operating income (millions) ⁽³⁾	\$75	\$88	\$100	\$112
Adjusted funds flow (millions) ⁽¹⁾⁽³⁾	\$59	\$68	\$76	\$83
Net bank debt, end of period (millions) ⁽¹⁾⁽³⁾	\$249	\$236	\$223	\$211
Adjusted funds flow per share, basic ⁽¹⁾⁽³⁾	\$0.54	\$0.62	\$0.69	\$0.76
Adjusted funds flow per share, diluted ⁽¹⁾⁽²⁾⁽³⁾	\$0.52	\$0.60	\$0.67	\$0.73
RATIOS				
Net bank debt to annualized adjusted funds flow ⁽¹⁾⁽³⁾	2.10	1.75	1.47	1.28
Simple payout ratio ⁽¹⁾	39%	34%	30%	28%
Total payout ratio ⁽¹⁾	93%	81%	73%	66%

Notes:

- (1) See "Non-GAAP Measures".
- (2) Does not include Common Shares issuable upon conversion of outstanding Debentures.
- (3) Based on a number of other assumptions including: (i) average second half production of approximately 22,000 Boe/d; (ii) an average royalty rate of 14%; (iii) a product mix of 86% oil and NGLs; (iv) a differential to WTI of \$19.00 per Bbl; (v) AECO \$3.00 per GJ; and (vi) including existing hedges.

THE ACQUISITION AGREEMENT

The following is a summary of certain provisions of the Acquisition Agreement.

The Acquisition Agreement provides for the acquisition by us of the Acquired Assets for the Purchase Price. The Purchase Price is subject to certain adjustments including operating income adjustments during the interim period. In addition, interest will accrue and be payable to the Vendor on the Purchase Price less the amount of the Deposit from the effective date of the Acquisition until the closing date.

The effective date of the Acquisition is January 1, 2017. We will be entitled to receive all revenues and benefits arising from the ownership and operation of the Acquired Assets and shall be responsible for all obligations and expenditures in respect of the Acquired Assets on and after January 1, 2017. An interim accounting of all apportionments required pursuant to the Acquisition Agreement will be carried out by the Vendor prior to closing and a final settlement statement will be prepared within 180 days of the closing date. Following completion of final adjustments, we will assume all unadjusted obligations in relation to the Acquired Assets (the "**Assumed Obligations**"), subject to certain specified exceptions, including in respect of unpaid royalties, pre-closing employment obligations, and existing litigation and enforcement matters, which shall remain the Vendor's responsibility.

Conditions to closing under the Acquisition Agreement include, but are not limited to, the following: (a) the accuracy of each party's representations and warranties and the performance of their respective covenants in all material respects; and (b) the parties obtaining approval for the acquisition pursuant to the Competition Act (Canada).

We have provided a deposit to the Vendor in the amount of \$33 million in support of our obligations pursuant to the Acquisition Agreement (the "**Deposit**"). If the Acquisition is completed, the Deposit will be credited to the Purchase Price. If the Acquisition does not close due to a breach by us of our representations and warranties or a material breach by us of our covenants, the Deposit shall be forfeited to the Vendor, which forfeiture will not be the exclusive remedy of the Vendor in that circumstance. If closing of the Acquisition does not occur due to the Vendor's default, or the parties agree to terminate the Acquisition Agreement for any other reason, the Vendor will return the Deposit to us.

The Acquisition Agreement contains customary representations and warranties from us and the Vendor for a transaction of this nature, including in respect of corporate authority, organization, environmental matters and rights of first refusal.

Approximately 11% of the value of the Acquired Assets includes lands that are subject to ROFRs. Under the Acquisition Agreement, the Vendor is obligated to send notices requesting holders for a waiver of their rights of first refusal. If a right of first refusal is exercised, we, with the Vendor's cooperation, will be responsible for complying with the terms of such right of first refusal following closing and we will be entitled to the proceeds realized therefrom.

Prior to the completion of the Acquisition, the Vendor has agreed to maintain and operate the Acquired Assets in accordance with the Acquisition Agreement, which includes operating the Acquired Assets consistent with generally accepted oil and gas industry practices and in material compliance with applicable law. The Vendor has also agreed not to undertake certain activities with respect to the Acquired Assets without our prior written consent. In connection with closing, we have agreed to make offers of employment to all employees of the Vendor whose employment directly relates to the Acquired Assets.

We and the Vendor have agreed to indemnify each other for a period of twelve months from closing in respect of certain losses and liabilities arising out of breaches of representations and warranties or a failure to perform covenants, subject to certain exceptions. In addition, we have agreed to release and indefinitely indemnify the Vendor after closing from and against the Assumed Obligations and for all past, present and future environmental liabilities pertaining to the Acquired Assets. These indemnities are subject to certain limited exceptions, including that we shall not be liable to, or be required to indemnify the Vendor from and against any Assumed Obligations to the extent related to the breach of the non-environmental representations or warranties of the Vendor, or any environmental liabilities to the extent related to the breach of the representation and warranty of the Vendor made in respect of environmental matters. The indemnities for breach of representations and warranties and certain covenants are subject to a minimum threshold and a maximum amount, in a manner which is customary for agreements of this type. Neither party shall be liable for any consequential, incidental, punitive, special, exemplary or indirect damages.

THE ACQUISITION – THE ACQUIRED ASSETS

Reserve Information Concerning the Acquired Assets

The reserves data for the Acquired Assets set forth below is from the Acquisition Report with an effective date as of December 31, 2016. 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 Acquisition Report is based on certain factual data supplied by the Vendor and the opinion of GLJ, of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to the Acquired Assets (except for certain information residing in the public domain) were supplied by the Vendor to us. GLJ accepted this data as presented and GLJ did not conduct title searches or field inspections.

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 price 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.

This short form prospectus contains estimates of the net present value of the future net revenue attributable to the reserves associated with the Acquired Assets. There can be no assurance that the forecast prices and cost assumptions will be attained and variances could be material. The net present value of future net revenue attributable to reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures and abandonment and reclamation costs. Abandonment and reclamation costs include the costs to reclaim all wells, gas plants, batteries and other facilities. **It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to reserves estimated by GLJ represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. 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. See "Risk Factors".**

All reserves associated with the Acquired Assets are located in the provinces of Alberta and Saskatchewan.

Summary of Reserves (Forecast Prices and Costs)

**SUMMARY OF OIL AND NATURAL GAS RESERVES
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	RESERVES							
	LIGHT AND MEDIUM CRUDE OIL		CONVENTIONAL NATURAL GAS ⁽¹⁾		NATURAL GAS LIQUIDS		TOTAL	
	Gross (Mbbls)	Net (Mbbls)	Gross (MMcf)	Net (MMcf)	Gross (Mbbls)	Net (Mbbls)	Gross (MBoe)	Net ⁽²⁾ (MBoe)
PROVED								
Developed Producing	20,073	18,099	1,309	1,219	655	492	20,946	18,794
Developed Non-Producing	70	70	13	12	7	5	78	77
Undeveloped	2	70	-	-	-	-	2	70
TOTAL PROVED	20,145	18,238	1,323	1,231	661	497	21,027	18,940
PROBABLE	5,964	5,230	420	379	210	164	6,244	5,458
TOTAL PROVED PLUS PROBABLE	26,109	23,468	1,742	1,610	871	661	27,271	24,398

Notes:

- (1) All conventional natural gas reserves are associated solution gas.
- (2) Net reserves include 1,348 MBoe of royalty interest proved plus probable reserves.

**NET PRESENT VALUE 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	573,175	414,376	317,238	257,446	217,554
Developed Non-Producing	4,012	2,453	1,669	1,211	917
Undeveloped	6,465	3,086	1,827	1,220	877
TOTAL PROVED	583,651	419,916	320,734	259,878	219,348
PROBABLE	318,554	152,618	92,479	63,581	47,168
TOTAL PROVED PLUS PROBABLE	902,205	572,534	413,213	323,459	266,516

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

RESERVES CATEGORY	REVENUE ⁽¹⁾ (\$000s)	ROYALTIES ⁽²⁾ (\$000s)	OPERATING COSTS (\$000s)	DEVELOPMENT COSTS (\$000s)	ABANDONMENT AND RECLAMATION COSTS ⁽³⁾ (\$000s)	FUTURE NET REVENUE BEFORE INCOME TAXES (\$000s)
Proved Reserves	1,878,648	312,753	761,479	102,432	118,333	583,651
Proved Plus Probable Reserves	2,528,486	445,993	938,865	123,091	118,332	902,205

Notes:

- (1) Total revenue includes company revenue before royalty and includes other income.
- (2) Royalties include Crown, freehold and overriding royalties, mineral tax and Saskatchewan resource surcharge.
- (3) Represents abandonment and reclamation costs with respect to all non-producing and producing wells (including wells to which no reserves have been assigned), gas plants, batteries and other facilities deducted in the Acquisition Report. See "Significant Factors or Uncertainties Affecting Reserves Data – Additional Information concerning Abandonment and Reclamation Costs".

**FUTURE NET REVENUE BY PRODUCT TYPE
FORECAST PRICES AND COSTS**

RESERVES CATEGORY	PRODUCT TYPE	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10%/year) (\$000s)	UNIT VALUE BEFORE INCOME TAX ⁽¹⁾ (\$/Boe)
Proved	Light and Medium Crude Oil ⁽²⁾	320,734	16.93
Proved plus Probable	Light and Medium Crude Oil ⁽²⁾	413,213	16.94

Notes:

- (1) Unit values are based on net reserves. Other revenue and costs not related to a specific product type have been allocated proportionately to product types listed.
- (2) Includes immaterial amounts of solution gas and other by-products.

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 were provided by Sproule and utilized in the Acquisition Report.

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS AS OF DECEMBER 31, 2016 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)	Cromer LSB 35° 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)		
2017	55.00	65.58	64.58	53.77	3.44	22.74	47.60	67.95	0.0	0.78
2018	65.00	74.51	73.51	62.59	3.27	28.04	55.49	75.61	2.0	0.82
2019	70.00	78.24	77.24	65.72	3.22	30.64	57.65	78.82	2.0	0.85
2020	71.40	80.64	79.64	67.74	3.91	32.27	58.80	80.47	2.0	0.85
2021	72.83	82.25	81.25	69.09	4.00	33.95	59.98	82.15	2.0	0.85
2022	74.28	83.90	82.90	70.47	4.10	35.68	61.18	83.86	2.0	0.85
2023	75.77	85.58	84.58	71.88	4.19	37.46	62.40	85.61	2.0	0.85
2024	77.29	87.29	86.29	73.32	4.29	39.30	63.65	87.39	2.0	0.85
Thereafter	+2%/year	+2%/year	+2%/year	+2%/year	+2%/year	+2%/year	+2%/year	+2%/year	+2%/year	

Notes:

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

Additional Information Relating to Reserves Data

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 relate to additional EOR recovery with the southeast Saskatchewan properties.

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). For more information, see "*Risk Factors*".

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. GLJ has assigned 2 MBoe of gross proved undeveloped reserves (70 MBoe of company interest reserves which includes 67 MBoe of royalty interest reserves) in the Acquisition Report with \$0.06 million of associated undiscounted capital, of which \$0.03 million is forecast to be spent in the first five years.

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. GLJ has assigned 2 MBoe of gross probable undeveloped reserves (61 MBoe of company interest reserves which includes 59 MBoe of royalty interest reserves) in the Acquisition Report with \$0.02 million of associated undiscounted capital, of which \$0.02 million is forecast to be spent in the first five years.

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. See "Risk Factors".

Additional Information Concerning Abandonment and Reclamation Costs

We estimate the costs to abandon and reclaim all our non-producing and producing wells, gas plants, batteries, and other facilities. No estimate of salvage value is netted against the estimated cost. Our model for estimating the amount of future abandonment and reclamation expenditures is done on an individual well and facility level. Each well and facility is assigned an average cost for abandonment and reclamation over its useful life. Timing of expenditures is based on budgets and estimates of such annual activities. Facility reclamation costs are generally scheduled to begin shortly before the end of the reserve life of our associated reserves and continue beyond the reserve life under the assumption that plant/facilities are generally mobile assets with a long useful life.

As at December 31, 2016 there were 519 net wells associated with the Acquired Assets for which we expect to incur abandonment and reclamation costs. In addition, there are 190 net wells which have been abandoned (cut and capped) and require surface reclamation only. The estimates of the future net revenues for the Acquired Assets disclosed in the Acquisition Report from which \$118 million (undiscounted) and \$9 million (10% discount) was deducted for abandonment and reclamation costs with respect to all of the non-producing and producing wells (including wells to which no reserves have been assigned), gas plants, batteries and other facilities.

Future Development Costs

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

Year	FORECAST PRICES AND COSTS	
	Proved Reserves (\$000s)	Proved Plus Probable Reserves (\$000s)
2017	6,477	6,477
2018	6,123	6,123
2019	9,224	9,224
2020	6,553	6,305
Remaining	74,055	94,962
Total (Undiscounted)	102,432	123,091
Total (Discounted at 10%) ⁽¹⁾	51,261	53,579

Note:

- (1) The majority of the costs are associated with maintenance and CO₂ costs and have been forecast to occur throughout the life of the properties. The discounted amount of these costs should be considered.

We expect to fund the development costs of these reserves through a combination of internally generated cash, 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 flows.

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.

Other Oil and Natural Gas Information

Principal Oil and Natural Gas Properties

The Acquired Assets are consistent with Cardinal's strategy of acquiring and developing low decline, sustainable light oil assets. The Weyburn/Midale assets are located in southeast Saskatchewan approximately 180 kilometres south and east of Regina. The House Mountain assets are located in the province of Alberta approximately 280 kilometres north of Edmonton.

Weyburn/Midale

The Weyburn/Midale property consists of operated production from the Midale unit with a 68.8% working interest. The surrounding area has operated and non-operated production including royalty interests in the Midale and Weyburn Units. The Midale and Weyburn Units are two of the lowest decline oil units in Western Canada (below 6%) and both units have significant development drilling upside.

The Midale Unit was discovered in 1953 and is part of a large Mississippian oil trend in the Williston Basin. The production interval is from the Midale Carbonate overlain and underlain from impervious anhydrite beds. The gross interval is subdivided into the Marly and the Vuggy intervals. Vertical well and horizontal well development currently exploits both intervals.

The Midale Unit water flood was implemented in 1963. In 2005 the first of three stages of the current CO₂ EOR scheme was implemented. Currently the unit is operating with approximately 30% of the production supported by CO₂ flood and 70% of the production supported by water flood. The CO₂ scheme is providing for incremental oil recovery. The Midale Unit will support further drilling, up to 250 locations, and increasing the CO₂ scheme area. We believe there are significant upside opportunities with EOR optimization and expansion, infill drilling and recompletions.

The Midale Unit is operated, producing 29° API oil. The wells are pipeline connected to a main oil battery supporting the water, gas and CO₂ injection. The oil is pipeline connected to sales and the produced gas is combined with CO₂ for reinjection in to the reservoir.

The Weyburn/Midale assets include production of 2,850 Boe/d (100% light oil and NGLs) and proved plus probable gross reserves effective as of December 31, 2016 of 17 MMboe (which excludes 1.3 MMboe of royalty interest reserves). This long life reserve property has a 16 year RLI on a total proved plus probable gross reserves basis (18 year RLI on a company interest reserves basis) (based on the production of 2,850 Boe/d).

Historical operating costs for these assets have averaged \$18.00/Boe for 2016 and Q1 2017 and at \$50 WTI (USD) and an exchange rate of 0.74, the assets have a \$30.00/Boe netback.

House Mountain

The House Mountain property is operated and is located approximately 50 kilometres from our existing Mitsue field and will benefit from operational synergies in the area. The property includes an average 80% operated interest in 4 light oil producing units as well as a 100% interest in various non unit lands.

The House Mountain property produces from unit and non-unit wells. The vertical and horizontal wells produce from the Beaverhill Lake formation. The House Mountain Unit #1 was discovered in 1963. The formation is a Devonian platform consisting of a margin reef complex and a carbonate platform. The production is sourced from the most basinward reefs in the area. The Beaverhill Lake platform has been developed with multi stage completed horizontal well. The production is 41° API oil under water flood.

The water floods have been active since 1965 and the current water cut on the pool is approximately 70%. The pool has material oil to recover considering the low water cut profile. Numerous optimization and field operating cost reduction opportunities are available on these assets. We have identified further drilling exploitation consisting of horizontal wells in the platform and vertical wells in the fringing reef. Additionally there are over 25 un-fractured wells that can be multi-staged fractured to increase production. We have also identified in excess of 50 light oil drilling locations that will add to our future growth plans.

The wells are pipeline connected to the main oil battery. The oil is sales line connected, the NGLs are trucked and the gas is conserved on site for power generation. The gas is contracted to a joint venture power station and is not sold in the market. Produced water is separated and re-injected to support the current water flood EOR scheme.

The House Mountain assets consist of production of 2,150 Boe/d (100% light oil and NGLs) and total gross proved plus probable reserves of 10.2 MMboe, with a resultant 13 year RLI on a total gross proved plus probable reserves basis (based on the production of 2,150 Boe/d).

Oil and Natural Gas Wells

The following table sets forth the number and status of wells as at March 31, 2017 in which we will acquire a working interest pursuant to the Acquisition.

	Oil Wells ⁽¹⁾⁽²⁾⁽³⁾			
	Producing		Non-Producing ⁽⁴⁾	
	Gross	Net	Gross	Net
Alberta	170	117	73	50
Saskatchewan ⁽⁵⁾	648	166	329	73
Total	818	283	402	123

Notes:

- (1) Does not include 397 gross (113 net) service wells (disposal, injection, observation and water sources wells).
- (2) There are no natural gas wells included in the Acquired Assets.
- (3) Well status based on public data sources.
- (4) Includes wells classified as abandoned zone, standing and suspended.
- (5) Includes 650 gross (4 net) non-operated oil wells. All Alberta wells are operated.

Of the non-producing wells, 1 gross (1 net) was capable of production and had reserves assigned to it.

Developed and Undeveloped Lands

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

	Developed Acres		Undeveloped Acres		Total Acres	
	Gross	Net	Gross	Net	Gross	Net
Alberta	49,440	32,499	6,240	4,168	55,680	36,666
Saskatchewan	51,454	23,344	3,794	2,833	55,248	26,178
Total	100,894	55,843	10,034	7,001	110,928	62,844

Notes:

- (1) Rights to explore, develop and exploit 181 net acres of these land holdings could expire by December 31, 2017 if not continued. There are no material work commitments on these properties.
- (2) When determining gross and net acreage for two or more leases covering the same lands but different rights, the acreage is reported only once. Where there are multiple discontinuous rights in a single lease, the acreage is reported only once.

Significant Factors or Uncertainties Relevant to Properties With no Attributed Reserves

We do not anticipate any significant economic factors or significant uncertainties will affect any particular components of the Acquired Assets with no attributed reserves. However, our decision to develop the Acquired Assets with no attributed reserves can be affected significantly by fluctuations in product pricing, capital expenditures, operating costs and royalty regimes, all of which are beyond our control. There are no unusually significant abandonment and reclamation costs with the Acquired Assets with no attributed reserves.

Forward Contracts

We will not be assuming any hedging commitments in connection with the Acquisition.

Production Estimates

The following table sets out the volumes of working interest production before royalties, using forecast prices and costs, estimated for the year ended December 31, 2017 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	4,961	396	198	5,225
Total Probable	168	11	6	176
Total Proved plus Probable	5,129	407	204	5,401

Production History

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

	Quarter Ended 2016				Year Ended
	Mar 31	June 30	Sept 30	Dec 31	Dec 31, 2016
Average Daily Production ⁽¹⁾					
Light and Medium Crude Oil (Bbls/d) ⁽²⁾	6,363	6,250	5,925	5,609	6,035
Conventional Natural Gas (Mcf/d)	542	504	128	⁽³⁾	292
Combined (Boe/d)	6,453	6,334	5,946	5,609	6,084
Average Price Received					
Light and Medium Crude Oil (\$/Bbl) ⁽²⁾	34.38	47.38	48.77	54.79	46.05
Conventional Natural Gas (\$/Mcf)	1.84	1.64	0.39	n/m	1.59
Combined (\$/Boe)	34.06	46.88	48.60	54.79	45.75
Royalties					
Light and Medium Crude Oil (\$/Bbl) ⁽²⁾	4.06	5.71	7.87	8.73	6.52
Conventional Natural Gas (\$/Mcf)	0.18	0.75	0.12	n/m	(0.69)
Combined (\$/Boe)	4.02	5.69	7.85	8.50	6.43
Operating Costs ⁽³⁾⁽⁴⁾					
Light and Medium Crude Oil (\$/Bbl) ⁽²⁾	15.55	15.02	16.48	20.17	16.71
Conventional Natural Gas (\$/Mcf)	2.59	2.50	2.75	n/m	2.79
Combined (\$/Boe)	15.55	15.02	16.48	20.17	16.71
Netback Received ⁽⁵⁾					
Light and Medium Crude Oil (\$/Bbl) ⁽²⁾	14.77	26.64	24.41	25.89	22.82
Conventional Natural Gas (\$/Mcf)	(0.93)	(1.61)	(2.48)	n/m	(0.50)
Combined (\$/Boe)	14.49	26.16	24.27	26.12	22.61

Notes:

- (1) Before the deduction of royalties.
- (2) Includes NGLs which represent less than 4% of total production.
- (3) There was no natural gas production in the quarter ended December 31, 2016.
- (4) Operating costs are composed of direct costs incurred to operate both oil and gas wells. A number of assumptions are required to allocate these costs between product types.
- (5) See "Non-GAAP Measures".

RISK FACTORS

An investment in the Offered Securities is subject to a number of risks. In addition to the risk factors set forth below, additional risk factors relating to our business are discussed in our Annual Information Form, our Annual MD&A and certain other documents incorporated by reference or deemed to be incorporated by reference herein, which risk factors are incorporated herein by reference. Prospective purchasers of the Offered Securities should consider carefully the risk factors set forth below, as well as the other information contained in and incorporated by reference in this short form prospectus before purchasing the Offered Securities. If any event arising from these risks occurs, our business, prospects, financial condition, results of operations or cash flows, or your investment in the Offered Securities could be materially adversely affected.

Commodity Prices

Our operational and financial results are dependent on the prices received for oil and natural gas production. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on, among other things, our revenues and financial condition. We enter into agreements from time to time to receive fixed prices on our oil and natural gas production to offset the risk of revenue losses if commodity prices decline. Our current hedging contracts provide a substantial benefit to us during this period of low oil and natural gas prices. These benefits will only be realized for the period and for the commodity quantities in those contracts. See "*Risk Factors*" in the Annual Information Form.

The Trading Price of our Common Shares is Subject to Volatility

The trading price of securities of oil and gas companies is subject to substantial volatility, and such trading prices have been particularly volatile in recent months. This volatility is often based on factors both related and unrelated to the financial performance or prospects of the companies involved. The market price of the Common Shares and the Subscription Receipts could be subject to significant fluctuations in response to variations in our operating results, financial condition, liquidity and other internal factors. Factors that could affect the market price of the Common Shares and the Subscription Receipts that are unrelated to our performance include domestic and global commodity prices and market perceptions of the attractiveness of particular industries. The price at which the Common Shares and the Subscription Receipts will trade cannot be accurately predicted.

The Payment Amount of Future Dividends is Discretionary

Notwithstanding anything contained in this short form prospectus, the payment and the amount of dividends declared, if any, will be subject to the discretion of the Board of Directors and will depend on the Board of Directors' assessment of our outlook for growth, capital expenditure requirements, funds from operations, potential opportunities, debt position and other conditions that the Board of Directors may consider relevant at such future time, including applicable restrictions that may be imposed under our Revolving Credit Facility and on our ability to pay dividends. The amount of future cash dividends, if any, may also vary depending on a variety of factors, including fluctuations in commodity prices, production levels, capital expenditure requirements, debt service requirements, operating costs, tax regime, royalty burdens and foreign exchange rates. In addition, the market value of the Common Shares may decline if our cash dividends decline in the future, and that market value decline may be material. See also "*Risk Factors – Dividends*" in the Annual Information Form.

The Offering May be Dilutive on Holders of Common Shares

We will issue Common Shares in connection with the Subscription Receipts. Accordingly, holders of Common Shares may suffer dilution in connection with the Offering.

Forward-looking Statements and FOFI May Prove Inaccurate

Purchasers are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements and FOFI involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-

looking statements and FOFI or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. FOFI presented in this short form prospectus is based upon the completion of the Acquisition and the Offering and if any of these transactions are not completed or not completed on the terms or timelines contemplated, this will impact the forward-looking statements and FOFI provided herein and such impact may be material. Additional information on the risks, assumptions and uncertainties are found in this short form prospectus under the heading "*Forward-Looking Statements*".

Risks Relating to the Acquisition

We may not complete the Acquisition on the terms negotiated or at all

The Acquisition is subject to satisfaction of the conditions described herein and the Acquisition Agreement and normal commercial risk that the Acquisition may not be completed on the terms negotiated or at all. If closing of the Acquisition does not take place by the Deadline, we will repay to holders of Subscription Receipts, commencing on or before the second Business Day following the Termination Time, an amount equal to the issue price of the Subscription Receipts plus a *pro rata* share of the interest earned on the Escrowed Funds. In that case, the total return that a purchaser of Subscription Receipts would be entitled to receive would be limited to the purchaser's *pro rata* share of interest earned on the subscription price for such purchaser's Subscription Receipts. In such cases, purchasers of the Subscription Receipts would not be entitled to participate in any growth in the trading price of our Common Shares. Further, the purchaser would be restricted from using the funds devoted to the acquisition of the Subscription Receipts for any other investment opportunities until the Escrowed Funds are returned to the purchaser.

In addition, if closing of the Acquisition does not take place as contemplated, we could suffer adverse consequences, including the forfeiture of the Deposit under the Acquisition Agreement and possibly the loss of investor confidence.

It is possible that we will fail to realize the anticipated benefits of the Acquisition

We may fail to realize the anticipated benefits of the Acquisition. As described in "*Recent Developments – The Acquisition*", we believe that the Acquisition will provide us with a number of benefits. However, there is a risk that some or all of the expected benefits of the Acquisition may fail to materialize, may cost more to achieve or may not occur within the time periods that we anticipate. The realization of such benefits may be affected by a number of factors, many of which are beyond our control.

Achieving the benefits of the Acquisition and any future acquisition that we may complete will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as our ability to realize the anticipated growth opportunities and synergies from combining the Acquired Assets with ours. The integration of an acquired business requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, and customer and employee relationships that may adversely affect our ability to achieve the anticipated benefits of the Acquisition and any future acquisition.

There may be potential undisclosed liabilities associated with the Acquisition

In connection with the Acquisition, there may be liabilities that we failed to discover or were unable to quantify in our due diligence (which we conducted prior to the execution of the Acquisition Agreement). The representations, warranties and indemnities contained in the Acquisition Agreement are limited and our ability to seek remedies for breach of such provisions following completion of the Acquisition will be limited.

In connection with the Acquisition, there may be liabilities that we failed to discover or were unable to quantify in our due diligence conducted prior to the execution of the Acquisition Agreement and we may not be indemnified for some or all of these liabilities. The discovery or quantification of any material liabilities could have a material adverse effect on our business, financial condition or future prospects. In addition, the Acquisition Agreement limits the amount for which we are indemnified, such that liabilities in respect of the Acquisition may be greater than the amounts for which it is indemnified under the Acquisition Agreement. See "*The Acquisition Agreement*".

We may incur unexpected costs or liabilities related to the Acquisition

The decision to complete the Acquisition is based in large part on engineering and economic assessments made by us, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of the reserves to be acquired, environmental restrictions, future commodity and operating costs, future operating results, capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond our control. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated.

Although title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat our title to certain assets or that environmental defects or deficiencies do not exist.

The historical and pro forma financial and operating information concerning the Acquired Assets may not be indicative of future results

This short form prospectus includes certain historical operating statements and information relating to the Acquired Assets, including the Operating Statements and the Pro Forma Statements included in Schedules A and B to this short form prospectus. The Operating Statements have been derived on a historical basis from the historical accounting and other records of the Vendor. The historical financial and operating information may not reflect what the financial or operating results of the Acquired Assets would have been had we owned the Acquired Assets during the period presented or what its financial or operating results will be in the future. The historical operating information does not contain any adjustments to reflect changes that may occur in our cost structure, financing and operations as a result of the Acquisition. The assumptions and estimates underlying the Pro Forma Statements may be materially different from our actual experience going forward. See "*Forward-Looking Statements*".

There are other operational and reserves risks relating to the Acquired Assets

The risk factors set forth in the Annual Information Form and in this short form prospectus relating to the oil and natural gas business, environmental matters and our operations and reserves estimates, generally apply equally in respect of the Acquired Assets.

The reserve and recovery information contained in the Acquisition Report in respect of the Acquired Assets is only an estimate and the actual production from and ultimate reserves of those properties may be greater or less than the estimates contained in the Acquisition Report.

We may be unable to hedge the production associated with the Acquired Assets at desired prices

We intend to enter into hedging contracts for all or a portion of the production to be acquired pursuant to the Acquisition. To the extent that such hedges are not available at or near the prices we have anticipated, the revenues and other anticipated benefits of the Acquisition will be materially reduced.

We require an increase to our Revolving Credit Facility to fund a portion of the Purchase Price of the Acquisition

We were in the process of completing our standard annual banking review and have received an extension from the lending syndicate to increase the borrowing base and available lending limit of the Revolving Credit Facility to reflect the Acquisition. Concurrent with the closing of the Acquisition, we expect that the borrowing base and available lending limit under our Revolving Credit Facility will be increased to \$325 million.

We intend to fund the purchase price of the Acquisition from the net proceeds of the Offering and the increased Revolving Credit Facility.

Although we have had discussions with our syndicate of lenders advising of our total lending value, there can be no assurance that the borrowing base and available lending limit under our Revolving Credit Facility will be increased. If the increase is not obtained prior to the closing of the Acquisition, we will be required to obtain additional financial resources to complete the closing of the Acquisition and we may not be able to do so on satisfactory terms, or at all.

Our indebtedness will increase materially as a result of the Acquisition

Our indebtedness will increase materially as a result of the Acquisition. If the Acquisition is completed on the terms contemplated in the Acquisition Agreement, we anticipate that we will borrow up to \$124 million (\$108 million including full exercise of Over-allotment Option), through a draw down under our Revolving Credit Facility. Such borrowings will represent a significant increase in our indebtedness. Such additional indebtedness will increase our interest expense and debt service obligations and may have a negative effect on our results of operations.

As at June 1, 2017, we had \$88.4 million of indebtedness (not including the Deposit of \$33 million) outstanding under our Revolving Credit Facility. We anticipate that following the Acquisition and completion of the Offering, our total indebtedness will be \$245.5 million (\$229.1 million including full exercise of Over-allotment Option). To the extent that the closing price for the Acquisition is higher than anticipated as a result of price adjustments in respect of the Acquisition being less than estimated, the additional amounts required to complete the Acquisition will be funded by the Revolving Credit Facility which will increase our level of outstanding indebtedness. We anticipate completing the sale of the RIs prior to year end which will reduce our level of outstanding indebtedness.

Our ability to service our increased debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions, interest rate fluctuations and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we may be forced to take actions such as reducing dividends, reducing or delaying business activities, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital.

We may not complete the sale of the RIs on the terms and timeframe contemplated

We anticipate completing the sale of the RIs prior to year end for certain net proceeds which will reduce our level of outstanding indebtedness. We have not entered into a binding agreement in respect to the sale of the RIs as of the date hereof and we may not be able to do so on the timeframe contemplated or at all or for the proceeds that we expect. Closing of the Acquisition is not dependent on the sale of the RIs.

Risks Relating to the Offering

There is currently no public market for the Subscription Receipts and there can be no assurance that an active trading market will develop

The TSX has conditionally approved the listing of the Offered Securities. Such listing is subject to us fulfilling all of the requirements of the TSX on or before September 5, 2017. However, there is currently no market through which the Subscription Receipts may be sold and purchasers may not be able to resell Subscription Receipts purchased under this short form prospectus. This may affect the pricing of the Subscription Receipts in the secondary market, the transparency and the availability of trading prices and the liquidity of the securities. There can be no assurance that an active trading market will develop for the Subscription Receipts after completion of the Offering, or if developed, that such a market will be sustained at the price level of the Offering.

If the Escrow Conditions are not satisfied on or prior to the Deadline, the Subscription Receipts will not be exchanged into Common Shares

The Subscription Receipts will be exchanged for Common Shares upon the satisfaction of the Escrow Conditions. Subject to the terms of the Underwriting Agreement, we may waive certain closing conditions in our favour in the Acquisition Agreement or agree with the Vendor to amend the Acquisition Agreement and consummate the Acquisition on terms that may be substantially different from those contemplated in this short form prospectus.

Other events could result in termination of the Acquisition Agreement prior to the Deadline. If the Acquisition is not completed by the Deadline, or if we advise the Underwriters or announce to the public that we do not intend to proceed with the Acquisition, or if the Acquisition Agreement has been terminated in accordance with its terms, holders of Subscription Receipts shall receive an amount equal to the full subscription price attributable to the Subscription Receipts and their *pro rata* entitlement to interest accrued on such amount. As a result, the expected benefits of an investment in our securities may not be fully realized. See "*Recent Developments – The Acquisition*". There can be no assurance that the Escrow Conditions will be satisfied on or prior to the Deadline. Until the Acquisition is closed and the Escrow Conditions are satisfied, holders of Subscription Receipts have the rights described under "*Details of the Offering*".

USE OF PROCEEDS

After deducting the Underwriters' Fee of \$6,800,200 and estimated expenses of the Offering of \$250,000, the net proceeds to us from the sale of the Subscription Receipts will be \$162,954,800. If the Over-allotment Option is exercised in full, the net proceeds to us from the sale of Subscription Receipts will be \$179,275,280, after deducting the Underwriters' Fee of \$7,480,220 and the estimated expenses of the Offering of \$250,000.

The gross proceeds from the sale of the Subscription Receipts will be held by the Escrow Agent, and invested in short-term obligations of, or guaranteed by, the Government of Canada (or other approved investments) pending the satisfaction of the Escrow Conditions. Upon satisfaction of the Escrow Conditions on or before the Deadline, the Escrowed Funds and the interest earned thereon (less any amounts required to pay the Dividend Equivalent Amount upon the issuance of the Underlying Common Shares, if applicable, and the remaining 50% of the Underwriters' Fee in respect of the Subscription Receipts) will be released to us to enable us to complete the Acquisition. We will utilize the Escrowed Funds to purchase the Acquired Assets pursuant to the Acquisition Agreement.

We were in the process of completing our standard annual banking review and have received an extension from the lending syndicate to increase the borrowing base and lending limit of the Revolving Credit Facility to reflect the Acquisition. Concurrent with the closing of the Acquisition, we expect that the borrowing base and available lending limit under our Revolving Credit Facility will be increased to \$325 million. The balance of the purchase price for the Acquired Assets will be funded through a draw on our Revolving Credit Facility. As at June 1, 2017, we had \$88.4 million of indebtedness (not including the Deposit of \$33 million) outstanding under our Revolving Credit Facility. See "*Capitalization*" and "*Relationship Between Us and Certain Underwriters*".

Pursuant to the Acquisition Agreement, the purchase price for the Acquired Assets is \$330 million. After taking into account estimated closing purchase price adjustments but without including any transaction costs, the estimated net purchase price of the Acquired Assets is \$320 million.

The following table sets out the amounts and sources of funding for the net purchase price for the Acquired Assets if the Over-allotment Option is not exercised, and if the Over-allotment Option is exercised in full.

	Offering not including Over-allotment Option	Offering including full exercise of Over-allotment Option
Total Net Proceeds of the Offering ⁽¹⁾	\$162,954,800	\$179,275,280
Net Purchase Price ⁽²⁾	\$320,000,000	\$320,000,000
Deposit (previously paid) ⁽³⁾	(\$33,000,000)	(\$33,000,000)
Net Purchase Price Payable at Closing ⁽²⁾	\$287,000,000	\$287,000,000
Drawdown on Revolving Credit Facility ⁽²⁾⁽⁴⁾	\$124,045,200	\$107,724,720

Notes:

- (1) After taking into account the Underwriters' Fee of \$6,800,200 (or \$7,480,220 if the Over-allotment Option is exercised in full) and estimated expenses of the Offering of \$250,000.
- (2) Assumes a net purchase price of \$320 million after taking into account estimated closing purchase price adjustments of \$10 million but without including any transaction costs. To the extent that closing price adjustments are less than estimated, the additional amounts required to complete the Acquisition will be funded by the Revolving Credit Facility.
- (3) The Deposit has been funded through a draw on the Revolving Credit Facility.
- (4) We anticipate selling RIs associated with the Acquired Assets prior to year end, for proceeds of approximately \$130 million, which will be applied to repay all or part of the Purchase Price funded by our Revolving Credit Facility.

While we believe that we have the skills and resources necessary to accomplish our stated business objectives, participation in the exploration for and development of oil and natural gas has a number of inherent risks. See "*Risk Factors – Risks Relating to the Acquisition*" and "*Risk Factors*" in the Annual Information Form.

As at June 1, 2017, we had \$88.4 million (not including the Deposit of \$33 million) of indebtedness outstanding under our Revolving Credit Facility. We incur indebtedness from time to time in the normal course of business and in connection with capital and other expenditures. The Revolving Credit Facility currently has a borrowing base of \$250 million, and the lending limit is set at \$150 million. We were in the process of completing our standard annual banking review and have received an extension from the lending syndicate to increase the borrowing base and lending limit of the Revolving Credit Facility to reflect the Acquisition. Concurrent with the closing of the Acquisition, we expect that the borrowing base and available lending limit under our Revolving Credit Facility will be increased to \$325 million. See "*Capitalization*".

CAPITALIZATION

The following table sets forth our pro forma capitalization: (i) as at March 31, 2017 and June 1, 2017 before giving effect to the Offering and the Acquisition; (ii) as at June 1, 2017 after giving effect to the Offering and the Acquisition (assuming the Over-allotment Option is not exercised); and (iii) as at June 1, 2017 after giving effect to the Offering and the Acquisition (assuming the Over-allotment Option is exercised in full). There have been no material changes in our share and loan capital since June 1, 2017 other than the payment of the Deposit.

	<u>As at March 31, 2017 before giving effect to the Offering and the Acquisition</u>	<u>As at June 1, 2017 before giving effect to the Offering and the Acquisition</u>	<u>As at June 1, 2017 after giving effect to the Offering and the Acquisition ⁽¹⁾</u>	<u>As at June 1, 2017 after giving effect to the Offering, the Acquisition and the Over-Allotment Option ⁽¹⁾</u>
(000s other than Common Shares and Debentures)				
Debt:				
Revolving Credit Facility ⁽²⁾⁽³⁾⁽⁴⁾	\$82,978	\$88,410	\$245,455	\$229,135
Debentures - Liability ⁽⁵⁾⁽⁶⁾	\$46,578	\$46,725	\$46,725	\$46,725
Shareholders' Capital:				
Common Shares (unlimited) ⁽⁷⁾⁽⁸⁾	\$874,225	\$874,311	\$1,039,169	\$1,055,673
	(79,262,192 Common Shares)	(79,274,186 Common Shares)	(110,184,186 Common Shares)	(113,275,186 Common Shares)
Debentures – Equity ⁽⁶⁾	\$1,729	\$1,729	\$1,729	\$1,729
	(50,000 Debentures)	(50,000 Debentures)	(50,000 Debentures)	(50,000 Debentures)

Notes:

- (1) Based on the issuance of 30,910,000 Underlying Common Shares pursuant to the exchange of 30,910,000 Subscription Receipts for aggregate proceeds of \$170,005,000 less Underwriters' Fee of \$6,800,200 and expenses of the Offering estimated to be \$250,000 (exclusive of GST) for aggregate gross proceeds of \$162,954,800. If the Over-allotment Option is exercised in full, the aggregate gross proceeds, Underwriters' Fee, estimated expenses of the Offering and net proceeds will be \$187,005,500, \$7,480,220, \$250,000 and \$179,275,280, respectively. The aggregate net proceeds of the Offering will be used to finance a portion of the purchase price of the Acquired Assets. See "Use of Proceeds".
- (2) As at March 31, 2017, we had a \$130 million syndicated revolving term credit facility and a \$20 million non-syndicated revolving operating term credit facility (collectively, the "**Revolving Credit Facility**") with a borrowing base of \$250 million. The Revolving Credit Facility is available on a revolving basis until the term out date of May 26, 2017 which was extended to review the Acquisition until June 30, 2017. The Revolving Credit Facility may be extended by a further 364 day period, subject to approval by the syndicate. The Revolving Credit Facility is reviewed semi-annually based on the syndicate's interpretation of our reserves, future commodity prices and costs. Advances under the Revolving Credit Facility are available by way of either prime rate loans which bear interest at the banks' prime lending rate plus 0.7 to 2.0% and bankers' acceptances and/or LIBOR loans, which are subject to fees and margins ranging from 1.7 to 3.0%. Interest and standby fees on the undrawn amounts of the Revolving Credit Facility depend on certain ratios. The Revolving Credit Facility is secured by a general security agreement over all of our assets. As of the date of this short form prospectus, we are in compliance with the terms of the Revolving Credit Facility. Concurrent with the closing of the Acquisition, we expect that the borrowing base and available lending limit under our Revolving Credit Facility will be increased to \$325 million.
- (3) Assumes a net purchase price of \$320 million after taking into account estimated closing purchase price adjustments of \$10 million but without including any transaction costs. To the extent that closing price adjustments are less than estimated, the additional amounts required to complete the Acquisition will be funded by the Revolving Credit Facility.
- (4) As of the date hereof, the only significant change in the outstanding indebtedness under our Revolving Credit Facility, other than in the ordinary course of our business, was the Deposit.
- (5) The Debentures may be converted at the option of the holder of the Debentures into Common Shares.
- (6) We have \$50 million of Debentures outstanding that bear interest at 5.5% payable semi-annually and have a maturity date of December 31, 2020. The Debentures are convertible into our Common Shares at the option of the holder at a conversion price of \$10.50 per Common Share at any time prior to the maturity date and are redeemable by us after January 1, 2019 subject to certain conditions. The Debentures have been classified as a liability, net of issue costs and net of the fair value of the conversion feature at the date of issue which has been classified as shareholders' equity. The liability component will accrete up to the principal balance at maturity.
- (7) For Shareholders' Capital, after adjustments for: (i) estimated costs of the Offering of \$250,000, (ii) the Underwriters' Fee of \$6,800,200 for the Subscription Receipts assuming the Over-allotment Option is not exercised (\$7,480,220 if the Over-allotment Option is exercised), and (iii) non-cash tax effect of \$1,903,000 (\$2,087,000 if the Over-allotment Option is exercised).
- (8) As at June 1, 2017, we had (i) 144,726 options issued pursuant to our option plan and (ii) 2,524,353 restricted bonus awards pursuant to our restricted bonus award plan. See "Executive Compensation – Incentive Plan Awards" in the Information Circular for more information on our compensation plans.

DETAILS OF THE OFFERING

General

The following is a summary of the material attributes and characteristics of the Subscription Receipts. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Subscription Receipt Agreement, which, following the Closing Date, may be viewed under our profile on SEDAR at www.sedar.com.

The Escrowed Funds will be held by the Escrow Agent, and invested in short-term obligations of, or guaranteed by, the Government of Canada (or other approved investments) pending delivery by us to the Underwriters of a certificate to the effect that all of the material conditions (other than payment of the purchase price) necessary to complete the Acquisition have been satisfied (the "**Escrow Conditions**"). Upon satisfaction of the Escrow Conditions on or before the Deadline, the Escrowed Funds and the interest earned thereon (less any amounts required to pay the Dividend Equivalent Amount upon the issuance of the Underlying Common Shares, if applicable, and the remaining 50% of the Underwriters' Fee in respect of the Subscription Receipts) will be released to us to enable us to complete the Acquisition. Upon the closing of the Acquisition, each holder of Subscription Receipts will receive one Underlying Common Share for each Subscription Receipt held, without payment of additional consideration or further action on the part of such holder, and such holder will also be entitled to receive an amount per Subscription Receipt equal to the Dividend Equivalent Amount, being an amount per Subscription Receipt equal to the amount per Common Share of any cash dividends for which record date(s) have occurred during the period commencing on the closing of the Offering to the date immediately preceding the date the Underlying Common Shares are issued pursuant to the Subscription Receipts. The Dividend Equivalent Amount will be paid by us as a partial refund of the subscription price of the Subscription Receipts. If holders of Subscription Receipts become entitled to receive Underlying Common Shares, we and the Escrow Agent will pay such amounts to holders on the later of the date the Underlying Common Shares are issued and the date such dividend(s) is paid to holders of Common Shares. See "*Certain Canadian Federal Income Tax Considerations*".

If the Acquisition is not completed by the Deadline, or if we advise the Underwriters or announce to the public that we do not intend to proceed with the Acquisition, or if the Acquisition Agreement has been terminated in accordance with its terms, holders of Subscription Receipts will receive an amount equal to the full subscription price attributable to the Subscription Receipts and their *pro rata* entitlement to interest accrued on such amount up to and including the Termination Date.

Upon satisfaction of the Escrow Condition and the issuance of the Underlying Common Shares, we will issue a press release specifying that the Underlying Common Shares have been issued.

Under the Subscription Receipt Agreement, original purchasers of Subscription Receipts under the Offering will have a contractual right of rescission against us both prior to and following the issuance of Underlying Common Shares to such purchaser upon the conversion of the Subscription Receipts to receive the amount paid for the Subscription Receipts if this short form prospectus (including the documents incorporated by reference herein) and any amendment contains a misrepresentation or is not delivered to such purchaser, provided such remedy for rescission is exercised within 180 days of closing of the Offering. This contractual right of rescission will be consistent with the statutory right of rescission described under the heading "*Purchasers' Statutory and Contractual Rights*" in this short form prospectus and in addition to any right or remedy available to original purchasers under the securities legislation of certain provinces of Canada or otherwise at law. Original purchasers of Subscription Receipts are further advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the convertible, exchangeable or exercisable security that was purchased under a prospectus, and therefore a further payment at the time of conversion, exchange or exercise may not be recoverable in a statutory action for damages. A purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights, or consult a legal advisor.

Holders of Subscription Receipts are not shareholders and do not have rights as shareholders. Holders of Subscription Receipts are entitled only to receive Underlying Common Shares and the Dividend Equivalent Amount or to a return of the subscription price for the Subscription Receipts together with any payments of interest as described above.

In the event that, prior to the date the Underlying Common Shares become issuable pursuant to the Subscription Receipts, there is a subdivision, consolidation, reclassification or other change of the Common Shares or any reorganization, amalgamation, merger or sale of all or substantially all of our assets, the Subscription Receipts will thereafter evidence the right of the holder to receive the securities, property or cash deliverable in exchange for or on conversion of or in respect of the Underlying Common Shares to which the holder of a Subscription Receipt would have been entitled immediately after such event if it had been a holder of such Underlying Common Shares prior to such event. Similarly, any distribution to all or substantially all of the holders of Common Shares of rights, options, warrants, evidences of indebtedness or assets will result in an adjustment in the number of Underlying Common Shares to be issued to holders of Subscription Receipts. Alternatively, such securities, evidences of indebtedness or assets may, at our option, be issued to the Escrow Agent and delivered to holders of Subscription Receipts following the closing of the Acquisition.

The Subscription Receipt Agreement will provide for modifications and alterations thereto and to the Subscription Receipts issued thereunder by way of an extraordinary resolution. The term "extraordinary resolution" will be defined in the Subscription Receipt Agreement to mean, in effect, a resolution passed by the affirmative votes of the holders of not less than 66 $\frac{2}{3}$ % of the number of outstanding Subscription Receipts represented and voted at a meeting of holders or an instrument or instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the number of outstanding Subscription Receipts.

Book-Entry Only System

Except as otherwise provided herein, the Subscription Receipts will be issued in "book-entry only" form and must be purchased or transferred through a CDS participant. Except as otherwise provided herein, on the Closing Date, the Subscription Receipts will be registered and represented electronically through CDS, and will be deposited with CDS pursuant to the book-entry only system. Unless the book-entry only system is terminated as described below, a Subscription Receipt Beneficial Owner will not be entitled to receive a certificate for Subscription Receipts, or, unless requested, for the Underlying Common Shares. Purchasers of Subscription Receipts will not be shown on the records maintained by CDS, except through a CDS participant.

Beneficial interests in Subscription Receipts will be represented solely through the book-entry only system and such interests will be evidenced by customer confirmations of purchase from the registered dealer from which the Subscription Receipts are purchased in accordance with the practices and procedures of that registered dealer. In addition, registration of interests in and transfers of the Subscription Receipts will be made only through the depository service of CDS.

As indirect holders of Subscription Receipts, investors should be aware that they (subject to the situations described below): (a) may not have Subscription Receipts registered in their name; (b) may not have physical certificates representing their interest in the Subscription Receipts; (c) may not be able to sell the Subscription Receipts to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Subscription Receipts as security.

The Subscription Receipts will be issued to beneficial owners thereof in fully registered and certificated form (the "**Subscription Receipt Certificates**") only if: (a) required to do so by applicable law; (b) the book-entry only system ceases to exist; (c) we or CDS advises the Escrow Agent that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Subscription Receipts and we are unable to locate a qualified successor; or (d) we, at our option, decide to terminate the book-entry only system through CDS. Upon the occurrence of any of the events described in the immediately preceding sentence, the Escrow Agent must notify CDS, for and on behalf of CDS participants and Subscription Receipt Beneficial Owners, of the availability through CDS of Subscription Receipt Certificates.

Upon receipt of instructions from CDS for the new registrations, the Escrow Agent will deliver the Subscription Receipts in the form of Subscription Receipt Certificates and thereafter we will recognize the holders of such Subscription Receipt Certificates as Subscription Receipt holders under the Subscription Receipt Agreement.

Neither we nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Subscription Receipts held by CDS or any payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Subscription Receipts; or (c) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a CDS participant. The rules governing CDS provide that it acts as the agent and depository for the CDS participants. As a result, CDS participants must look solely to CDS and Subscription Receipt Beneficial Owners must look solely to CDS participants for any payments relating to the Subscription Receipts paid by or on behalf of us to CDS.

PLAN OF DISTRIBUTION

Pursuant to the terms and conditions of the Underwriting Agreement among us and each of the Underwriters, we have agreed to sell and the Underwriters have severally agreed to purchase on the Closing Date, an aggregate of 30,910,000 Subscription Receipts at a price of \$5.50 per Subscription Receipt payable in cash to the Escrow Agent against delivery of such Subscription Receipts, subject to compliance with all necessary legal requirements and terms and conditions of the Underwriting Agreement. The Underwriting Agreement provides that we will pay the Underwriters' Fee of \$0.22 per Subscription Receipt. The Underwriters' Fee in respect of the Subscription Receipts is payable as to 50% upon the closing of the Offering and 50% on the closing of the Acquisition. If the Acquisition is not completed by the Deadline, the Underwriters' Fee in respect of the Subscription Receipts will be reduced to the amount payable upon closing of the Offering. The offering price of the Subscription Receipts was determined by negotiation between us and the Lead Underwriter on its own behalf and on behalf of the other Underwriters. Completion of the Offering is subject to a number of conditions, including the approval of the TSX.

We have granted the Underwriters the Over-allotment Option to purchase up to an additional 3,091,000 Subscription Receipts at a price of \$5.50 per Subscription Receipt, exercisable from time to time, in whole or in part, for a period commencing at closing of the Offering and ending on the earlier of: (i) 30 days following closing of the Offering; and (ii) the Termination Time, to cover over-allotments, if any, and for market stabilization purposes. In the event the Over-allotment Option is exercised following the satisfaction of the Escrow Conditions, we will issue the same number of Common Shares in lieu of Subscription Receipts. A purchaser who acquires Subscription Receipts or Common Shares, as applicable, forming part of the Underwriters' over-allocation position acquires those securities under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-allotment Option or secondary market purchases. If the Over-allotment Option is exercised in full, the total Offering, the Underwriters' Fee and the net proceeds to us (before deducting expenses of the Offering) will be \$187,005,500, \$7,480,220 and \$179,525,280, respectively.

The obligations of the Underwriters under the Underwriting Agreement are several, and may be terminated at their discretion upon the occurrence of certain stated events. In addition, the obligations of us and the Underwriters under the Underwriting Agreement to complete the purchase and sale of the Subscription Receipts will terminate automatically if the Acquisition is not completed by the Deadline, or if we advise the Underwriters or announce to the public that we do not intend to proceed with the Acquisition, or if the Acquisition Agreement has been terminated in accordance with its terms. See "*Details of the Offering*". If one or more Underwriters fails to purchase the Subscription Receipts which it has agreed to purchase, the remaining Underwriter(s) may terminate their obligation to purchase their allotment of Subscription Receipts, or may, but are not obligated to, purchase the Subscription Receipts not purchased by the Underwriter or Underwriters which fail to purchase; provided, however, that in the event that the percentage of the total number of Subscription Receipts which one or more Underwriters has failed or refused to purchase is 7.5% or less of the total number of the Subscription Receipts which the Underwriters have agreed to purchase, the other Underwriters shall be obligated severally to purchase on a *pro rata* basis the Subscription Receipts which would otherwise have been purchased by the one or more Underwriters which failed or refused to purchase. The Underwriters are, however, obligated to take up and pay for all Subscription Receipts if any are purchased under the Underwriting Agreement.

The Underwriting Agreement also provides that we will indemnify the Underwriters and their directors, officers, agents, shareholders and employees against certain liabilities and expenses. See "*Details of the Offering*".

The Subscription Receipts will be issued in "book entry only" form and must be purchased or transferred through a CDS participant. See "*Details of the Offering – Book Entry Only System*".

Subject to applicable securities laws, the Underwriters may, in connection with the Offering, effect transactions which stabilize or maintain the market price of the Subscription Receipts at levels other than those that might otherwise prevail on the open market in accordance with applicable market stabilization rules. Such transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Subscription Receipts initially at the offering price specified herein. After a reasonable effort has been made to sell all of the Subscription Receipts at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Subscription Receipts remaining unsold. In the event the offering price of the Subscription Receipts is reduced, the compensation received by the Underwriters will be decreased by the amount the aggregate price paid by the purchasers for the Subscription Receipts is less than the gross proceeds paid by the Underwriters to us for the Subscription Receipts. Any such reduction will not affect the proceeds received by us.

We have agreed with the Underwriters that, during the period beginning on the Closing Date and ending on the date that is 90 days after the Closing Date, we will not, directly or indirectly, without the prior written consent of the Lead Underwriter, on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed, issue, offer or grant any option, warrant or other right to purchase or agree to issue or sell, in a public offering or by way of private placement or otherwise, any equity securities of the Corporation or other securities convertible into, exchangeable for, or otherwise exercisable into common shares or other equity securities of the Corporation, or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing, other than: (i) pursuant to the offering of the Subscription Receipts; (ii) share awards granted under our restricted bonus plan and in compliance with the requirements of the TSX; and (iii) Common Shares upon the conversion, exercise or exchange of convertible, exercisable or exchangeable securities existing on the Closing Date (including pursuant to stock appreciation rights and warrants) or upon the settlement of share awards granted prior to or subsequent to the Closing Date.

Subscriptions for the Subscription Receipts will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Closing Date is anticipated to occur on or about June 21, 2017 or such other date as may be agreed upon by us and the Underwriters, but in any event not later than 42 days after the date of the receipt for this short form prospectus.

The TSX has conditionally approved the listing of the Offered Securities. Listing of such Offered Securities will be subject to our fulfillment of all of the listing requirements of the TSX on or before September 5, 2017.

Certain of our officers, directors, employees and members of their families will be participating in the Offering and subscribing for approximately 244,078 Subscription Receipts.

The Offered Securities have not been and will not be registered under the U.S. Securities Act or any state securities laws, and may not be offered or sold, directly or indirectly, within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. In the Underwriting Agreement, the Underwriters have agreed that they will not offer or sell the Offered Securities within the United States except to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in transactions that comply with the exemption from registration provided by Rule 144A. The Underwriting Agreement permits the Underwriters, through their United States registered broker-dealer affiliates, to offer and resell the Offered Securities that they purchase pursuant to the Underwriting Agreement to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in the United States, provided such offers and sales are made in transactions exempt from the registration requirement of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act and similar exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Offered Securities outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. In addition, until 40 days

after the commencement of the Offering, an offer or sale of Offered Securities within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirement of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another applicable exemption from the registration requirement of the U.S. Securities Act.

RELATIONSHIP AMONG US AND CERTAIN UNDERWRITERS

RBC Dominion Securities Inc., CIBC World Markets Inc., National Bank Financial Inc. and Scotia Capital Inc. are direct or indirect wholly-owned subsidiaries of certain Canadian chartered banks which are lenders (the "**Lenders**") to us and to which we are presently indebted. In addition, RBC Dominion Securities Inc., an indirect wholly-owned subsidiary of a Canadian chartered bank which is a lender to us, is acting as financial advisor to the Vendor and will receive a success fee in connection with the closing of the Acquisition. Consequently, we may be considered to be a connected issuer of these Underwriters under applicable Canadian securities laws. The net proceeds received pursuant to this Offering will not be used to reduce our indebtedness.

As at June 1, 2017, we had \$88.4 million of indebtedness outstanding under our Revolving Credit Facility (which did not include the Deposit of \$33 million). We are in compliance with the agreements governing the Revolving Credit Facility and none of the lenders under the Revolving Credit Facility has waived any breach by us thereunder since its execution. Our financial position has not materially changed, in an adverse manner, since the indebtedness was incurred under the Revolving Credit Facility. See "*Capitalization*".

The decision to offer the Subscription Receipts and the determination of the terms of the Offering were made through negotiations between us and the Lead Underwriter on its behalf and on behalf of the other Underwriters. The Lenders did not have any involvement in such decision or determination; however, the Lenders have been advised of the Offering and the terms thereof. As a consequence of the Offering, each of the Underwriters will receive its share of the Underwriters' Fee payable by us to the Underwriters. See "*Use of Proceeds*".

PRIOR SALES

The following table summarizes issuances of our Common Shares or securities convertible into our Common Shares in the twelve month period prior to the date hereof.

<u>Date of Issuance</u> ⁽⁶⁾⁽⁷⁾⁽⁸⁾	<u>Number and Type of Securities</u>	<u>Issue Price per Common Share (\$)</u>
June 7, 2016	7,150,000 Cardinal Shares ⁽¹⁾	9.35
August 2016	382 Cardinal Shares ⁽²⁾	2.61
November 2016	6,111 Cardinal Shares ⁽³⁾	6.75
December 6, 2016	500,000 Cardinal Shares ⁽⁴⁾	9.68
January 2017	40,000 Cardinal Shares ⁽³⁾	6.75
January 2017	315,572 Cardinal Shares ⁽²⁾	2.94
February 2017	1,882 Cardinal Shares ⁽²⁾	2.55
March 17, 2017	4,033,708 Cardinal Shares ⁽⁵⁾	6.85
March 2017	4,920 Cardinal Shares ⁽²⁾	2.54

Notes:

- (1) Issued pursuant to a bought deal financing.
- (2) Issued pursuant to the exercise of share purchase warrants. The exercise price of the warrants may be adjusted for dividends. See note 13 to the Annual Financial Statements and note 11 to the unaudited condensed interim financial statements, as at March 31, 2017 and for the three months ended March 31, 2017 and 2016.
- (3) Issued pursuant to the exercise of stock options.
- (4) Issued as partial consideration for the acquisition of assets within our Wainwright operating area. See note 5 to the Annual Financial Statements.
- (5) Issued as partial consideration for the acquisition of assets within our Northwest Alberta operating area. See note 3 to the unaudited condensed interim financial statements, as at March 31, 2017 and for the three months ended March 31, 2017 and 2016.
- (6) The table does not include 203,533 Common Shares issued pursuant to our stock dividend program and dividend reinvestment plan within last twelve months. No funds are received by us on the issuance of these Common Shares.

- (7) The table does not include 36,491 Common Shares issued to settle stock appreciation rights and 674,821 Common Shares to settle restricted bonus awards. No funds are received by us on the issuance of these Common Shares.
- (8) The table does not include 1,122,535 restricted bonus awards granted pursuant to our restricted bonus award plan within the last twelve months. The restricted bonus awards may be settled by cash, Common Shares or a combination thereof at our sole discretion on the date of payment and are adjusted for dividends. See "*Executive Compensation – Incentive Plan Awards*" in our Information Circular for more information on our compensation plans.

MARKET FOR SECURITIES

Common Shares

Our Common Shares trade on the Toronto Stock Exchange under the trading symbol "CJ" and commenced trading on the Toronto Stock Exchange on December 17, 2013. The following sets out the high and low trading prices and aggregate volume of trading for the periods noted below for our Common Shares:

Period	High	Low	Volume
2016			
January	8.94	5.59	11,642,315
February	7.28	5.78	8,318,272
March	9.72	6.93	11,312,474
April	9.69	7.67	10,297,958
May	10.31	8.21	11,030,752
June	10.92	9.20	9,495,211
July	10.02	8.76	6,245,854
August	9.95	8.51	6,667,460
September	8.79	7.37	13,129,414
October	9.91	8.42	10,929,477
November	9.98	8.39	7,421,315
December	10.71	9.51	8,347,165
2017			
January	10.82	8.32	7,450,211
February	8.88	8.05	8,342,013
March	8.23	6.37	12,837,948
April	7.56	6.33	9,439,851
May	6.76	5.53	10,997,285
June (to June 13)	5.92	4.77	12,620,506

Note:

- (1) On June 13, 2017, the last trading day prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSX was \$5.11.

Debentures

Our Debentures trade on the Toronto Stock Exchange under the trading symbol "CJ.DB" and commenced trading on the Toronto Stock Exchange on October 6, 2015. The following set out the high and low trading price and aggregate volume of trading for the periods noted below for our Debentures.

Period	High	Low	Volume
2016			
January	103.00	89.20	5,454,000
February	97.00	89.50	1,809,000
March	110.00	99.00	1,121,000
April	111.00	105.00	527,000
May	115.00	105.50	667,000
June	117.01	112.00	974,000
July	113.26	109.50	832,000
August	117.50	109.00	726,000

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
September	110.02	106.00	634,000
October	112.01	110.00	3,690,000
November	112.01	109.00	538,000
December	119.00	114.23	348,000
2017			
January	118.12	107.80	383,000
February	110.00	108.00	300,000
March	110.00	103.00	926,000
April	107.00	103.51	339,000
May	107.00	103.35	202,000
June (to June 13)	106.00	97.77	379,000

Note:

- (1) On June 13, 2017, the last trading day prior to the filing of this short form prospectus, the closing price of the Debentures on the TSX was \$98.02.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to us, and Dentons Canada LLP, counsel to the Underwriters (collectively, "**Counsel**"), the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a person (each, a "**Holder**") (i) who acquires the Offered Securities pursuant to this Offering, (ii) who, for purposes of the Tax Act and at all relevant times, holds the Offered Securities as capital property, and (iii) who for purposes of the Tax Act, and at all relevant times, deals at arm's length and is not affiliated with us. Generally, the Offered Securities will be considered to be capital property to a Holder provided the Holder does not hold the Offered Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders resident in Canada who might not otherwise be considered to hold their Offered Securities as capital property may, in certain circumstances, be entitled to have their Offered Securities and every other "Canadian security" as defined in the Tax Act treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This election is not available in respect of the Subscription Receipts.

This summary is not applicable to: (i) a Holder that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules; (ii) a Holder an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iii) a Holder that is a "specified financial institution" as defined in the Tax Act; (iv) a Holder whose functional currency for the purposes of the Tax Act is the currency of a country other than Canada; (v) a Holder that has or will enter into a "derivative forward agreement" as defined in the Tax Act, in respect of the Offered Securities; or (vi) a Holder that is a corporation resident in Canada and is, or becomes, as a part of a transaction or event or series of transaction or events that includes the acquisition of the Offered Securities, controlled by a non-resident corporation for purposes of the foreign affiliate dumping rules in Section 212.3 of the Tax Act. **Any such Holder should consult its own tax advisor with respect to an investment in the Offered Securities.**

This summary is based upon the provisions of the Tax Act in force as of the date hereof and Counsel's understanding of the current published administrative and assessing practices of the CRA. Except for specifically proposed amendments (the "**Proposed Amendments**") to the Tax Act that have been publicly announced by the federal Minister of Finance prior to the date hereof, this summary does not take into account or anticipate changes in the income tax law, whether by legislative, governmental or judicial action, nor any changes in the administrative or assessing practices of the CRA. This summary does not take into account or anticipate provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser or holder of Subscription Receipts, and no representations with respect to the income tax consequences to any prospective purchaser or holder are made.

Prospective investors should be aware that the purchase of Offered Securities has tax consequences which may not be described in this short form prospectus. Accordingly, prospective investors are advised to consult their own tax advisors with respect to the tax aspects of investing in, holding and disposing of the Offered Securities.

Holders Resident in Canada

The following portion of the summary is applicable to a Holder of Offered Securities who, for purposes of the Tax Act, is resident in Canada (a "**Resident Holder**").

Taxation of Holders of Subscription Receipts

Acquisition of Common Shares Pursuant to Terms of the Subscription Receipts

A Resident Holder will not realize a capital gain or loss on the issuance of an Underlying Common Share pursuant to a Subscription Receipt.

The cost of any such Underlying Common Shares will generally be equal to the amount paid by such Resident Holder to acquire the Subscription Receipt. However, such cost may be reduced by a portion of the Dividend Equivalent Amount, if any is received. See "*Holders Resident in Canada – Dividend Equivalent Amount*". The cost of Underlying Common Shares received will generally be averaged with the cost of all other Common Shares held by the Resident Holder as capital property to determine the adjusted cost base of each Common Share held by the Resident Holder.

Other Dispositions of Subscription Receipts

A disposition or deemed disposition by a Resident Holder of Subscription Receipts, other than on the exchange thereof for an Underlying Common Share, but including on the repayment of the issue price thereof by us in the event the Acquisition is not completed before the Deadline, will generally result in the Resident Holder realizing a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition are greater (or less) than the aggregate of the Resident Holder's adjusted cost base thereof and any reasonable costs of disposition. The cost to a Resident Holder of a Subscription Receipt will generally be the amount paid to acquire the Subscription Receipt. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Holders Resident in Canada – Taxation of Holders of Common Shares – Taxation of Capital Gains and Capital Losses*".

In the event that a Resident Holder becomes entitled to the repayment of the issue price of a Subscription Receipt, any amount that is paid to the Holder as, or on account of, interest and that is included in the Resident Holder's income, will be excluded from the Holder's proceeds of disposition.

Pro Rata Share of Interest

If the Acquisition is not completed by the Deadline, or if we advise the Underwriters or announce to the public that we do not intend to proceed with the Acquisition, or if the Acquisition Agreement has been terminated in accordance with its terms, Holders of Subscription Receipts shall be entitled to receive from the Escrow Agent an amount equal to the full subscription price thereof plus their *pro rata* share of interest accrued on the Escrowed Funds.

A Resident Holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year the amount of any such interest accrued to the Resident Holder on the Escrowed Funds to the end of the Resident Holder's taxation year, or that is receivable or received by the Resident Holder before the end of that taxation year, except to the extent that such interest was included in computing the Resident Holder's income for a preceding taxation year. Any other Resident Holder that is entitled to receive its share of accrued interest will be required to include in computing income for a taxation year such interest that is receivable or received by the Resident Holder in that taxation year, depending upon the method regularly followed by the Resident Holder in computing income.

A Resident Holder that is, throughout the relevant taxation year, a "Canadian-controlled private Corporation" (as defined in the Tax Act) may be liable to pay a refundable tax of 10 $\frac{2}{3}$ % on its certain investment income, including interest income.

Dividend Equivalent Amount

If the Acquisition is completed prior to the Deadline, the holder of a Subscription Receipt, in addition to receiving a Common Share, will be entitled to receive the Dividend Equivalent Amount. We will pay the Dividend Equivalent Amount to the Resident Holder as a partial refund of the subscription price of the Subscription Receipts. Such amount generally will reduce the cost to the Resident Holder of the Common Shares acquired on the exchange of the Subscription Receipts.

For greater certainty, no part of the Dividend Equivalent Amount will benefit from the gross-up and dividend tax credit rules normally applicable in respect of taxable dividends received by individuals from "taxable Canadian corporations" (as defined in the Tax Act); and, where this amount is received by a corporation, the amount will not be deductible in computing the corporation's taxable income and will not result in the requirement to pay the refundable Part IV tax.

Taxation of Holders of Common Shares

Disposition of Common Shares

A disposition or a deemed disposition of a Common Share by a Resident Holder (except to us) will generally result in the Resident Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share exceeds (or are less than) the aggregate of the adjusted cost base to the Resident Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Holders Resident in Canada – Taxation of Holders of Common Shares – Taxation of Capital Gains and Capital Losses*".

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder in a taxation year must be included in the Resident Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust.

A Resident Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable to pay a refundable tax of 10 $\frac{2}{3}$ % on certain investment income, including taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

Receipt of Dividends on Common Shares

Dividends received or deemed to be received on Common Shares held by a Resident Holder will be included in the Resident Holder's income for the purposes of the Tax Act.

Such dividends received by a Resident Holder that is an individual (other than certain trusts) will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends designated by us as "eligible dividends". There may be limitations on our ability to designate dividends as "eligible dividends".

Taxable dividends received by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

A Resident Holder that is a corporation will include such dividends in computing its income and generally will be entitled to deduct the amount of such dividends in computing its taxable income. A Resident Holder that is a "private corporation" or "subject corporation" (as such terms are defined in the Tax Act) may be liable under Part IV of the Tax Act to pay a refundable tax of 38 $\frac{1}{3}$ % of dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing the Resident Holder's taxable income.

Holders Not Resident in Canada

This portion of the summary applies to a Holder who, at all relevant times, for the purposes of the Tax Act and any applicable income tax treaty or convention (i) is neither resident nor deemed to be resident in Canada, and (ii) does not, and is not deemed to, use or hold the Offered Securities, in carrying on a business in Canada (a "**Non-Resident Holder**"). In addition, this discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an "authorized foreign bank" (as defined in the Tax Act).

The following portion of this summary is also not applicable to a Non-Resident Holder that is at any time a "specified shareholder" (as defined in subsection 18(5) of the Tax Act) of us or that does not at any time deal at arm's length for purposes of the Tax Act with a "specified shareholder" of us. Generally, for this purpose, a "specified shareholder" is a person that owns, has a right to acquire or is otherwise deemed to own, either alone or together with persons with whom such person does not deal at arm's length for purposes of the Tax Act, shares of our capital stock that either (i) give the holders of such shares 25% or more of the votes that could be cast at an annual meeting of the shareholders or (ii) have a fair market value of 25% or more of the fair market value of all of the issued and outstanding shares of our capital stock. Such Non-Resident Holders should consult their own tax advisors.

Taxation of Holders of Subscription Receipts

Acquisition of Common Shares pursuant to terms of the Subscription Receipts

A Non-Resident Holder will not realize a capital gain or loss on the issuance of an Underlying Common Share pursuant to a Subscription Receipt.

Other Dispositions of Subscription Receipts

On a disposition of a Subscription Receipt (other than on the acquisition of a Common Share pursuant to the terms of Subscription Receipts as discussed above), a Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder, unless the Subscription Receipt constitutes "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable tax treaty between Canada and the country of residence of the Non-Resident Holder. See the section below entitled "*Taxable Canadian Property*".

Pro Rata Share of Interest

If the Acquisition is not completed by the Deadline, or if we advise the Underwriters or announce to the public that we do not intend to proceed with the Acquisition, or if the Acquisition Agreement has been terminated in accordance with its terms, holders of Subscription Receipts shall be entitled to receive from the Escrow Agent an amount equal to the full subscription price thereof plus their *pro rata* share of accrued interest on the Escrowed Funds. A Non-Resident Holder will generally not be subject to Canadian withholding tax in respect of amounts paid or credited or deemed to have been paid or credited by us as, on account or in lieu of payment of, or in satisfaction of, any such interest.

Dividend Equivalent Amount

If the Acquisition is completed prior to the Deadline, the holder of a Subscription Receipt, in addition to receiving a Common Share, will be entitled to receive the Dividend Equivalent Amount, if any, which will be paid as a partial refund of the subscription price of the Subscription Receipts. Such amount generally will reduce the cost to the Non-Resident Holder of the Common Shares acquired on the exchange of the Subscription Receipts.

Taxation of Holders of Common Shares

Receipt of Dividends on Common Shares

Any dividends paid or credited, or deemed to be paid or credited, on the Common Shares to a Non-Resident Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Resident Holder's country of residence. For instance, where the Non-Resident Holder is a resident of the United States that is entitled to full benefits under the *Canada United States Income Tax Convention (1980)* as amended and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%.

Disposition of Common Shares

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of a Common Share issuable pursuant to the terms of the Subscription Receipts, unless the Common Shares constitute "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable tax treaty between Canada and the country of residence of the Non-Resident Holder. See the section below entitled "*Taxable Canadian Property*".

Taxable Canadian Property

Provided the Common Shares are listed on a designated stock exchange (which currently includes the TSX) at the time of disposition, the Subscription Receipts and Common Shares generally will not constitute taxable Canadian property of a Non-Resident Holder, unless, at any time during the 60-month period preceding the disposition, (i) the Non-Resident Holder, persons not dealing at arm's length with such Non-Resident Holder, partnerships in which the Non-Resident Holder or any such person holds an interest directly by or through one or more partnerships, or the Non-Resident Holder together with all such persons and partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of us and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of: (a) real or immovable property situated in Canada; (b) "Canadian resource properties"; (c) "timber resource properties"; and (d) options in respect of, or interests in or rights in property described in (a) to (c) (as such terms are defined in the Tax Act).

Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, Subscription Receipts and Common Shares which are not otherwise taxable Canadian property could be deemed to be taxable Canadian property.

A Non-Resident Holder whose Subscription Receipts or Common Shares are taxable Canadian property should consult their own tax advisors with respect to the consequences of disposing of such securities.

ELIGIBILITY FOR INVESTMENT

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to us, and Dentons Canada LLP, counsel to the Underwriters, based on the provisions of the Tax Act in force on the date hereof, proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current published administrative policies and assessing practices of the Canada Revenue Agency, provided that we are, on the Closing Date and at all relevant times, a "public corporation" within the meaning of the Tax Act, the Offered Securities will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans, registered education savings plans ("RESPs"), registered disability savings plans ("RDSPs") and tax-free savings accounts ("TFSAAs" and collectively, "**Deferred Plans**") provided that, in the case of Subscription Receipts, we and any person that does not deal at arm's length with us is not an annuitant, beneficiary, employer or subscriber under, or a holder of, the particular Deferred Plan at all relevant times.

Notwithstanding that the Offered Securities may be a "qualified investment", individuals who hold the Offered Securities through a trust governed by a TFSA, RRSP or RRIF, will be subject to a penalty tax if the Offered Securities are a "prohibited investment" within the meaning of the Tax Act for that TFSA, RRSP or RRIF, as the case may be. The Offered Securities will generally not be a "prohibited investment" provided the individual: (i) deals at arm's length with us for purposes of the Tax Act; and (ii) does not have a "significant interest" (as defined in the Tax Act) in us.

On March 22, 2017, the Minister of Finance (Canada) announced proposals ("**Tax Proposals**") to amend the Tax Act to have the "prohibited investment" rules and other anti-avoidance rules that are currently applicable to RRSPs, RRIFs and TFSAs also apply to RESPs and RDSPs. The Tax Proposals are intended to apply to transactions occurring and investments acquired after March 22, 2017, subject to certain transitional rules.

Purchasers who may wish to hold their Offered Securities in a trust governed by a TFSA, RRSP, RRIF, RESP or RDSP are advised to consult their own tax advisors regarding the "prohibited investment" rules having regard to their own particular circumstances.

LEGAL MATTERS

Certain legal matters relating to Canadian law in connection with the Subscription Receipts offered hereby will be passed upon on our behalf by Burnet, Duckworth & Palmer LLP, Calgary, Alberta and on behalf of the Underwriters by Dentons Canada LLP, Calgary, Alberta.

INTEREST OF EXPERTS

As of the date hereof, the partners and associates of Burnet, Duckworth & Palmer LLP beneficially own, directly or indirectly, less than 2% of our outstanding Common Shares and the partners and associates of Dentons Canada LLP beneficially own, directly or indirectly, less than 1% of our outstanding Common Shares.

KPMG LLP are our auditors and have confirmed they are independent of us within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

The operating statement containing revenues, royalties, production costs, and operating income of the Acquired Assets for the year ended December 31, 2016 included in Schedule A to this short form prospectus has been audited by Ernst & Young LLP, independent auditors, as set forth in their report appearing thereon elsewhere herein and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing. Ernst & Young LLP is independent with respect to the Vendor within the meaning of the Code of Professional Conduct of the American Institute of Certified Public Accountants (U.S.).

None of the designated professionals of Sproule, our independent engineering evaluator have any registered or beneficial interests, direct or indirect, in any of our securities or property, or securities or other property of the Vendor either at the time they prepared the statement, report or valuation or at any time thereafter.

None of the designated professionals of GLJ, our independent engineering evaluator and the independent engineering evaluator with respect to the Acquisition Report, have any registered or beneficial interests, direct or indirect, in any of our securities or property, or securities or other property of the Vendor either at the time they prepared the statement, report or valuation or at any time thereafter.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of us or of any of our associate or affiliate entities, except for John A. Brussa, one of our directors, who is a partner of Burnet, Duckworth & Palmer LLP.

PURCHASERS' STATUTORY AND CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In addition, original purchasers of Subscription Receipts will have the benefit of a contractual right of rescission exercisable following the issuance of Underlying Common Shares to such purchasers. See "*Details of the Offering*".

SCHEDULE A
OPERATING STATEMENTS – ACQUISITION

Midale and House Mountain Properties

Operating Statement Containing Revenue, Royalties, Production Costs, and Operating Income

For the three months ended March 31, 2017 and 2016 (unaudited) and the years ended
December 31, 2016 (audited) and 2015 (unaudited)



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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders of
Apache Corporation

We have audited the accompanying operating statement containing revenue, royalties, production costs, and operating income of the Midale and House Mountain properties of Apache Canada Ltd. for the year ended December 31, 2016, and a summary of significant accounting policies and other explanatory information (together "the operating statement").

Management's Responsibility for the Operating Statement

Management is responsible for the preparation of this operating statement of the Midale and House Mountain properties of Apache Canada Ltd. 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates 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 Midale and House Mountain properties of Apache Canada Ltd. for the year ended December 31, 2016, 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.

Other Matter

The operating statements of the Midale and House Mountain properties of Apache Canada Ltd. for the year ended December 31, 2015 and the three month periods ended March 31, 2017 and 2016 are unaudited.

Ernst + Young LLP

May 25, 2017

Midale and House Mountain Properties

Operating Statement Containing Revenue, Royalties, Production Costs, and Operating Income

For the three months ended March 31, 2017 and 2016 (unaudited) and the years ended
December 31, 2016 (audited) and 2015 (unaudited)

(\$ Canadian thousands)

	Three months ended March 31,		Years ended December 31,	
	2017	2016	2016	2015
	(unaudited)	(unaudited)	(audited)	(unaudited)
Revenue				
Revenue	\$ 28,589	\$ 19,972	\$ 101,889	\$ 126,438
Royalties	(4,627)	(2,359)	(14,466)	(16,033)
	23,962	17,613	87,423	110,405
Expense				
Production costs	10,219	9,131	37,216	44,465
Operating income	\$ 13,743	\$ 8,482	\$ 50,207	\$ 65,940

See accompanying notes to the operating statement.

Midale and House Mountain Properties

Notes to Operating Statement Containing Revenue, Royalties, Production Costs, and Operating Income

For the three months ended March 31, 2017 and 2016 (unaudited) and the years ended December 31, 2016 (audited) and 2015 (unaudited)

1. BASIS OF PRESENTATION

The operating statement containing revenue, royalties, production costs, and operating income includes Apache Canada Ltd.'s net working interests in the Midale and House Mountain petroleum and natural gas wells and facilities (the "Properties") offered for sale by Apache Corporation (Apache). Apache Canada Ltd. is a wholly owned subsidiary of Apache.

The operating statement has been prepared by Apache and reflects revenue, royalties, and production costs based on the Properties proportional working interests. 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, or income taxes for the properties as these amounts are based on the consolidated operations of Apache, of which these 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, production costs, and operating income reported in the operating statement for the three months ended March 31, 2017 and 2016 along with the years ended December 31, 2016 and 2015 are stated in accordance with generally accepted accounting principles (GAAP) in the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Revenue includes oil and gas revenues that are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectability of the revenue is probable.

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.

Production Costs

Production costs include all the direct operating expenses related to the lifting, gathering, processing, and delivery to a sales point of the oil, natural gas, and natural gas liquids. Such costs include labor, power, chemicals, repairs and maintenance, trucking, disposal, overhead and other direct costs. Corporate based costs are excluded from the operating statement.

3. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 25, 2017, the date the operating statements were available to be issued, and has concluded no events need to be reported during the period.

SCHEDULE B
PRO FORMA OPERATING STATEMENTS

Cardinal Energy Ltd.

Pro Forma Operating Statement

For the Three Months Ended March 31, 2017

Amounts are presented in thousands of Canadian dollars (unaudited)

	Cardinal Energy Ltd.	Midale and House Mountain Properties	Pro Forma
Revenue			
Petroleum and natural gas	\$ 62,574	\$ 28,589	\$ 91,163
Royalties	(8,727)	(4,627)	(13,354)
	53,847	23,962	77,809
Expense			
Operating	31,347	10,219	41,566
Operating income	\$ 22,500	\$ 13,743	\$ 36,243

See accompanying notes to the pro forma operating statements.

Cardinal Energy Ltd.

Pro Forma Operating Statement

For the Year Ended December 31, 2016

Amounts are presented in thousands of Canadian dollars (unaudited)

	Cardinal Energy Ltd.	Midale and House Mountain Properties	Pro Forma
Revenue			
Petroleum and natural gas	\$ 195,942	\$ 101,889	\$ 297,831
Royalties	(24,639)	(14,466)	(39,105)
	171,303	87,423	258,726
Expense			
Operating	113,509	37,216	150,725
Operating income	\$ 57,794	\$ 50,207	\$ 108,001

See accompanying notes to the pro forma operating statements.

Cardinal Energy Ltd.

Notes to the Pro Forma Operating Statements

For the three months ended March 31, 2017 and for the year ended December 31, 2016
(unaudited)

1. Basis of presentation

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

On June 1, 2017, Cardinal entered into the definitive purchase and sale agreement to acquire certain petroleum and natural gas properties in the Midale area of Saskatchewan and the House Mountain area of Alberta (the "Midale and House Mountain Acquisition"). The Midale and House Mountain Acquisition has not closed yet.

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, 2016 and unaudited interim condensed financial statements for the three months ended March 31, 2017 prepared in accordance with International Financial Reporting Standards ("IFRS").

Midale and House Mountain properties audited operating statement for the year ended December 31, 2016 and unaudited operating statement for the three months ended March 31, 2017 prepared in accordance with generally accepted accounting principles in the United States ("US GAAP").

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. Management did not identify differences between US GAAP and IFRS in the preparation of these pro forma operating statements.

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.

CERTIFICATE OF CARDINAL ENERGY LTD.

Dated: June 14, 2017

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada (other than Québec and Prince Edward Island).

(signed) "*M. Scott Ratushny*"
Chief Executive Officer

(signed) "*Douglas Smith*"
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(signed) "*John Brussa*"
Director

(signed) "*Gregory T. Tisdale*"
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 14, 2017

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the Provinces of Canada (other than Québec and Prince Edward Island).

RBC DOMINION SECURITIES INC.

(signed) "*Darrell Law*"

CIBC WORLD MARKETS INC.

(signed) "*Chris Folan*"

GMP SECURITIES L.P.

(signed) "*Dean M. Willner*"

NATIONAL BANK FINANCIAL INC.

(signed) "*Ian Charles*"

SCOTIA CAPITAL INC.

(signed) "*David Baboneau*"

BMO NESBITT BURNS INC.

(signed) "*David M. Vettors*"

**CANACCORD GENUITY
CORP.**

(signed) "*Neil Duffy*"

**CORMARK SECURITIES
INC.**

(signed) "*Ryan Mooney*"

PETERS & CO. LIMITED

(signed) "*J.G. (Jeff) Lawson*"

TD SECURITIES INC.

(signed) "*Scott Barron*"