

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Whitecap Resources Inc. (the "Company" or "Whitecap") is dated July 30, 2019 and should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes for the period ended June 30, 2019, as well as the audited annual consolidated financial statements and related notes for the year ended December 31, 2018. These unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual consolidated financial statements for the year ended December 31, 2018 and Note 3 of the unaudited interim consolidated financial statements for the period ended June 30, 2019. The MD&A should also be read in conjunction with Whitecap's disclosure under "Non-GAAP Measures" and "Forward-Looking Information and Statements" below. Additional information respecting Whitecap, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on our website at [www.wcap.ca](http://www.wcap.ca).

The unaudited interim consolidated financial statements of Whitecap have been prepared by management and approved by the Company's Board of Directors.

### DESCRIPTION OF BUSINESS

Whitecap is a Calgary based oil and gas company that is engaged in the business of acquiring, developing and holding interests in petroleum and natural gas properties and assets. Whitecap's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol WCP.

### 2019 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

#### Production

Whitecap's average production volumes and commodity splits were as follows:

|                      | Three months ended |                 | Six months ended |                 |
|----------------------|--------------------|-----------------|------------------|-----------------|
|                      | 2019               | June 30<br>2018 | 2019             | June 30<br>2018 |
| Crude oil (bbls/d)   | 55,155             | 59,786          | 55,177           | 58,886          |
| NGLs (bbls/d)        | 4,417              | 4,461           | 4,402            | 4,233           |
| Natural gas (Mcf/d)  | 66,231             | 69,393          | 66,358           | 68,129          |
| Total (boe/d)        | 70,611             | 75,813          | 70,639           | 74,474          |
| Production split (%) |                    |                 |                  |                 |
| Crude oil and NGLs   | 84                 | 85              | 84               | 85              |
| Natural gas          | 16                 | 15              | 16               | 15              |
| Total                | 100                | 100             | 100              | 100             |

Average production volumes decreased seven percent to 70,611 boe/d in the second quarter of 2019 from 75,813 boe/d in the second quarter of 2018. Year to date, average production volumes decreased five percent to 70,639 boe/d from 74,474 boe/d for the same period in 2018. With the volatility in both West Texas Intermediate and Canadian oil price differentials late in 2018, the Company elected to take a defensive approach in the first half of 2019 by reducing capital spending compared to the prior year with the focus on further strengthening the balance sheet. In the first half of 2019, capital expenditures were \$151.4 million which is 34 percent of the 2019 budgeted capital program, compared to \$249.1 million in the first half of 2018, which was 57 percent of the capital budget for 2018. The execution of the reduced program was successful, drilling 7 (4.6 net) wells and 63 (56.7 net) wells, respectively in the three and six months ended June 30, 2019 compared to 47 (42.0 net) wells and 151 (134.8 net) wells, respectively, for the same periods in 2018.

Our crude oil and NGLs weighting in the second quarter of 2019 is generally consistent compared to the second quarter of 2018.

## Petroleum and Natural Gas Sales

A breakdown of petroleum and natural gas revenues is as follows:

| (\$000s)                           | Three months ended |                 | Six months ended |                 |
|------------------------------------|--------------------|-----------------|------------------|-----------------|
|                                    | 2019               | June 30<br>2018 | 2019             | June 30<br>2018 |
| Crude oil                          | 358,341            | 410,014         | 674,292          | 750,666         |
| NGLs                               | 9,045              | 15,560          | 20,059           | 28,532          |
| Natural gas                        | 7,344              | 7,806           | 23,618           | 22,232          |
| Petroleum and natural gas revenues | 374,730            | 433,380         | 717,969          | 801,430         |
| Tariffs                            | (2,788)            | (4,106)         | (6,347)          | (11,040)        |
| Processing income                  | 3,480              | 3,463           | 6,740            | 6,850           |
| Blending revenue                   | 3,912              | 3,500           | 15,833           | 3,500           |
| Petroleum and natural gas sales    | 379,334            | 436,237         | 734,195          | 800,740         |

Petroleum and natural gas revenues in the second quarter of 2019 decreased 14 percent to \$374.7 million from \$433.4 million in the second quarter of 2018. The decrease of \$58.7 million consists of \$32.3 million attributed to lower production volumes and \$26.4 million attributed to lower realized prices. Year to date, petroleum and natural gas revenues decreased 10 percent to \$718.0 million from \$801.4 million for the same period in 2018. The decrease of \$83.4 million consists of \$46.7 million attributed to lower production volumes and \$36.7 million attributed to lower realized prices.

## Benchmark and Realized Prices

Average benchmark and realized prices are as follows:

|   | Three months ended |                 | Six months ended |                 |
|---|--------------------|-----------------|------------------|-----------------|
|   | 2019               | June 30<br>2018 | 2019             | June 30<br>2018 |
| <b>Average benchmark prices</b>               |                    |                 |                  |                 |
| WTI (US\$/bbl) <sup>(1)</sup>                 | 59.81              | 67.88           | 57.36            | 65.37           |
| Exchange rate (US\$/C\$)                      | 1.34               | 1.29            | 1.33             | 1.28            |
| WTI (C\$/bbl)                                 | 80.03              | 87.64           | 76.50            | 83.59           |
| MSW Par at Edmonton (\$/bbl) <sup>(2)</sup>   | 73.59              | 80.62           | 70.00            | 76.40           |
| Fosterton Par at Regina (\$/bbl)              | 70.52              | 68.90           | 67.08            | 62.47           |
| Midale Par at Cromer (\$/bbl)                 | 79.93              | 82.96           | 75.82            | 78.18           |
| AECO natural gas (\$/Mcf) <sup>(3)</sup>      | 1.03               | 1.18            | 1.83             | 1.63            |
| <b>Average realized prices <sup>(4)</sup></b> |                    |                 |                  |                 |
| Crude oil (\$/bbl)                            | 71.40              | 75.36           | 67.52            | 70.43           |
| NGLs (\$/bbl)                                 | 22.50              | 38.33           | 25.18            | 37.24           |
| Natural gas (\$/Mcf)                          | 1.22               | 1.24            | 1.97             | 1.80            |
| Combined (\$/boe)                             | 58.32              | 62.82           | 56.15            | 59.45           |

Notes:

- (1) WTI represents the calendar month average of West Texas Intermediate oil.
- (2) Mixed Sweet Blend ("MSW")
- (3) AECO represents the AECO 5A Daily Index price.
- (4) Prior to the impact of hedging activities and tariffs.

Whitecap's weighted average realized price prior to the impact of hedging activities and tariffs decreased seven percent to \$58.32 per boe in the second quarter of 2019 compared to \$62.82 per boe in the second quarter of 2018. Year to date, Whitecap's weighted average realized price prior to the impact of hedging activities and tariffs decreased six percent to \$56.15 per boe compared to \$59.45 per boe for the same period in 2018.

The WTI price decreased by 12 percent to average US\$59.81 per barrel in the second quarter of 2019 compared to US\$67.88 per barrel in the second quarter of 2018. The WTI price decreased by 12 percent to average US\$57.36 per barrel for the first half of 2019 compared to US\$65.37 per barrel for the first half

of 2018. The decrease is primarily due to significant growth in US light oil supply. The growth in the second quarter of 2019 compared to the second quarter of 2018 was approximately 1.5 million boe per day or 14 percent. In the first half of 2019, the US light oil supply increased over 1.6 million boe per day compared to the same period in 2018. US supply continued to reach record levels through the first half of 2019, peaking at 12.4 million boe per day in May 2019, an increase of 14 percent compared to the first half of 2018.

The MSW par oil prices decreased by nine percent to average \$73.59 per barrel in the second quarter of 2019 compared to \$80.62 per barrel in the second quarter of 2018. MSW par oil prices decreased by eight percent to average \$70.00 per barrel in the first half of 2019 compared to \$76.40 per barrel in the first half of 2018. The decreases are primarily due to lower WTI oil prices, slightly offset by a stronger foreign exchange rate and an improvement in price differentials to WTI.

The Company's realized crude oil price in southwest Saskatchewan is based on Fosterton par prices at Regina. Fosterton oil price increased two percent to average \$70.52 per barrel in the second quarter of 2019 compared to \$68.90 per barrel in the second quarter of 2018. Fosterton par oil prices increased seven percent to average \$67.08 per barrel for the first half of 2019 compared to \$62.47 per barrel for the first half of 2018. The increases are primarily due to stronger oil price differentials to WTI, as the Alberta Government's crude oil curtailment legislation was implemented on January 1, 2019, reducing crude oil supply in Alberta and strengthening differentials across all of Whitecap's oil sales streams in both Alberta and Saskatchewan. Fosterton price differentials improved as competing Alberta oil supplies were reduced and crude transported by rail increased. As the Company's oil sales in Saskatchewan are downstream of major pipeline bottlenecks in Alberta, Fosterton differentials are also stronger due to less pipeline capacity apportionment.

The Company's realized crude oil price in southeast Saskatchewan is based on Midale par price at Cromer. Midale par price decreased four percent to average \$79.93 per barrel in the second quarter of 2019 compared to \$82.96 per barrel in the second quarter of 2018. Midale par oil prices decreased three percent to average \$75.82 per barrel for the first half of 2019 compared to \$78.18 per barrel for the first half of 2018. The decreases are primarily due to lower WTI oil prices.

The AECO daily spot price decreased 13 percent to average \$1.03 per Mcf in the second quarter of 2019 compared to an average of \$1.18 per Mcf in the second quarter of 2018. The decrease was primarily due to excess supply and ongoing pipeline transportation constraints. The AECO daily spot price increased 12 percent to average \$1.83 per Mcf for the first half of 2019 compared to an average of \$1.63 per Mcf for the first half of 2018. The increase was primarily due to stronger prices in February and March of 2019 due to increased demand and weather-related supply disruptions.

The natural gas liquids realized price decreased 41 percent to average \$22.50 per barrel in the second quarter of 2019 compared to \$38.33 per barrel in the second quarter of 2018. The natural gas liquids realized price decreased 32 percent to average \$25.18 per barrel for the first half of 2019 compared to \$37.24 per barrel for the first half of 2018. The decreases are primarily due to excess supply and transportation bottlenecks.

### **Risk Management and Hedging Activities**

Whitecap maintains an ongoing risk management program to reduce the volatility of revenues in order to fund capital expenditures and pay cash dividends to shareholders.

The Company realized a loss of \$11.7 million and \$14.7 million on its commodity risk management contracts for the three and six months ended June 30, 2019, respectively. The unrealized gains and losses are a result of the non-cash change in the mark-to-market values period over period. The significant assumptions made in determining the fair value of financial instruments are disclosed in Note 4 to the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2019.

| <b>Risk Management Contracts (\$000s)</b>                        | Three months ended<br>June 30 |                  | Six months ended<br>June 30 |                  |
|--|-------------------------------|------------------|-----------------------------|------------------|
|  | 2019                          | 2018             | 2019                        | 2018             |
| Realized loss on commodity and foreign exchange (FX) contracts   | (11,653)                      | (41,214)         | (14,703)                    | (56,621)         |
| Unrealized gain (loss) on commodity and FX contracts             | 29,474                        | (69,253)         | (78,844)                    | (117,021)        |
| Net gain (loss) on commodity and FX contracts                    | 17,821                        | (110,467)        | (93,547)                    | (173,642)        |
| Realized gain (loss) on interest rate contracts <sup>(1)</sup>   | 3                             | (568)            | 95                          | (1,229)          |
| Unrealized gain (loss) on interest rate contracts <sup>(1)</sup> | (4)                           | 368              | (181)                       | 960              |
| <b>Net gain (loss) on risk management contracts</b>              | <b>17,820</b>                 | <b>(110,667)</b> | <b>(93,633)</b>             | <b>(173,911)</b> |

Note:

<sup>(1)</sup> The gain (loss) on interest rate risk management contracts is included in interest and financing expense.

At June 30, 2019, the following risk management contracts were outstanding with an asset fair market value of \$8.4 million and a liability fair market value of \$2.8 million:

*WTI Crude Oil Derivative Contracts*

| <b>Type</b> | <b>Term</b>    | <b>Volume<br/>(bbls/d)</b> | <b>Bought Put<br/>Price<br/>(C\$/bbl) <sup>(1)</sup></b> | <b>Sold Call<br/>Price<br/>(C\$/bbl) <sup>(1)</sup></b> | <b>Swap Price<br/>(C\$/bbl) <sup>(1)</sup></b> |
|-------------|----------------|----------------------------|--|---|--|
| Swap        | 2019 Jul – Dec | 10,000                     |  |   | 73.06  |
| Collar      | 2019 Jul – Dec | 12,000                     | 71.79  | 92.50   |  |
| Collar      | 2020 Jan – Jun | 9,000                      | 68.89  | 88.83   |  |
| Collar      | 2020 Jul – Dec | 2,000                      | 70.00  | 85.15   |  |
| Collar      | 2020           | 1,000                      | 68.00  | 85.20   |  |

Note:

<sup>(1)</sup> Prices reported are the weighted average prices for the period.

*WTI Crude Oil Differential Derivative Contracts*

| <b>Type</b> | <b>Term</b>    | <b>Volume<br/>(bbls/d)</b> | <b>Basis <sup>(1)</sup></b> | <b>Swap Price<br/>(C\$/bbl) <sup>(2)</sup></b> |
|-------------|----------------|----------------------------|-----------------------------|--|
| Swap        | 2019 Jul – Sep | 2,000                      | MSW                         | 9.45   |
| Swap        | 2019 Aug – Dec | 4,000                      | MSW                         | 11.43  |

Notes:

<sup>(1)</sup> Mixed Sweet Blend (“MSW”).

<sup>(2)</sup> Prices reported are the weighted average prices for the period.

*Power Derivative Contracts*

| <b>Type</b> | <b>Term</b>    | <b>Volume<br/>(MWh)</b> | <b>Fixed Rate<br/>(\$/MWh) <sup>(1)</sup></b> |
|-------------|----------------|-------------------------|---|
| Swap        | 2019 Jul – Dec | 13,248                  | 51.10   |
| Swap        | 2020           | 8,784                   | 50.50   |

Note:

<sup>(1)</sup> Prices reported are the weighted average prices for the period.

## Royalties

| (\$000s, except per boe amounts)             | Three months ended |        | Six months ended |         |
|--|--------------------|--------|------------------|---------|
|  | 2019               | 2018   | 2019             | 2018    |
| Royalties                                    | 70,420             | 75,799 | 129,696          | 144,180 |
| As a % of petroleum and natural gas revenues | 19                 | 17     | 18               | 18      |
| \$ per boe                                   | 10.96              | 10.99  | 10.14            | 10.70   |

Royalties as a percentage of revenues in the second quarter of 2019 were 19 percent compared to 17 percent in the second quarter of 2018. The increase is primarily attributed to prior period adjustments in Southeast Saskatchewan. Excluding the prior period adjustments, royalties as a percentage of revenues were generally consistent with the second quarter of 2018. Year to date, royalties as a percentage of revenues were generally consistent with the same period in 2018. Whitecap pays royalties to the provincial governments and mineral owners in Alberta, Saskatchewan and British Columbia. Each province has separate royalty regimes which impact Whitecap's overall corporate royalty rate.

## Operating Expenses

| (\$000s, except per boe amounts) | Three months ended |        | Six months ended |         |
|----------------------------------|--------------------|--------|------------------|---------|
|                                  | 2019               | 2018   | 2019             | 2018    |
| Operating expenses               | 80,004             | 81,359 | 160,646          | 161,367 |
| \$ per boe                       | 12.45              | 11.79  | 12.56            | 11.97   |

Operating expenses per boe in the second quarter of 2019 increased six percent to \$12.45 per boe compared to \$11.79 per boe in the second quarter of 2018. Year to date, operating expenses per boe increased five percent to \$12.56 per boe compared to \$11.97 per boe for the same period in 2018. The increases in operating expenses per boe in the three and six months ended June 30, 2019, are primarily attributed to higher per boe fixed operating expenses, as a result of lower production volumes, and higher workovers completed, compared to the same periods in 2018. The increases were partially offset by a \$0.41 per boe decrease, in both the three and six months ended June 30, 2019, as a result of Whitecap's adoption of IFRS 16 on January 1, 2019, as certain contracts which were previously accounted for as operating leases are now recognized on the consolidated balance sheet. The interest portion of lease payments is now included in interest and financing expenses and the principal portion of lease payments is applied against the lease liabilities.

## Transportation Expenses

| (\$000s, except per boe amounts) | Three months ended |        | Six months ended |        |
|----------------------------------|--------------------|--------|------------------|--------|
|                                  | 2019               | 2018   | 2019             | 2018   |
| Transportation expenses          | 14,114             | 16,419 | 28,124           | 28,921 |
| \$ per boe                       | 2.20               | 2.38   | 2.20             | 2.15   |

Transportation expenses in the second quarter of 2019 decreased eight percent to \$2.20 per boe compared to \$2.38 per boe in the second quarter of 2018. The decrease is primarily due to lower clean oil hauling costs in Northwest Alberta and British Columbia ("NABC") and West Central Alberta ("WCAB"). Year to date, transportation expenses increased two percent to \$2.20 per boe compared to \$2.15 per boe for the same period in 2018.

Transportation expenses per boe will fluctuate quarterly based on pipeline connectivity or downtime, weather, shipper status and pipeline shipping arrangements. When Whitecap has shipper status, pipeline tariffs incurred by the Company are included in transportation expenses. When Whitecap does not have shipper status, pipeline tariffs incurred by commodity purchasers subsequent to the delivery of the Company's product are charged back to Whitecap and are netted against petroleum and natural gas sales.

## Operating Netbacks

The components of operating netbacks are shown below:

| Netbacks (\$/boe)                  | Three months ended |         | Six months ended |         |
|------------------------------------|--------------------|---------|------------------|---------|
|                                    | 2019               | 2018    | 2019             | 2018    |
| Petroleum and natural gas revenues | 58.32              | 62.82   | 56.15            | 59.45   |
| Tariffs                            | (0.43)             | (0.60)  | (0.50)           | (0.82)  |
| Processing income                  | 0.54               | 0.50    | 0.53             | 0.51    |
| Blending revenue                   | 0.61               | 0.51    | 1.24             | 0.26    |
| Petroleum and natural gas sales    | 59.04              | 63.23   | 57.42            | 59.40   |
| Realized hedging loss              | (1.81)             | (5.97)  | (1.15)           | (4.20)  |
| Royalties                          | (10.96)            | (10.99) | (10.14)          | (10.70) |
| Operating expenses                 | (12.45)            | (11.79) | (12.56)          | (11.97) |
| Transportation expenses            | (2.20)             | (2.38)  | (2.20)           | (2.15)  |
| Blending expenses                  | (0.62)             | (0.35)  | (1.20)           | (0.18)  |
| Operating netbacks <sup>(1)</sup>  | 31.00              | 31.75   | 30.17            | 30.20   |

Note:

<sup>(1)</sup> Operating netbacks are non-GAAP measures which are defined under the Non-GAAP Measures section of this MD&A.

Operating netbacks in the second quarter of 2019 decreased two percent to \$31.00 per boe compared to \$31.75 per boe in the second quarter of 2018. The decrease on a per boe basis was primarily due to lower petroleum and natural gas revenues and higher operating expenses, partially offset by lower realized hedging losses. Year to date, operating netbacks were generally consistent compared to the same period in 2018.

## General and Administrative (“G&A”) Expenses

| (\$000s, except per boe amounts) | Three months ended |         | Six months ended |         |
|----------------------------------|--------------------|---------|------------------|---------|
|                                  | 2019               | 2018    | 2019             | 2018    |
| G&A costs net of recoveries      | 8,091              | 10,692  | 17,852           | 21,448  |
| Capitalized G&A                  | (1,377)            | (1,946) | (4,489)          | (4,476) |
| G&A expenses                     | 6,714              | 8,746   | 13,363           | 16,972  |
| \$ per boe                       | 1.04               | 1.27    | 1.05             | 1.26    |

G&A expenses per boe in the second quarter of 2019 decreased 18 percent to \$1.04 per boe compared to \$1.27 per boe in the second quarter of 2018. Year to date, G&A expenses per boe decreased 17 percent to \$1.05 per boe compared to \$1.26 per boe for the same period in 2018. The decreases on a per boe basis are primarily attributed to a \$0.16 per boe decrease in both the three and six months ended June 30, 2019, as a result of Whitecap’s adoption of IFRS 16 on January 1, 2019, as certain contracts which were previously accounted for as operating leases are now recognized on the consolidated balance sheet. The interest portion of lease payments is now included in interest and financing expenses and the principal portion of lease payments is applied against the lease liabilities. The decrease in capitalized G&A in the second quarter of 2019 compared to the second quarter of 2018 is a result of reduced rates of capitalization compared to the prior year.

## Share-based Awards

| (\$000s, except per boe amounts)     | Three months ended |                 | Six months ended |                 |
|--------------------------------------|--------------------|-----------------|------------------|-----------------|
|                                      | 2019               | June 30<br>2018 | 2019             | June 30<br>2018 |
| Stock-based compensation             | 4,826              | 6,101           | 11,588           | 14,644          |
| Capitalized stock-based compensation | (1,331)            | (1,582)         | (3,288)          | (4,200)         |
| Stock-based compensation expenses    | 3,495              | 4,519           | 8,300            | 10,444          |
| \$ per boe                           | 0.54               | 0.66            | 0.65             | 0.77            |

In the three and six months ended June 30, 2019, the Company recorded a stock-based compensation expense of \$4.8 million and \$11.6 million, respectively. The decreases compared to prior periods are primarily attributed to lower stock-based compensation expenses on cash-settled awards, due to remeasuring the fair value of the awards at Whitecap's share price on June 30, 2019, and new grants of awards with a lower per award fair value as a result of declines in the prevailing share price at grant date. Stock-based compensation will fluctuate with changes to the expected payout multipliers associated with the performance awards, vesting of existing grants, additional grants under the Award Incentive Plan, as well as changes in fair value for awards that are accounted for as cash-settled.

### ***Award Incentive Plan***

The Company implemented an Award Incentive Plan effective April 30, 2013. The Award Incentive Plan has time-based awards and performance awards which may be granted to directors, officers, employees of the Company and other service providers. Effective January 1, 2017, independent outside directors will receive only time-based awards as the primary form of long-term compensation. As at June 30, 2019, the maximum number of common shares issuable under the plan shall not at any time exceed 3.755 percent of the total common shares outstanding. Vesting is determined by the Company's Board of Directors. Currently, time-based awards and performance awards issued to employees of the Company vest three years from date of grant. Time-based awards issued to independent outside directors and performance awards issued to officers of the Company vest in two tranches with one half of such awards vesting February 1 of the third year following the grant date and one-half vesting October 1 of the third year following the grant date.

Each time-based award may in the Company's sole discretion, entitle the holder to be issued the number of common shares designated in the time-based award plus dividend equivalents or payment in cash. Decisions regarding settlement method for insider and non-insider awards are mutually exclusive. On October 1, 2018, consistent with the terms of the Award Incentive Plan, awards vesting for insiders were settled in cash. As a result, the remaining insider awards were accounted for as cash-settled, resulting in the recognition of share award liabilities on the consolidated balance sheet. Performance awards are also subject to a performance multiplier. This multiplier, ranging from zero to two, will be applied on vesting and is dependent on the performance of the Company relative to predefined corporate performance measures set by the Board of Directors for the associated period.

A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of awards that vest. Based on the terms of the Award Incentive Plan, the fair value of share awards is equal to the underlying share price on grant date. The fair value of awards that are accounted for as cash-settled transactions are subsequently adjusted to the underlying share price at each period end. The resulting stock-based compensation expense is recognized on a straight-line basis over the vesting period, with a corresponding increase to contributed surplus in the case of awards accounted for as equity-settled, or accounts payable and share-based compensation liability in the case of awards accounted for as cash-settled. Upon the vesting of the awards that are accounted for as equity-settled, the associated amount in contributed surplus is recorded as an increase to share capital.

As at June 30, 2019, the Company had 7.7 million awards outstanding.

## Interest and Financing Expenses

| (\$000s, except per boe amounts) | Three months ended<br>June 30 |        | Six months ended<br>June 30 |        |
|----------------------------------|-------------------------------|--------|-----------------------------|--------|
|                                  | 2019                          | 2018   | 2019                        | 2018   |
| Interest and financing expenses  | 13,191                        | 13,387 | 27,030                      | 26,297 |
| \$ per boe                       | 2.05                          | 1.94   | 2.11                        | 1.95   |

Interest and financing expenses per boe increased six percent to \$2.05 per boe in the second quarter of 2019 compared to \$1.94 per boe in the second quarter of 2018. Year to date, interest and financing expenses per boe increased eight percent to \$2.11 per boe compared to \$1.95 per boe for the same period in 2018. The increases on a per boe basis were mainly attributed to a \$0.15 per boe increase in both the three and six months ended June 30, 2019, as a result of Whitecap's adoption of IFRS 16 on January 1, 2019, as the interest portion of lease payments is now included in interest and financing expenses, and lower production volumes.

## Depletion, Depreciation and Amortization ("DD&A")

| (\$000s, except per boe amounts)         | Three months ended<br>June 30 |         | Six months ended<br>June 30 |         |
|--|-------------------------------|---------|-----------------------------|---------|
|  | 2019                          | 2018    | 2019                        | 2018    |
| Depletion, Depreciation and Amortization | 118,838                       | 121,906 | 235,680                     | 237,875 |
| \$ per boe                               | 18.49                         | 17.67   | 18.43                       | 17.65   |

DD&A per boe in the second quarter of 2019 increased five percent to \$18.49 per boe compared to \$17.67 per boe in the second quarter of 2018. Year to date, DD&A per boe increased four percent to \$18.43 per boe compared to \$17.65 per boe for the same period in 2018. The increases on a per boe basis were mainly attributed to a \$0.55 per boe increase in both the three and six months ended June 30, 2019, as a result of Whitecap's adoption of IFRS 16 on January 1, 2019, as depreciation is recognized on the right-of-use assets over the lease terms. DD&A per boe will fluctuate from one period to the next depending on the amount and type of capital spending, the recognition or reversal of impairments, the amount of reserves added and production volumes. The depletion rates are calculated on proved and probable oil and natural gas reserves, taking into account the future development costs to produce the reserves.

## Taxes

During the three and six months ended June 30, 2019, the Company recognized a deferred income tax expense of \$24.3 million and \$7.9 million, respectively, compared to a deferred income tax expense of \$1.0 million and \$1.3 million, respectively, for the same periods in 2018. The general Provincial tax rate in Alberta was decreased on June 28, 2019 from 12 percent to 11 percent for the second half of 2019, 10 percent for 2020, 9 percent for 2021 and 8 percent for 2022 and beyond. As a result of the rate change, Whitecap recognized \$12.5 million in deferred income tax recovery in the consolidated statement of comprehensive income for the three and six months ended June 30, 2019.

The following gross deductions are available for deferred income tax purposes:

| (\$000s)                              | June 30<br>2019  | December 31<br>2018 |
|---------------------------------------|------------------|---------------------|
| Undepreciated capital cost            | 639,773          | 594,470             |
| Canadian development expense          | 702,830          | 598,346             |
| Canadian oil and gas property expense | 1,742,173        | 1,807,731           |
| Non-capital loss carry forward        | 618,622          | 919,893             |
| Share issue costs                     | 15,874           | 30,467              |
| <b>Total</b>                          | <b>3,719,272</b> | <b>3,950,907</b>    |

## Net Income (Loss)

For the three and six months ended June 30, 2019, the Company recognized net income of \$58.4 million and \$5.8 million, respectively, compared to a net loss of \$3.6 million and \$11.4 million for the same periods in 2018, respectively. The following changes impacted net income:

| (\$000s)  | Three months ended |  | Six months ended |  |
|---|--------------------|--|------------------|--|
|   | June 30            |  | June 30          |  |
| 2018 Net Loss                                   | (3,615)            |  | (11,370)         |  |
| Change in net gain on risk management contracts | 128,288            |  | 80,095           |  |
| Decrease in royalties                           | 5,379              |  | 14,484           |  |
| Decrease in petroleum and natural gas sales     | (56,903)           |  | (66,545)         |  |
| Increase in blending expenses                   | (1,599)            |  | (12,955)         |  |
| Change in deferred income tax expense           | (23,282)           |  | (6,532)          |  |
| Other net changes                               | 10,089             |  | 8,619            |  |
| 2019 Net Income                                 | 58,357             |  | 5,796            |  |

The factors causing these changes are discussed in the preceding sections.

## Cash Flow from Operating Activities, Funds Flow and Payout Ratios

Management considers funds flow to be a key measure of operating performance as it demonstrates Whitecap's ability to generate the cash necessary to pay dividends, repay debt, make capital investments, and/or to repurchase common shares under the Company's normal course issuer bid ("NCIB"). Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds flow provides a useful measure of Whitecap's ability to generate cash that is not subject to short-term movements in non-cash operating working capital. Funds flow is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

Whitecap reports funds flow in total and on a per share basis. Refer to Note 5(e) "Capital Management" in the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2019. The following table reconciles cash flow from operating activities to funds flow and free funds flow:

| (\$000s)   | Three months ended |                 | Six months ended |                 |
|--|--------------------|-----------------|------------------|-----------------|
|  | 2019               | June 30<br>2018 | 2019             | June 30<br>2018 |
| Cash flow from operating activities                    | 198,246            | 225,933         | 335,098          | 383,495         |
| Changes in non-cash working capital                    | (22,709)           | (30,117)        | 1,660            | (22,880)        |
| Funds flow <sup>(1)</sup>                              | 175,537            | 195,816         | 336,758          | 360,615         |
| Dividends paid or declared                             | 34,686             | 32,719          | 68,152           | 64,906          |
| Expenditures on property, plant and equipment ("PP&E") | 26,463             | 66,444          | 151,367          | 249,059         |
| Free funds flow <sup>(2)</sup>                         | 114,388            | 96,653          | 117,239          | 46,650          |
| Basic payout ratio (%) <sup>(2)</sup>                  | 20                 | 17              | 20               | 18              |
| Total payout ratio (%) <sup>(2)</sup>                  | 35                 | 51              | 65               | 87              |
| Funds flow per share, basic                            | 0.42               | 0.47            | 0.81             | 0.86            |
| Funds flow per share, diluted                          | 0.42               | 0.47            | 0.81             | 0.86            |
| Dividends paid or declared per share                   | 0.08               | 0.08            | 0.17             | 0.16            |

Notes:

<sup>(1)</sup> Refer to Note 5(e) "Capital Management" in the financial statements.

<sup>(2)</sup> Free funds flow, basic payout ratio and total payout ratio are non-GAAP measures which are defined under the Non-GAAP Measures section of this MD&A.

Dividends are only declared once they are approved by the Company's Board of Directors. The Board of Directors reviews Whitecap's dividend policy on a monthly basis.

Cash flow from operating activities for the three and six months ended June 30, 2019, was \$198.2 million and \$335.1 million, respectively, compared to \$225.9 million and \$383.5 million for the same periods in 2018. The following changes impacted cash flow from operating activities:

| (\$000s)   | Three months ended | Six months ended |
|--|--------------------|------------------|
|  | June 30            | June 30          |
| 2018 Cash flow from operating activities               | 225,933            | 383,495          |
| Change in unrealized loss on risk management contracts | (98,355)           | (37,036)         |
| Net change in non-cash working capital items           | (7,408)            | (24,540)         |
| Other net changes                                      | (7,178)            | (10,519)         |
| Change in net income                                   | 61,972             | 17,166           |
| Change in deferred income tax expense or recovery      | 23,282             | 6,532            |
| 2019 Cash flow from operating activities               | 198,246            | 335,098          |

Funds flow for the three and six months ended June 30, 2019, was \$175.5 million and \$336.8 million, respectively, compared to \$195.8 million and \$360.6 million for the same periods in 2018. The decrease in funds flow is primarily attributed to lower production volumes and commodity prices.

The impact as a result of the adoption of IFRS 16 on funds flow, for the three and six months ended June 30, 2019, was an increase of \$2.7 million and \$5.3 million, respectively.

Free funds flow for the three and six months ended June 30, 2019, was \$114.4 million and \$117.2 million, respectively, compared to \$96.7 million and \$46.7 million for the same periods in 2018. The increases in free funds flow are primarily attributed to lower expenditures on PP&E, which were partially offset by lower funds flow.

### Capital Expenditures

| (\$000s)                   | Three months ended |         | Six months ended |         |
|----------------------------|--------------------|---------|------------------|---------|
|                            | 2019               | 2018    | 2019             | 2018    |
| Land and geological        | 274                | 185     | 3,590            | 270     |
| Drilling and completions   | 18,603             | 54,874  | 122,649          | 225,378 |
| Investment in facilities   | 5,974              | 9,323   | 20,237           | 18,575  |
| Capitalized administration | 1,377              | 1,946   | 4,489            | 4,476   |
| Corporate and other assets | 235                | 116     | 402              | 360     |
| Expenditures on PP&E       | 26,463             | 66,444  | 151,367          | 249,059 |
| Property acquisitions      | 196                | 1,108   | 1,586            | 1,723   |
| Property dispositions      | 44                 | (1,585) | (623)            | (1,712) |
| Corporate acquisition      | -                  | -       | -                | 53,166  |
| Total capital expenditures | 26,703             | 65,967  | 152,330          | 302,236 |

For the second quarter of 2019, expenditures on PP&E totaled \$26.5 million with 93 percent spent on drilling, completions and facilities.

For the three and six months ended June 30, 2019, Whitecap's drilling activity was as follows:

|  | Three months ended<br>June 30, 2019 |            | Six months ended<br>June 30, 2019 |             |
|--|-------------------------------------|------------|-----------------------------------|-------------|
|  | Gross                               | Net        | Gross                             | Net         |
| Northwest Alberta and British Columbia   | 1                                   | 0.1        | 6                                 | 5.1         |
| Southwest Saskatchewan <sup>(1)</sup>    | 4                                   | 2.8        | 21                                | 16.5        |
| West Central Alberta <sup>(2)</sup>      | 2                                   | 1.7        | 13                                | 12.2        |
| West Central Saskatchewan <sup>(3)</sup> | -                                   | -          | 23                                | 22.9        |
| <b>Total</b>                             | <b>7</b>                            | <b>4.6</b> | <b>63</b>                         | <b>56.7</b> |

Notes:

(1) Includes 2 (1.2 net) and 3 (1.7 net) injection wells in the three and six months ended June 30, 2019, respectively.

(2) Includes 3 (2.6 net) injection wells in the six months ended June 30, 2019.

(3) Includes 2 (2.0 net) injection wells in the six months ended June 30, 2019.

For the three and six months ended June 30, 2018, Whitecap's drilling activity was as follows:

|  | Three months ended<br>June 30, 2018 |             | Six months ended<br>June 30, 2018 |              |
|--|-------------------------------------|-------------|-----------------------------------|--------------|
|  | Gross                               | Net         | Gross                             | Net          |
| Northwest Alberta and British Columbia | 1                                   | 1.0         | 11                                | 10.5         |
| Southwest Saskatchewan                 | 11                                  | 7.0         | 29                                | 18.8         |
| West Central Alberta <sup>(1)</sup>    | 1                                   | 0.7         | 20                                | 16.1         |
| West Central Saskatchewan              | 34                                  | 33.3        | 91                                | 89.4         |
| <b>Total</b>                           | <b>47</b>                           | <b>42.0</b> | <b>151</b>                        | <b>134.8</b> |

Note:

(1) Includes 1 (0.9 net) injection well in the six months ended June 30, 2018.

### **Corporate Acquisition**

On February 22, 2018, the Company completed the acquisition of all of the issued and outstanding common shares of a private company for \$56.8 million in cash, net of acquired working capital.

### **Decommissioning Liability**

At June 30, 2019, the Company's decommissioning liability balance was \$772.0 million (\$725.6 million as at December 31, 2018) for future abandonment and reclamation of the Company's properties. Estimates are based on both operational knowledge of the properties and updated industry guidance provided by the Alberta Energy Regulator and the Saskatchewan Ministry of the Economy. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined.

### **Capital Resources and Liquidity**

#### **Credit Facilities**

As at June 30, 2019, the Company had a \$1.175 billion credit facility with a syndicate of banks. The credit facility consists of a \$1.1 billion revolving syndicated facility and a \$75 million revolving operating facility, with a maturity date of May 31, 2023. Prior to any anniversary date, being May 31 of each year, Whitecap may request an extension of the then current maturity date, subject to approval by the banks. Following the granting of such extension, the term to maturity of the credit facilities shall not exceed four years. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. The credit facility bears interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to earnings before interest, taxes, depreciation and amortization "EBITDA" ratio for the most recent quarter. The bankers' acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's debt to EBITDA ratio. The credit facilities are secured by a floating charge debenture on the assets of the Company.

In the second quarter of 2018, as part of our annual credit facility review, the credit facility transitioned from a borrowing-based structure with lending capacity re-determined on a semi-annual basis, to a financial covenant-based structure with an extendible four-year term governed by our existing financial covenants. The credit facility has two financial covenants, whereby the Company's ratio of debt to EBITDA shall not exceed 4.00:1.00 (1.58:1.00 as at June 30, 2019) and the ratio of EBITDA to interest expense shall not be less than 3.50:1.00 (13.93:1.00 as at June 30, 2019). The EBITDA used in the covenant calculation is adjusted for non-cash items, transaction costs and extraordinary and non-recurring items such as material acquisitions or dispositions. The debt used in the covenant calculation includes bank indebtedness, letters of credit, and dividends declared. As of June 30, 2019, the Company was compliant with all covenants provided for in the lending agreement. Copies of the Company's credit agreements may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

### **Senior Secured Notes**

As at June 30, 2019, the Company had issued \$595 million senior secured notes. The notes rank equally with Whitecap's obligations under its credit facility. The terms, rates and principals of the Company's outstanding senior notes are detailed below:

| (\$000s)                 |                   |             |           |
|--------------------------|-------------------|-------------|-----------|
| Issue Date               | Maturity Date     | Coupon Rate | Principal |
| January 5, 2017          | January 5, 2022   | 3.46%       | 200,000   |
| May 31, 2017             | May 31, 2024      | 3.54%       | 200,000   |
| December 20, 2017        | December 20, 2026 | 3.90%       | 195,000   |
| Balance at June 30, 2019 |                   |             | 595,000   |

The senior secured notes are subject to the same debt to EBITDA ratio and EBITDA to interest expense ratio described under the credit facility. As of June 30, 2019, the Company was compliant with all covenants provided for in the lending agreements.

### **Equity**

On May 16, 2017, the Company announced the approval of its NCIB by the TSX (the "2017 NCIB"). The 2017 NCIB allowed the Company to purchase up to 18,457,076 common shares over a period of twelve months commencing on May 18, 2017.

On May 16, 2018, the Company announced the approval of its renewed NCIB by the TSX (the "2018 NCIB"). The 2018 NCIB allowed the Company to purchase up to 20,864,806 common shares over a period of twelve months commencing on May 18, 2018.

On May 16, 2019, the Company announced the approval of its renewed NCIB by the TSX (the "2019 NCIB"). The 2019 NCIB allows the Company to purchase up to 20,657,914 common shares over a period of twelve months commencing on May 21, 2019.

Purchases are made on the open market through the TSX or alternative platforms at the market price of such common shares. All common shares purchased under the NCIB are cancelled. The total cost paid, including commissions and fees, is first charged to share capital to the extent of the average carrying value of Whitecap's common shares and the excess is charged to contributed surplus.

The following table summarizes the share repurchase activities during the period:

|                                 | Three months ended |       | Six months ended |        |
|---------------------------------|--------------------|-------|------------------|--------|
|                                 | June 30            |       | June 30          |        |
| (000s except per share amounts) | 2019               | 2018  | 2019             | 2018   |
| Shares repurchased              | 1,076              | 635   | 1,076            | 1,945  |
| Average cost (\$/share)         | 4.64               | 8.85  | 4.64             | 8.78   |
| Amounts charged to              |                    |       |                  |        |
| Share capital                   | 4,996              | 5,605 | 4,996            | 17,059 |
| Contributed surplus             | -                  | 11    | -                | 11     |
| Share repurchase cost           | 4,996              | 5,616 | 4,996            | 17,070 |

The Company is authorized to issue an unlimited number of common shares. As at July 30, 2019, there were 413.0 million common shares and 7.7 million share awards outstanding.

### **Liquidity**

The Company generally relies on funds flow, equity issuances and its credit facility to fund its capital requirements, dividend payments and provide liquidity. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds flow, existing credit facilities and the ability to access debt and equity markets. All repayments on the revolving production and operating facilities are due at the term maturity date. As none of the facilities mature within the next year, the liabilities are considered to be non-current. The Company generates positive funds flow. At June 30, 2019, the Company had \$595.1 million of unutilized credit to cover any working capital deficiencies. The Company believes that available credit facilities combined with anticipated funds flow will be sufficient to satisfy Whitecap's 2019 development capital program and dividend payments for the 2019 fiscal year.

### **Contractual Obligations**

Whitecap has contractual obligations in the normal course of business which may include purchase of assets and services, operating agreements, transportation commitments, sales commitments, royalty obligations, lease rental obligations, employee agreements and debt. These obligations are of a recurring, consistent nature and impact Whitecap's cash flows in an ongoing manner. The Company is committed to future payments under the following agreements:

| (\$000s)                      | 2019          | 2020          | 2021          | 2022+            | Total            |
|-------------------------------|---------------|---------------|---------------|------------------|------------------|
| Lease liabilities             | 7,260         | 14,350        | 14,131        | 65,307           | 101,048          |
| Service agreements            | 1,130         | 2,254         | 2,251         | 13,204           | 18,839           |
| Transportation agreements     | 13,059        | 17,367        | 13,338        | 100,676          | 144,440          |
| Long-term debt <sup>(1)</sup> | 10,891        | 21,605        | 21,605        | 1,229,488        | 1,283,589        |
| <b>Total</b>                  | <b>32,340</b> | <b>55,576</b> | <b>51,325</b> | <b>1,408,675</b> | <b>1,547,916</b> |

Note:

<sup>(1)</sup> These amounts include the notional principal and interest payments.

### **Related Party Transactions**

The Company has retained the law firm of Burnet, Duckworth & Palmer LLP ("BD&P") to provide Whitecap with legal services. A director of Whitecap is a partner of this firm. During the three and six months ended June 30, 2019, the Company incurred nil and \$0.1 million for legal fees and disbursements, respectively (\$0.1 million and \$0.6 million for the three and six months ended June 30, 2018, respectively). These amounts have been recorded at the amounts that have been agreed upon by the two parties. The Company expects to retain the services of BD&P from time to time. As of June 30, 2019, a nil payable balance (nil – June 30, 2018) was outstanding.

### **Changes in Accounting Policies Including Initial Adoption**

Whitecap adopted IFRS 16, *Leases* ("IFRS 16") on January 1, 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively.

On adoption of IFRS 16, Whitecap recognized lease liabilities of \$91.6 million in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2018, adjusted by commitments in relation to arrangements not containing leases, short-term and low-value leases, and discounted using the Company's incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate used to determine the lease liabilities at adoption was approximately 4.5 percent. The difference in operating lease commitments disclosed as at December 31, 2018 and lease liabilities recognized on the consolidated balance sheet at January 1, 2019 is primarily due to non-lease components of contracts reassessed as service agreements. The associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019, with no impact on retained earnings.

In applying IFRS 16 for the first time, Whitecap has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.

Upon the adoption of IFRS 16, the Company adopted the following significant accounting policy effective January 1, 2019:

#### *Leases*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease liability is recognized at the commencement of the lease term at the present value of the lease payments that are not paid at that date. At the commencement date, a corresponding right-of-use asset is recognized at the amount of the lease liability, adjusted for lease incentives received, retirement costs and initial direct costs. Depreciation is recognized on the right-of-use asset over the lease term. Interest expense is recognized on the lease liabilities using the effective interest rate method and payments are applied against the lease liability.

Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.
- Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

#### **Standards Issued but not yet Effective**

There are no other standards or interpretations issued, but not yet adopted, that are anticipated to have a material effect on the reported net income (loss) or net assets of the Company.

#### **Off Balance Sheet Arrangements**

The Company does not have any special purpose entities nor is it party to any arrangements that would be excluded from the balance sheet other than commitments disclosed in Note 19 to the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2019.

#### **Critical Accounting Estimates**

Whitecap's financial and operating results may incorporate certain estimates including:

- estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and expenses have not yet been received;
- estimated capital expenditures on projects that are in progress;
- estimated depletion, depreciation and accretion that are based on estimates of oil and gas reserves that the Company expects to recover in the future, commodity prices, estimated future salvage values and estimated future capital costs;
- estimated fair values of derivative contracts that are subject to fluctuation depending upon the underlying commodity prices and foreign exchange rates;
- estimated value of decommissioning liabilities that are dependent upon estimates of future costs, timing of expenditures and the risk-free rate;
- estimated income and other tax liabilities requiring interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time;
- estimated stock-based compensation expense using the Black-Scholes option pricing model;
- estimated fair value of business combinations and goodwill requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E and exploration and evaluation assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates; and

- estimated recoverable amounts are based on estimated proved plus probable reserves, production rates, oil and gas prices, future costs, discount rates and other relevant assumptions.

The Company has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Furthermore, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates.

### **Business Risks**

Whitecap's exploration and production activities are concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different-sized companies. Whitecap is subject to a number of risks that are also common to other organizations involved in the oil and gas industry. Such risks include finding and developing oil and gas reserves at economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, stock market volatility, debt service which may limit timing or amount of dividends as well as market price of shares, financial and liquidity risks and environmental and safety risks.

In order to reduce exploration risk, Whitecap employs or contracts highly qualified and motivated professionals who have demonstrated the ability to generate quality proprietary geological and geophysical prospects.

Whitecap has retained an independent engineering consulting firm that assists the Company in evaluating recoverable amounts of oil and gas reserves. Values of recoverable reserves are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and government regulations. Such estimates may vary from actual results.

The Company mitigates its risk related to producing hydrocarbons through the utilization of current technology and information systems. In addition, Whitecap strives to operate the majority of its prospects, thereby maintaining operational control. When the Company does not operate, it relies on its partners in jointly owned properties to maintain operational control.

Whitecap is exposed to market risk to the extent that the demand for oil and gas produced by the Company exists within Canada and the United States. External factors beyond the Company's control may affect the marketability of oil and gas produced. These factors include commodity prices and variations in the Canada–United States currency exchange rate which, in turn responds to economic and political circumstances throughout the world. Oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are affected by North American supply and demand fundamentals. Whitecap uses futures and options contracts to hedge its exposure to the potential adverse impact of commodity price volatility. The primary objective of the risk management program is to provide a measure of stability to Whitecap dividends and its capital development program.

Exploration and production for oil and gas is capital intensive. In addition to funds flow, the Company accesses the equity markets as a source of new capital. In addition, Whitecap utilizes bank financing to support ongoing capital investments which exposes the Company to fluctuations in interest rates on its bank debt. Funds flow also fluctuates with changing commodity prices. Equity and debt capital are subject to market conditions, and availability may increase or decrease from time to time.

Additional information regarding risk factors including, but not limited to, business risks is available in our Annual Information Form, a copy of which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

## Environmental Risks

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment, climate change and destruction of natural habitat, as well as safety risks such as personal injury. The Company works hard to identify the potential environmental impacts of its new projects in the planning stage and during operations. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. Whitecap maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities could reduce or eliminate its available funds or could exceed the funds the Company has available and result in financial distress.

Additional information regarding risk factors including, but not limited to, environmental risks is available in our Annual Information Form, a copy of which may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

## Summary of Quarterly Results

| (\$000s, except as noted)            | 2019      |           | 2018      |           |           |           | 2017      |           |
|--------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                      | Q2        | Q1        | Q4        | Q3        | Q2        | Q1        | Q4        | Q3        |
| <b>Financial</b>                     |           |           |           |           |           |           |           |           |
| Petroleum and natural gas revenues   | 374,730   | 343,239   | 272,397   | 446,018   | 433,380   | 368,050   | 291,376   | 239,170   |
| Funds flow <sup>(1)</sup>            | 175,537   | 161,221   | 138,810   | 204,995   | 195,816   | 164,799   | 143,543   | 118,979   |
| Basic (\$/share) <sup>(1)</sup>      | 0.42      | 0.39      | 0.33      | 0.49      | 0.47      | 0.39      | 0.38      | 0.32      |
| Diluted (\$/share) <sup>(1)</sup>    | 0.42      | 0.39      | 0.33      | 0.49      | 0.47      | 0.39      | 0.38      | 0.32      |
| Net income (loss)                    | 58,357    | (52,561)  | 6,966     | 69,532    | (3,615)   | (7,755)   | (231,729) | 3,689     |
| Basic (\$/share)                     | 0.14      | (0.13)    | 0.02      | 0.17      | (0.01)    | (0.02)    | (0.61)    | 0.01      |
| Diluted (\$/share)                   | 0.14      | (0.13)    | 0.02      | 0.17      | (0.01)    | (0.02)    | (0.61)    | 0.01      |
| Expenditures on PP&E                 | 26,463    | 124,904   | 76,485    | 114,955   | 66,444    | 182,615   | 57,698    | 90,033    |
| Property acquisitions                | 196       | 1,390     | 15,157    | 18,369    | 1,108     | 615       | 939,015   | 24,962    |
| Property dispositions                | 44        | (667)     | (205)     | (9,764)   | (1,585)   | (127)     | (8,777)   | -         |
| Corporate acquisition                | -         | -         | -         | 750       | -         | 53,166    | -         | -         |
| Total assets                         | 5,968,862 | 6,120,622 | 5,958,964 | 6,142,384 | 6,136,672 | 6,165,095 | 5,961,347 | 5,194,875 |
| Net debt                             | 1,189,750 | 1,297,412 | 1,296,330 | 1,288,259 | 1,323,093 | 1,414,606 | 1,295,906 | 842,897   |
| Common shares outstanding (000s)     | 412,907   | 413,158   | 414,063   | 416,456   | 417,485   | 417,255   | 418,029   | 369,818   |
| Dividends paid or declared per share | 0.08      | 0.08      | 0.08      | 0.08      | 0.08      | 0.08      | 0.07      | 0.07      |
| <b>Operational</b>                   |           |           |           |           |           |           |           |           |
| Average daily production             |           |           |           |           |           |           |           |           |
| Crude oil (bbls/d)                   | 55,155    | 55,199    | 57,072    | 59,212    | 59,786    | 57,976    | 44,699    | 44,001    |
| NGLs (bbls/d)                        | 4,417     | 4,386     | 4,656     | 4,460     | 4,461     | 4,002     | 3,634     | 3,503     |
| Natural gas (Mcf/d)                  | 66,231    | 66,486    | 68,739    | 71,141    | 69,393    | 66,852    | 68,244    | 62,362    |
| Total (boe/d)                        | 70,611    | 70,666    | 73,185    | 75,529    | 75,813    | 73,120    | 59,707    | 57,898    |

Note:

(1) Refer to Note 5(e) "Capital Management" in the financial statements and to the section entitled "Cash Flow from Operating Activities, Funds Flow and Payout Ratios" contained within this MD&A.

Over the past eight quarters, fluctuations in production volumes and realized commodity prices have impacted the Company's petroleum and natural gas revenues and funds flow. Net income (loss) has fluctuated due to changes in funds flow, impairment expense (reversal) and unrealized derivative gains and losses which fluctuate with the changes in forward commodity prices and exchange rates. Capital expenditures and production volumes have fluctuated over time as a result of the timing of acquisitions and the impact of market conditions on the Company's development capital expenditures.

The following outlines the significant events over the past eight quarters:

In the first half of 2019, the Company elected to take a defensive approach by reducing capital spending compared to the prior year with the focus on further strengthening the balance sheet by reducing net debt. As a result of the decreased capital program, production volumes were slightly lower than the prior year.

In the fourth quarter of 2018, the Company recognized an impairment of \$219.3 million attributed to PP&E. The impairment expense was primarily a result of negative technical revisions in reserves assigned due to well performance at December 31, 2018 compared to December 31, 2017. Additionally, in the fourth quarter of 2018, there was increased volatility with a decrease in the WTI benchmark price and wider Canadian crude oil price differentials that negatively impacted petroleum and natural gas revenues and funds flow.

In the fourth quarter of 2017, the Company closed the Southeast Saskatchewan Acquisition for cash consideration of \$938.2 million. The purchase price was partially funded by the issuance of approximately 48.3 million subscription receipts at a price of \$8.80 per subscription receipt for aggregate gross proceeds of approximately \$425 million. Each subscription receipt was converted to one common share on December 14, 2017. The Company also closed an issuance of \$195 million senior secured notes which have an annual coupon rate of 3.90% and mature on December 20, 2026. Additionally, as a result of lower forecast benchmark commodity prices at December 31, 2017 compared to December 31, 2016, the Company recognized an impairment of \$347.4 million attributed to PP&E.

### **INTERNAL CONTROLS UPDATE**

Whitecap is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Whitecap disclose in its interim MD&A any material weaknesses in Whitecap's internal control over financial reporting and/or any changes in Whitecap's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Whitecap's internal controls over financial reporting. Whitecap confirms that no material weaknesses or such changes were identified in Whitecap's internal controls over financial reporting during the second quarter of 2019.

### **NON-GAAP MEASURES**

This MD&A includes non-GAAP measures as further described herein. These non-GAAP measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable with the calculation of similar measures by other companies. Management believes that the presentation of these non-GAAP measures provides useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

**"Basic payout ratio"** is calculated as dividends paid or declared divided by funds flow. Management believes that basic payout ratio provides a useful measure of Whitecap's dividend policy and the amount of funds flow retained by the Company for capital reinvestment.

**"Free funds flow"** represents funds flow less dividends paid or declared and expenditures on PP&E. Management believes that free funds flow provides a useful measure of Whitecap's capital reinvestment and dividend policy.

**"Operating netbacks"** are determined by adding blending revenue and processing income, deducting realized hedging losses or adding realized hedging gains and deducting tariffs, royalties, operating expenses, transportation expenses and blending expenses from petroleum and natural gas revenues. Operating netbacks are per boe measures used in operational and capital allocation decisions. Presenting operating netbacks on a per boe basis allows management to better analyze performance against prior periods on a comparable basis.

**"Total payout ratio"** is calculated as dividends paid or declared plus expenditures on PP&E, divided by funds flow. Management believes that total payout ratio provides a useful measure of Whitecap's capital reinvestment and dividend policy, as a percentage of the amount of funds flow.

## **BOE PRESENTATION**

Boe means barrel of oil equivalent. All boe conversions in this MD&A are derived by converting gas to oil at the ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("Bbl") of oil. Boe may be misleading, particularly if used in isolation. A Boe conversion rate 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 that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 Bbl : 6 Mcf, utilizing a conversion ratio of 1 Bbl : 6 Mcf may be misleading as an indication of value.

## **FORWARD-LOOKING INFORMATION AND STATEMENTS**

Certain statements contained in this MD&A constitute forward-looking statements and are based on Whitecap's beliefs and assumptions based on information available at the time the assumption was made. By its nature, such forward-looking information involves 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. The Company believes 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 should not be unduly relied upon.

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "estimate", "objective", "ongoing", "may", "will", "project", "believe", "measure", "stability", "depends", "could", "sustainability" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: Whitecap's focus, Whitecap's commodity risk management program and the benefits to be derived therefrom; the amount of future decommissioning liabilities; future liquidity and financial capacity; sources of funding the Company's capital program; transportation expenses, stock-based compensation expenses; Whitecap's ability to fund its current development capital program and dividend payments for 2019 and Whitecap's deductions available for deferred income tax purposes.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of Whitecap including, without limitation: that Whitecap will continue to conduct its operations in a manner consistent with past operations; the general continuance or improvement in current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of Whitecap's reserve volumes; the impact of increasing competition; the general stability of the economic and political environment in which Whitecap operates; the ability of Whitecap to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate in a safe, efficient and effective manner; field production and decline rates; the ability to reduce operating costs; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; the ability of the Company to secure adequate product transportation; future petroleum and natural gas prices; currency, exchange and interest rates; the continued availability of adequate debt and equity financing and cash flow to fund Whitecap's planned expenditures; and the ability to maintain dividends. Whitecap believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and 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 information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Whitecap's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in Whitecap's development plans or by third party operators of Whitecap's properties; competition from other producers; inability to retain drilling rigs and other services; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; delays resulting from or inability to obtain required regulatory approvals; increased debt levels or debt service requirements; inaccurate estimation of Whitecap's oil and gas reserve volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of

competitors; and certain other risks detailed from time to time in Whitecap's public disclosure documents (including, without limitation, those risks identified in this MD&A) and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A, and Whitecap does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.