



Independent auditor's report

To the Shareholders of Whitecap Resources Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Whitecap Resources Inc. and its subsidiaries (together, the Company) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2022 and 2021;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>The impact of oil and natural gas reserves on net petroleum and natural gas properties for the Central Alberta and Western Saskatchewan cash generating units (CGUs) of the Company</p> <p><i>Refer to note 2 – Basis of presentation, note 3 – Significant accounting policies, note 4 – Determination of fair values and note 7 – Property, plant and equipment to the consolidated financial statements.</i></p> <p>The Company's net property, plant and equipment (PP&E) consists of \$8,350.2 million of net petroleum and natural gas properties as at December 31, 2022. Depletion, depreciation and amortization (DD&A) expense for the Company was \$797.8 million for the year then ended. Oil and natural gas assets are depleted using the unit-of-production method based on estimated proved plus probable oil and natural gas reserves.</p> <p>The Company's oil and natural gas assets are grouped into CGUs. The carrying amounts of PP&E are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the estimated recoverable amount is calculated. An impairment loss is recognized in the statement of comprehensive income if the carrying amount of a CGU exceeds its estimated recoverable amount. An impairment loss is reversed to the extent that the asset's new carrying amount does not exceed the original carrying amount, net of related accumulated DD&A. The recoverable amount of a CGU is determined as the fair value less costs of disposal (FVLCD) using discounted after tax cash flows (the method). The calculation is based on estimates of proved plus probable oil and natural</p>	<p>Our approach to addressing the matter included the following procedures, among others:</p> <ul style="list-style-type: none">• The work of management's experts was used in performing the procedures to evaluate the reasonableness of the proved plus probable oil and natural gas reserves used to determine DD&A expense and the recoverable amounts of PP&E assets. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.• Tested how management determined the recoverable amounts of the Company's Central Alberta and Western Saskatchewan CGUs and DD&A expense, which included the following:<ul style="list-style-type: none">– Evaluated the appropriateness of the methods used by management in making these estimates.– Tested the underlying data used in determining these estimates.– Evaluated the reasonableness of significant assumptions used by management in developing the underlying estimates, including:



Key audit matter

gas reserves, which are prepared by independent petroleum consultants (management's experts).

As a result of an increase in forward benchmark commodity prices as at March 31, 2022, compared to December 31, 2021, an impairment reversal test on the Company's PP&E assets was performed. The impairment reversal test concluded that the FVLCD of Central Alberta and Western Saskatchewan CGUs exceeded their carrying amounts and the Company recorded an impairment reversal of \$629.7 million.

As a result of an increase in forward benchmark commodity prices as at December 31, 2022, compared to March 31, 2022, an impairment reversal test on the Company's Central Alberta CGU was performed. The impairment reversal test concluded that the FVLCD of this CGU exceeded its carrying amount and the Company recorded an impairment reversal of \$243 million.

As a result of negative technical revisions in oil and natural gas reserves as at December 31, 2022, compared to March 31, 2022, an impairment test on the Company's Western Saskatchewan CGU was performed. The impairment test concluded that the carrying value of this CGU exceeded its FVLCD and the Company recorded an impairment expense of \$118.8 million.

Significant assumptions developed by management used to determine the recoverable amounts of the CGUs included the proved plus probable oil and natural gas reserves, future costs, production rates, forecast benchmark commodity prices, and discount rates.

We determined that this is a key audit matter due to (i) the judgment made by management, including the use of management's experts, when developing the expected future cash flows to

How our audit addressed the key audit matter

- Production rates and future costs by considering the past performance of these CGUs, and whether these assumptions were consistent with evidence obtained in other areas of the audit.
- Forecast benchmark commodity prices by comparing those forecasts with third party industry forecasts.
- The discount rates, through the assistance of professionals with specialized skill and knowledge in the field of valuation.
- Recalculated the unit-of-production rates used to calculate DD&A expense.



Key audit matter

How our audit addressed the key audit matter

determine the recoverable amounts of the Central Alberta and Western Saskatchewan CGUs and the proved plus probable oil and natural gas reserves; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the field of valuation.

Valuation of petroleum and natural gas properties acquired in business combinations

Refer to note 2 – Basis of presentation, note 3 – Significant accounting policies, note 4 – Determination of fair values and note 6 – Acquisitions to the consolidated financial statements.

In 2022, the Company acquired TimberRock Energy Corp. and XTO Energy Canada for a total consideration of \$305.1 million and \$1,871 million, respectively.

The fair values of identifiable petroleum and natural gas properties acquired and recorded within PP&E were \$344.3 million and \$1,898.9 million, respectively (the PP&E assets).

The assumptions and estimates with respect to determining the fair value of PP&E assets generally require judgment and include assumptions of reserves acquired, forecast benchmark commodity prices, discount rates, and future costs. The fair value of PP&E assets is estimated using discounted cash flows (the method) expected to be derived from oil and natural gas production based on internally and externally prepared reserve reports prepared by qualified individuals (management's experts).

We determined that this is a key audit matter due to (i) the judgment made by management,

Our approach to addressing the matter included the following procedures, among others:

- Tested how management estimated the fair values of the PP&E assets, which included the following:
 - Evaluated the appropriateness of the method used by management in determining fair values of the PP&E assets acquired.
 - Evaluated the reasonableness of the assumptions used in determining the underlying fair values, including:
 - Reserves and future costs by considering the performance of the assets subsequent to acquisition, and whether these assumptions were consistent with evidence obtained in other areas of the audit.
 - Forecast benchmark commodity prices by comparing those forecasts with third party industry forecasts.
 - The discount rates, through the assistance of professionals with specialized skill and knowledge in the field of valuation.
 - Obtained and read the purchase agreements.
 - Tested the underlying data used by management in the



Key audit matter

including the use of management's experts, when developing the assumptions and estimating the fair values of the PP&E assets; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.

How our audit addressed the key audit matter

determination of the fair values of the PP&E assets.

- The work of management's experts was used in performing the procedures to evaluate the reasonableness of oil and natural gas reserves. As a basis for using this work, the competence, capabilities and objectivity of management's experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ryan Lundeen.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 21, 2023



CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2022 and 2021

WHITECAP RESOURCES INC.
CONSOLIDATED BALANCE SHEETS

As at (CAD \$ millions)	Note	December 31, 2022	December 31, 2021
Assets			
Current Assets			
Accounts receivable		480.2	304.8
Deposits and prepaid expenses		22.7	10.5
Assets held for sale	9	426.4	-
Risk management contracts	4 & 5	43.1	12.6
Total current assets		972.4	327.9
Property, plant and equipment	6 & 7	8,357.8	6,382.3
Exploration and evaluation	8	162.9	56.1
Right-of-use assets	10	24.6	27.7
Risk management contracts	4 & 5	12.1	10.4
Deferred income tax	20	-	73.8
Total assets		9,529.8	6,878.2
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		549.1	400.4
Share awards liability	15	16.1	25.4
Dividends payable		22.3	13.8
Deferred gain	14	2.3	2.3
Lease liabilities	12	6.6	3.5
Liabilities associated with assets held for sale	9	110.9	-
Risk management contracts	4 & 5	46.9	94.1
Total current liabilities		754.2	539.5
Risk management contracts	4 & 5	2.4	2.3
Long-term debt	11	1,844.6	1,055.7
Lease liabilities	12	22.4	26.2
Decommissioning liability	13	1,000.4	1,455.8
Share awards liability	15	5.2	4.5
Deferred gain	14	52.4	54.8
Deferred income tax	20	798.5	-
Total liabilities		4,480.1	3,138.8
Shareholders' Equity			
Share capital	15	4,872.8	4,961.2
Contributed surplus	15	12.2	11.0
Retained earnings (deficit)		164.7	(1,232.8)
Total shareholders' equity		5,049.7	3,739.4
Total liabilities and shareholders' equity		9,529.8	6,878.2

Commitments (Note 22)

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board:

(signed) "Stephen C. Nikiforuk"
Stephen C. Nikiforuk
Director

(signed) "Grant B. Fagerheim"
Grant B. Fagerheim
Director

WHITECAP RESOURCES INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31

(CAD \$ millions, except per share amounts)	Note	2022	2021
Revenue			
Petroleum and natural gas sales	16	4,780.4	2,694.0
Royalties		(861.8)	(415.9)
Petroleum and natural gas sales, net of royalties		3,918.6	2,278.1
Other loss			
Net loss on commodity contracts	5	(178.2)	(294.2)
Total revenue and other loss		3,740.4	1,983.9
Expenses			
Operating	18	766.3	556.3
Transportation		114.8	90.1
Marketing		313.0	155.8
General and administrative	18	52.6	41.0
Stock-based compensation	5 & 15	31.7	19.3
Transaction costs		11.2	12.1
Interest and financing	5 & 11	39.9	36.9
Accretion of decommissioning liabilities	13	36.3	24.3
Depletion, depreciation, and amortization	7 & 10	806.5	546.0
Impairment reversal	7	(660.5)	(1,851.2)
Exploration and evaluation	8	6.3	4.4
Net gain on asset dispositions	14	(2.3)	(23.3)
Total expenses		1,515.8	(388.3)
Income before income taxes		2,224.6	2,372.2
Taxes			
Deferred income tax expense	20	548.5	595.5
Net income and other comprehensive income		1,676.1	1,776.7
Net Income Per Share (\$/share)			
Basic	19	2.72	2.97
Diluted		2.70	2.95

See accompanying notes to the consolidated financial statements

WHITECAP RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31

(CAD \$ millions)	Note	2022	2021
Share Capital			
	15(b)		
Balance, beginning of year		4,961.2	3,867.3
Common shares repurchased	15(c)	(201.1)	(164.2)
Issued on the acquisition of TimberRock	6	99.3	-
Issued on the acquisition of NAL	6	-	283.2
Issued on the acquisition of TORC	6	-	731.9
Issued on the acquisition of HighRock	6	-	22.3
Issued on the acquisition of Kicking Horse	6	-	189.2
Issued on acquisition of other assets	6	-	19.5
Share award vesting		13.5	12.6
Share issue costs, net of deferred income tax		(0.1)	(0.6)
Balance, end of year		4,872.8	4,961.2
Contributed Surplus			
	15(e)		
Balance, beginning of year		11.0	13.0
Stock-based compensation		14.7	10.7
Share award vesting		(13.5)	(12.7)
Balance, end of year		12.2	11.0
Retained Earnings (Deficit)			
Balance, beginning of year		(1,232.8)	(2,883.4)
Net income and other comprehensive income		1,676.1	1,776.7
Common shares repurchased	15(c)	(41.4)	-
Dividends		(237.2)	(126.1)
Balance, end of year		164.7	(1,232.8)

See accompanying notes to the consolidated financial statements

WHITECAP RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31

(CAD \$ millions)	Note	2022	2021
Operating Activities			
Net income and other comprehensive income		1,676.1	1,776.7
Items not affecting cash:			
Depletion, depreciation, and amortization	7 & 9	806.5	546.0
Impairment reversal	7	(660.5)	(1,851.2)
Exploration and evaluation	8	6.3	4.4
Deferred income tax expense	20	548.5	595.5
Stock-based compensation	5 & 15	11.1	7.9
Accretion expense	13	36.3	24.3
Unrealized loss (gain) on risk management contracts	5	(79.3)	30.6
Net gain on asset dispositions	14	(2.3)	(23.3)
Settlement of decommissioning liabilities	13	(19.9)	(12.2)
Net change in non-cash working capital	21	(139.7)	25.3
Cash flow from operating activities		2,183.1	1,124.0
Financing Activities			
Increase (decrease) in long-term debt		788.9	(45.6)
Common shares repurchased	15(c)	(242.5)	(164.2)
Share issue costs		(0.2)	(0.8)
Dividends		(237.2)	(126.1)
Principal portion of lease payments		(4.1)	(6.9)
Repayment of acquired debt	6	-	(400.9)
Net change in non-cash working capital	21	8.5	8.0
Cash flow (from) used in financing activities		313.4	(736.5)
Investing Activities			
Expenditures on property, plant and equipment		(686.5)	(428.5)
Expenditures on property acquisitions	6	(8.0)	(130.8)
Cash from property dispositions	14	23.4	186.4
Expenditures on corporate acquisitions, net of cash acquired	6	(1,871.0)	(86.0)
Net change in non-cash working capital	21	45.6	71.4
Cash flow used in investing activities		(2,496.5)	(387.5)
Change in cash, during the year		-	-
Cash, beginning of year		-	-
Cash, end of year		-	-
Cash Interest Paid		61.6	43.7

See accompanying notes to the consolidated financial statements

1. NATURE OF BUSINESS

Whitecap Resources Inc. (also referred to herein as "**Whitecap**" or the "**Company**") 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. The Company's principal place of business is located at 3800, 525 – 8th Avenue SW, Calgary, Alberta, Canada, T2P 1G1.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared under International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board as at and for the year ended December 31, 2022, including 2021 comparative periods. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of February 21, 2023, the date the Board of Directors approved these statements.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments and stock-based transactions which are measured at fair value. The methods used to measure fair values are discussed in Note 4.

c) Functional and Presentation Currency

The financial statements are presented in Canadian dollars which is the Company's functional currency.

d) Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting year. Actual results could differ from those estimated.

i) Cash Generating Units

Oil and natural gas assets are grouped into cash generating units ("**CGUs**") that have been identified as being the smallest identifiable group of assets that generate cash flows that are independent of cash flows of other assets or groups of assets. The determination of these CGUs was based on management's judgment in regard to shared infrastructure, geographical proximity, commodity type and similar exposure to market risk and materiality. The Company's CGUs consist of the following:

- Northern Alberta and British Columbia;
- Eastern Saskatchewan;
- Central Alberta; and
- Western Saskatchewan.

ii) Future Net Cash Flows

Estimates of future net cash flows used in the calculation of the estimated recoverable amount are based on reserve evaluation reports prepared by independent petroleum consultants. Discounted future net cash flows are based on forecast benchmark commodity prices and costs over the expected economic life of the reserves and discounted using market-based rates to reflect a market participant's view of the risks associated with the assets.

iii) Business Combinations

Management's determination of whether a transaction constitutes a business combination or asset acquisition is determined based on the criteria in IFRS 3 *Business Combinations* ("**IFRS 3**"). Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment ("**PP&E**") and exploration and evaluation ("**E&E**") assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices, discount rates, future costs and the assessment of recent comparable market transactions. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill.

iv) Decommissioning Liability

Amounts recorded for decommissioning costs and the related accretion expense require the use of estimates with respect to the amount and timing of asset retirements, site remediation and related cash flows, as well as the selection of a risk-free discount rate.

v) Financial Derivative Instruments

The estimated fair values of derivative instruments resulting in financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

vi) DD&A

Estimated DD&A charges are based on estimates of oil and gas reserves that the Company expects to recover in the future and the future development costs required to produce the reserves.

vii) Stock-based Compensation

Compensation costs accrued for long-term stock-based compensation plans, including share awards and stock options, are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model, which is based on significant assumptions such as volatility, forfeiture and expected term.

The Company's performance share awards are subject to estimation relating to the performance multiplier, which will determine the ultimate equity payout at the vesting date. This multiplier, ranging from zero to two, will be applied at vesting and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period and the Board of Directors' discretion. Assumptions on the forfeiture rate at the time of grant are also subject to management estimates.

viii) Income Tax

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty.

ix) Impairment

The impairment calculation is based on significant assumptions of proved plus probable oil and natural gas reserves, production rates, benchmark commodity prices, future costs, discount rates and other relevant assumptions. By their nature, these significant assumptions are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

x) Sale of Royalty Interests

When the Company sells a royalty interest linked to production at a specific property, judgment is required in assessing the appropriate accounting treatment of the transaction on the closing date and in future periods. We consider the specific terms of each arrangement to determine whether we have disposed of an interest in the reserves of the respective property. This assessment considers whether the counterparty is entitled to the associated risks and rewards attributable to them over the life of the property including the contractual terms and implicit obligations related to production over the life of the property, the holder of the royalty having the option of either being paid in cash or in kind and the associated commitments, if any, to develop future expansions or projects at the property.

xi) Revenue and Expenditures

The Company's reported revenues and expenditures, including expenditures on property, plant and equipment, are subject to estimation as at a specific reporting date, but for which actual revenues and expenditures have not yet been received.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

a) **Jointly Controlled Operations**

Substantially all of the Company's exploration and production activities are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These financial statements reflect only the Company's share of these jointly controlled assets and, once production commences, a proportionate share of the relevant revenue and related costs.

b) **Financial Instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or when the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported on the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

i) **Cash, Accounts Receivable, Loans and Other Receivables**

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments. Accounts receivable, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payment terms and are not quoted in an active market, are classified as financial assets at amortized cost and are reported at amortized cost. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

ii) **Financial Derivative Instruments**

Financial derivative instruments are included in current assets and liabilities except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets and liabilities. The Company has not designated any of its financial derivative contracts as hedging instruments. The Company's financial derivative instruments are classified as financial assets or liabilities at fair value through profit or loss and are reported at fair value with changes in fair value recorded in net income or loss.

The Company has accounted for its forward physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items, in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the consolidated balance sheet. Realized gains or losses from physically settled commodities sales contracts are recognized in petroleum and natural gas sales as the contracts are settled.

iii) **Accounts Payable, Accrued Liabilities and Long-term Debt**

These financial instruments are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or repay borrowings from lenders. They are classified as current liabilities if payment is due within one year or less. These financial instruments are classified as financial liabilities at amortized cost and are reported at amortized cost.

iv) **Impairment of Financial Assets**

Whitecap applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 *Financial Instruments* ("IFRS 9") which permits the use of the lifetime expected loss provision for all trade receivables carried at amortized cost.

At each reporting date, the Company measures the lifetime expected loss provision taking into consideration Whitecap's historical credit loss experience as well as forward-looking information in order to establish loss rates. The impairment loss (or reversal) is the amount of expected credit losses that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

c) Oil and Gas Exploration and Evaluation Expenditures

Oil and gas E&E expenditures are accounted for in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*, whereby costs associated with the exploration for and evaluation of oil and gas reserves are accumulated on an area-by-area basis and are capitalized as either tangible or intangible E&E assets when incurred. Costs incurred in advance of land acquisition are charged to the statement of comprehensive income; however, all other costs, including directly attributable general and administrative costs, are added to E&E assets.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and transferred to PP&E. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue to work in the area, the unrecoverable costs are recognized on the statement of comprehensive income.

No depletion or depreciation is provided for E&E assets.

d) PP&E

PP&E, which includes oil and natural gas development and production assets, represents costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves. Future decommissioning costs, related to producing assets, are also capitalized to PP&E. PP&E is carried at cost, less accumulated DD&A and accumulated net impairment losses.

Gains and losses on disposal of PP&E are determined as the difference between proceeds from disposal and the carrying amount of the asset sold and are recognized as a gain or loss on disposal in the statement of comprehensive income.

i) DD&A

The net carrying value of the oil and gas assets is depleted using the unit-of-production method based on estimated proved plus probable oil and natural gas reserves, taking into account the future development costs required to produce the reserves.

Proved plus probable oil and natural gas reserves are determined by independent petroleum consultants in accordance with Canadian National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations are dealt with on a prospective basis.

e) 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.

f) Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, and the asset is available for immediate sale in its present condition. For the sale to be highly probable, management must be committed to a plan to sell the asset and an active program to locate a buyer has been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs of disposal ("**FVLCD**"), with impairments recognized in the statement of comprehensive income in the period measured. Non-current assets held for sale are presented in current assets and liabilities within the balance sheet. Assets held for sale are not depleted, depreciated or amortized.

g) Goodwill

The Company records goodwill relating to a business combination when the purchase price exceeds the fair value of the net identifiable assets and liabilities and contingent liabilities of the acquired business. Goodwill is reported at cost less any impairment and is not amortized. Goodwill is evaluated when facts and circumstances indicate that it is impaired, or at least on an annual basis. Goodwill impairments are not reversed.

h) Impairment

The carrying amounts of PP&E are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, PP&E assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or group of assets. The estimated recoverable amount of an asset or CGU is the greater of its FVLCD and its value in use ("VIU"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal or in the case of a lack of comparable transactions, based upon discounted after tax cash flows. VIU is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. An impairment loss is recognized in the statement of comprehensive income if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, or indicators suggest that the carrying amount exceeds the estimated recoverable amount. E&E assets are tested for impairment immediately prior to costs being transferred to PP&E. Exploration and evaluation assets are tested for impairment at the CGU level by referencing the fair value of current arm's length transactions in the market to the carrying amount of E&E assets. Impairments of E&E assets are reversed when there has been a subsequent increase in the estimated recoverable amount, but only to the extent of what the carrying amount would have been had no impairment been recognized.

The estimated recoverable amount of goodwill is determined as the FVLCD using a discounted cash flow method. Goodwill is evaluated at a corporate level as management does not track or manage goodwill at a CGU level.

Impairment losses previously recognized are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed to the extent that the asset's new carrying amount does not exceed the original carrying amount, net of related accumulated DD&A, if there has been an increase in the estimate of the estimated recoverable amount. An impairment loss in respect of goodwill is not reversed.

i) Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in net income or loss. Transaction costs associated with a business combination are expensed as incurred.

j) Decommissioning Liability

Decommissioning liabilities include present obligations where the Company will be required to retire tangible long-lived assets. Decommissioning liabilities are measured at the present value of the expenditure expected to be incurred using the relevant risk-free rate. The associated cost is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows, or changes in the discount rate are recognized as a change in the decommissioning liability.

Amortization of decommissioning costs is included in depreciation, depletion and amortization in the statement of comprehensive income. Increases resulting from the passage of time are recorded as accretion of decommissioning liabilities in the statement of comprehensive income.

Actual expenditures incurred are charged against the accumulated decommissioning liability.

k) Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets that require greater than a year to be ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest and financing expense in the statement of comprehensive income in the period in which they are incurred.

l) Stock-based Compensation

The Company's stock-based compensation program consists of share awards. Share awards issued to insiders are accounted for as cash-settled transactions. Share awards issued to employees are accounted for as equity-settled transactions.

Time-based and performance share awards granted under the Award Incentive Plan are accounted for at fair value. Stock-based compensation expense is determined based on the estimated fair value of shares on the date of grant using the Black-Scholes option pricing model. The fair value of awards issued to insiders that are accounted for as cash-settled transactions are subsequently adjusted to reflect the fair value at each period end. Fair value is based on the prevailing Whitecap share price. Forfeitures are estimated at the grant date and are subsequently adjusted to reflect actual forfeitures. The 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 share awards liability in the case of awards accounted for as cash-settled. The Company capitalizes the portion of stock-based compensation directly attributable to development activities, with a corresponding decrease to stock-based compensation expense.

Share awards are either time-based or performance based. Performance based awards are granted with a performance multiplier. This multiplier, ranging from zero to two, will be applied at vesting and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period and the Board of Directors' discretion.

m) Income Tax

Income tax comprises current and deferred taxes. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in other comprehensive income or elsewhere in shareholders' equity, in which case the related income tax expense or recovery is also recognized directly in other comprehensive income or elsewhere in shareholders' equity.

Current tax expense is the expected cash tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, the deferred tax expense and related liability are recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to continue to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

n) Share Capital

Proceeds from the issuance of common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

o) Revenue from Petroleum and Natural Gas Sales

Revenue from the sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. Whitecap recognizes revenue when control of the product transfers to the buyer and collection is reasonably assured. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the pipeline or other transportation method agreed upon. Revenues from processing activities are recognized over time as processing occurs and are generally billed monthly.

Whitecap has applied the practical expedient to recognize revenue in the amount to which the Company has the right to invoice. As such, no disclosure is included relating to the amount of transaction price allocated to remaining performance obligations and when these amounts are expected to be recognized as revenue.

p) Net Income per Share

Net income per share is calculated by dividing the net income for the period by the weighted average number of common shares outstanding during the period.

Diluted net income per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company's potentially dilutive common shares comprise share awards granted to employees and directors. The number of shares included with respect to share awards is computed using the treasury stock method.

q) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries and any reference to the Company throughout these consolidated financial statements refers to the Company and its subsidiaries. All intercompany balances, transactions, revenue and expenses are eliminated on consolidation. The consolidated accounts are prepared using uniform accounting policies.

r) Government Grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to it, and that the grant will be received. Grants related to income are presented in the Consolidated Statement of Comprehensive Income and are deducted in reporting the related expense. Grants related to assets are presented in the Consolidated Balance Sheet by deducting the grant in arriving at the carrying amount of the asset.

s) Changes in Accounting Policies

There were no changes that had a material effect on the reported net income or net assets of the Company.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations for commodity, interest and foreign exchange contracts are based on inputs including quoted forward prices for commodities, forward interest rates and forward foreign exchange rates, respectively, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying value of deposits and prepaids, accounts receivable, bank debt, dividends payable, accounts payable and accrued liabilities included in the balance sheet approximate fair value due to the short-term nature of those instruments or the indexed rate of interest on the bank debt. The fair value measurement of the risk management contracts and the senior notes have a fair value hierarchy of Level 2. The fair value measurement of PP&E, E&E, right-of-use assets and future cash flows of development and operating costs used in determining deferred gain on sale of royalty interests have a fair value hierarchy of Level 3. The Company's finance department is responsible for performing the valuation of financial instruments, including the calculation of Level 3 fair values. Refer to Notes 7, 8, 10 and 14 for changes in the Company's Level 3 assets.

a) PP&E and E&E Assets

The fair value of PP&E recognized is based on market values. The market value of PP&E is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in PP&E) is generally estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on internally and externally prepared reserve reports prepared by qualified individuals. The risk-adjusted discount rate is specific to the asset with reference to general market conditions. The market value of E&E assets is estimated with reference to the market values of current arm's length transactions in comparable locations.

b) Deposits, Accounts Receivable, Long-term Debt, Dividends Payable, Accounts Payable and Accrued Liabilities

The fair value of deposits, accounts receivable, bank debt, senior notes, dividends payable, accounts payable and accrued liabilities is estimated as the present value of future net cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2022 and December 31, 2021, the fair value of these balances, other than senior notes, approximated their carrying value. The fair value of the bank debt is equal to its carrying amount as the bank debt bears interest at floating rates and credit spreads within the facility are indicative of market rates.

c) Derivatives

The fair value of financial derivatives are recurring measurements and are determined whenever possible based on observable market data. If not available, the Company uses third party models and valuation methodologies that utilize observable market data including forward benchmark commodity prices, forward interest rates and forward foreign exchange rates to estimate the fair value of financial derivatives. In addition to market information, the Company incorporates transaction specific details that market participants would utilize in a fair value measurement, including the impact of non-performance risk. The valuation techniques used have not changed in the year.

d) Share Awards

The fair values of share awards are measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends and the risk-free interest rate.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial Assets and Financial Liabilities Subject to Offsetting

Financial assets and liabilities are only offset if Whitecap has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. Whitecap offsets risk management assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same. The following table summarizes the gross asset and liability positions of the Company's financial derivatives:

(\$ millions)	December 31, 2022			December 31, 2021		
	Asset	Liability	Net ⁽¹⁾	Asset	Liability	Net ⁽¹⁾
Gross amount	55.2	(49.3)	5.9	23.1	(96.5)	(73.4)
Amount offset	-	-	-	-	-	-
Net amount	55.2	(49.3)	5.9	23.1	(96.5)	(73.4)

Note:

⁽¹⁾ Gross asset and liability positions by counter party are offset on the balance sheet as at December 31, 2022 and December 31, 2021.

b) Credit Risk

Credit risk is the risk of financial loss to Whitecap if a partner or counterparty to a product sales contract or financial instrument fails to meet its contractual obligations. Whitecap is exposed to credit risk with respect to its cash, accounts receivable and risk management contracts. Most of Whitecap's accounts receivable relate to oil and natural gas sales or joint interest billings and are subject to typical industry credit risks. Whitecap manages this credit risk as follows:

- By entering into sales contracts with only established creditworthy counterparties as verified by a third-party rating agency, through internal evaluation or by requiring security such as letters of credit;
- By limiting exposure to any one counterparty; and
- By restricting cash equivalent investments and risk management transactions to counterparties that, at the time of transaction, are not less than investment grade.

The maximum exposure to credit risk is as follows:

(\$ millions)	December 31, 2022	December 31, 2021
Accounts receivable	480.2	304.8
Risk management contracts	55.2	23.0
Total exposure	535.4	327.8

Joint interest receivables are typically collected within one to three months following production. The majority of the credit exposure on accounts receivable at December 31, 2022 pertains to accrued revenue for December 2022 production volumes. Whitecap transacts with a number of oil and natural gas marketing companies and commodity end users ("**Commodity Purchasers**"). Commodity Purchasers typically remit amounts to Whitecap by the 25th day of the month following production. The Company monitors the exposure to any single counterparty along with its financial position. If it is deemed that a counterparty has become materially weaker, the Company will work to reduce the credit exposure to that counterparty. At December 31, 2022, one Commodity Purchaser accounted for 14 percent of the total accounts receivable balance. None are considered a credit risk.

Whitecap applies the simplified approach to providing for expected credit losses prescribed by IFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. Prior credit losses in the collection of accounts receivable by Whitecap have been negligible and the Company does not anticipate any significant future credit losses based on forward looking information.

When determining whether amounts that are past due are collectable, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Whitecap considers all amounts greater than 90 days to be past due. At December 31, 2022, there was \$9.4 million (December 31, 2021 – \$5.0 million) of receivables aged over 90 days. Subsequent to December 31, 2022, approximately \$2.1 million (December 31, 2021 – \$2.1 million) has been collected and the remaining balance is not considered to be a credit risk.

c) Liquidity Risk

Liquidity risk is the risk that Whitecap will not be able to meet its financial obligations as they become due. Whitecap actively manages its liquidity through cash and debt management strategies. Such strategies include continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, available credit under existing banking arrangements and opportunities to issue long-term debt. Whitecap actively monitors its credit and working capital facilities to ensure that it has sufficient available funds to meet its dividend payments and financial requirements at a reasonable cost. Management believes that future funds generated from these sources will be adequate to settle Whitecap's financial liabilities.

The following table details the contractual maturities of Whitecap's financial liabilities as at December 31, 2022:

(\$ millions)	<1 year	1 - 2 years	2+ years	Total
Accounts payable and accrued liabilities	549.1	-	-	549.1
Dividends payable	22.3	-	-	22.3
Liabilities associated with assets held for sale	110.9	-	-	110.9
Long-term debt ⁽¹⁾	14.7	210.5	1,659.6	1,884.8
Lease liabilities ⁽¹⁾	7.9	7.3	35.9	51.1
Share awards liability	16.1	4.3	0.9	21.3
Risk management contracts ⁽²⁾	46.9	2.4	-	49.3
Total financial liabilities	767.9	224.5	1,696.4	2,688.8

Notes:

⁽¹⁾ These amounts include the notional principal and interest payments.

⁽²⁾ Interest rate swaps are included in risk management contracts.

The following table details Whitecap's financial liabilities as at December 31, 2021:

(\$ millions)	<1 year	1 - 2 years	2+ years	Total
Accounts payable and accrued liabilities	400.4	-	-	400.4
Dividends payable	13.9	-	-	13.9
Long-term debt ⁽¹⁾	214.8	14.7	881.2	1,110.7
Lease liabilities ⁽¹⁾	4.7	6.4	22.5	33.6
Share awards liability	25.4	3.8	0.7	29.9
Risk management contracts ⁽²⁾	94.1	2.3	-	96.4
Total financial liabilities	753.3	27.2	904.4	1,684.9

Notes:

⁽¹⁾ These amounts include the notional principal and interest payments.

⁽²⁾ Interest rate swaps are included in risk management contracts.

d) Market Risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk is composed of commodity price risk, interest rate risk, equity price risk and foreign exchange risk as discussed below.

Whitecap's consolidated balance sheet included the following risk management assets recorded at fair value:

(\$ millions)	December 31, 2022	December 31, 2021
Current Assets		
Crude oil	-	2.0
Natural gas	20.7	-
Interest	13.8	-
Equity	8.6	10.6
Total current assets	43.1	12.6
Long-term Assets		
Crude oil	1.5	-
Natural gas	1.2	-
Interest	9.4	5.0
Equity	-	5.4
Total long-term assets	12.1	10.4
Total fair value	55.2	23.0

Whitecap's consolidated balance sheet included the following risk management liabilities recorded at fair value:

(\$ millions)	December 31, 2022	December 31, 2021
Current Liabilities		
Crude oil	46.9	80.3
Natural gas	-	12.6
Interest	-	1.2
Total current liabilities	46.9	94.1
Long-term Liabilities		
Crude oil	2.4	2.3
Total long-term liabilities	2.4	2.3
Total fair value	49.3	96.4

Whitecap's net income includes the following realized and unrealized gains (losses) on risk management contracts:

(\$ millions)	Year ended December 31,	
	2022	2021
Realized loss on commodity contracts	(245.5)	(243.3)
Unrealized gain (loss) on commodity contracts	67.3	(50.9)
Net loss on commodity contracts	(178.2)	(294.2)
Realized gain (loss) on interest rate contracts ⁽¹⁾	3.6	(3.4)
Unrealized gain on interest rate contracts ⁽¹⁾	19.4	10.1
Realized gain on equity contracts ⁽²⁾	20.4	6.2
Unrealized gain (loss) on equity contracts ⁽²⁾	(7.4)	10.2
Net loss on risk management contracts	(142.2)	(271.1)

Notes:

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

⁽²⁾ The gain (loss) on equity contracts is included in stock-based compensation expenses.

j) Commodity Price Risk

The Company's operational results and financial condition are largely dependent on the commodity price received for its oil and natural gas production. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, the COVID-19 pandemic, inventory levels, weather, economic and geopolitical factors.

Whitecap manages the risks associated with changes in commodity prices by entering into a variety of risk management contracts. The Company assesses the effects of movement in commodity prices on income before tax. When assessing the potential impact of these commodity price changes, the Company believes a ten percent volatility is a reasonable measure. A ten percent increase or decrease in commodity prices would have resulted in the following impact to unrealized gains (losses) on risk management contracts and net income before tax:

(\$ millions)	December 31, 2022	
	Increase 10%	Decrease 10%
Commodity Price		
Crude oil	(42.0)	38.6
Natural gas	(8.9)	8.8

At December 31, 2022, the following commodity risk management contracts were outstanding with an asset fair market value of \$23.4 million and liability fair market value of \$49.3 million (December 31, 2021 – asset of \$2.0 million and liability of \$95.3 million):

1) WTI Crude Oil Derivative Contracts

Type	Remaining Term	Volume (bbls/d)	Bought Put Price (C\$/bbl) ⁽¹⁾	Sold Call Price (C\$/bbl) ⁽¹⁾	Swap Price (C\$/bbl) ⁽¹⁾
Swap	Jan - Jun 2023	1,000			80.00
Swap	Jul - Dec 2023	1,000			82.02
Swap	Jan - Dec 2023	1,000			95.05
Collar	Jan - Jun 2023	5,500	72.27	99.56	
Collar	Jul - Dec 2023	3,000	76.67	101.85	
Collar	Jan - Dec 2023	3,000	71.67	100.22	
Collar	Jan - Dec 2024	5,000	82.00	116.98	

Note:

⁽¹⁾ Prices reported are the weighted average prices for the period.

2) Natural Gas Derivative Contracts

Type	Remaining Term	Volume (GJ/d)	Bought Put Price (C\$/GJ) ⁽¹⁾	Sold Call Price (C\$/GJ) ⁽¹⁾	Swap Price (C\$/GJ) ⁽¹⁾
Swap	Jan - Mar 2023	55,000			5.88
Swap	Apr - Oct 2023	70,000			3.88
Swap	Jan - Dec 2024	10,000			4.02
Collar	Jan - Dec 2023	14,000	3.32	6.13	

Note:

⁽¹⁾ Prices reported are the weighted average prices for the period.

3) Contracts entered into subsequent to December 31, 2022

Power Derivative Contracts

Type	Remaining Term	Volume (MWh)	Fixed Rate (\$/MWh)
Swap	Mar - Dec 2023	36,720	124.00
Swap	Jan - Dec 2024	43,920	99.00

ii) Interest Rate Risk

The Company is exposed to interest rate risk on its credit facility and \$705 million term loan. The credit facility consists of a \$1.93 billion revolving syndicated facility and a \$75.0 million revolving operating facility. The revolving syndicated facility and revolving operating facility and the term loan bear interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. Changes in interest rates could result in an increase or decrease in the amount Whitecap pays to service the variable interest rate debt. The Company mitigates its exposure to interest rate changes by entering into interest rate swap transactions and/or fixed rate debt.

If interest rates applicable to floating rate debt at December 31, 2022 were to have increased or decreased by 100 basis points, it is estimated that the Company's income before tax would change by approximately \$14.5 million for the year ended December 31, 2022, (\$1.2 million for the year ended December 31, 2021). This assumes that the change in interest rate is effective from the beginning of the year and the amount of floating rate debt is at December 31, 2022.

When assessing the potential impact of forward interest rate changes on the Company's interest rate swaps, the Company believes an interest rate volatility of 100 basis points is a reasonable measure. A 100 basis point increase or decrease in forward interest rates would have resulted in the following impact to unrealized gains (losses) on risk management contracts and net income before tax:

(\$ millions)	December 31, 2022	
	Increase 1.0%	Decrease 1.0%
Interest rate swaps	8.1	(8.1)

At December 31, 2022, the following interest rate risk management contracts were outstanding with an asset fair market value of \$23.2 million (December 31, 2021 – liability of \$1.2 million):

1) Interest Rate Contracts

Type	Term		Amount (\$ millions)	Fixed Rate (%) ⁽¹⁾	Index ⁽²⁾
Swap	Aug 6, 2019	Aug 6, 2024	200.0	1.5540	CDOR
Swap	May 5, 2021	May 5, 2025	200.0	1.2135	CDOR

Notes:

⁽¹⁾ Rates reported are the weighted average rates for the period.

⁽²⁾ Canadian Dollar Offered Rate ("CDOR").

iii) Equity Price Risk

The Company is exposed to equity price risk on its own share price in relation to awards issued under the award incentive plan, which affects earnings through the revaluation of awards that are accounted for as cash-settled transactions at each period end. Changes in share price could result in an increase or decrease in the amount that Whitecap recognizes as stock-based compensation and the amount Whitecap pays to cash settle awards. The Company mitigates its exposure to fluctuations in its share price by entering into equity derivative contracts such as total return swaps.

When assessing the potential impact of share price on the Company's total return swaps, the Company believes a share price volatility of ten percent is a reasonable measure. A ten percent increase or decrease in share price would have resulted in the following impact to unrealized gains (losses) on risk management contracts and net income before tax:

(\$ millions)	December 31, 2022	
	Increase 10%	Decrease 10%
Total return swaps	1.1	(1.1)

At December 31, 2022, the following equity risk management contracts were outstanding with an asset fair market value of \$8.6 million (December 31, 2021 – asset of \$16.0 million):

1) *Equity Derivative Contracts*

Type	Remaining Term		Notional Amount (\$ millions) ⁽¹⁾	Share Volume (millions)
Swap	Oct 1, 2022	Oct 1, 2023	2.1	1.0

Note:

⁽¹⁾ Notional amount is calculated as the share volume for the period multiplied by the weighted average prices for the period.

iv) *Foreign Exchange Risk*

The Company is exposed to the risk of changes in the U.S./Canadian dollar exchange rate on crude oil sales based on U.S. dollar benchmark prices and commodity contracts that are settled in U.S. dollars. Foreign exchange risk is mitigated by entering into Canadian dollar denominated commodity risk management contracts or foreign exchange contracts. At December 31, 2022, Whitecap did not have any foreign exchange contracts outstanding.

e) *Capital Management*

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include shareholders' equity, long-term debt and working capital.

j) *Net Debt and Total Capitalization*

Management considers net debt a key capital management measure to assess the Company's liquidity. Total capitalization is a capital management measure used by management and investors in analyzing the Company's balance sheet strength and liquidity.

The following is a breakdown of the Company's capital structure:

(\$ millions)	December 31, 2022	December 31, 2021
Long-term debt	1,844.6	1,055.7
Accounts receivable	(480.2)	(304.8)
Deposits and prepaid expenses	(22.7)	(10.5)
Accounts payable and accrued liabilities	549.1	400.4
Dividends payable	22.3	13.8
Net debt	1,913.1	1,154.6
Shareholders' equity	5,049.7	3,739.4
Total capitalization	6,962.8	4,894.0

ii) Funds Flow

Management considers funds flow to be a key capital management 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.

Funds flow for the years ended December 31, 2022 and 2021 is calculated as follows:

(\$ millions)	Year ended December 31,	
	2022	2021
Cash flow from operating activities	2,183.1	1,124.0
Net change in non-cash working capital	139.7	(25.3)
Funds flow	2,322.8	1,098.7
Funds flow per share, basic	3.77	1.84
Funds flow per share, diluted	3.74	1.82

6. ACQUISITIONS

The revenue and petroleum and natural gas sales, net of royalties less operating and transportation expenses ("**Operating Income**") for the post-acquisition periods of the acquisitions listed below are included in the statement of comprehensive income.

The below amounts are estimates which were made by management at the time of the preparation of these consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized for a period of up to one year. The pro-forma information disclosed below is not necessarily indicative of the actual results that would have been achieved had the business combinations closed on January 1, 2022 (in respect of 2022 acquisitions) or January 1, 2021 (in respect of 2021 acquisitions).

a) 2022 Acquisitions

i) TimberRock Energy Corp. ("**TimberRock**")

On January 10, 2022, the Company closed the previously announced acquisition of TimberRock. Whitecap issued 12.4 million Whitecap common shares and paid \$205.8 million in cash, in exchange for all the issued and outstanding TimberRock shares. The acquisition of TimberRock has been accounted for as a business combination under IFRS 3.

The acquisition of TimberRock has contributed revenues of \$32.7 million and \$179.5 million and operating income of \$22.4 million and \$130.3 million for the three and twelve months ended December 31, 2022, respectively.

Net assets acquired (\$ millions):

Working capital	26.2
Petroleum and natural gas properties	344.3
Exploration and evaluation	2.8
Risk management contracts	0.1
Decommissioning liability	(2.1)
Deferred income tax	(66.2)
Total identifiable net assets acquired	305.1

Consideration:

Cash consideration	205.8
Share consideration	99.3
Total consideration	305.1

ii) XTO Energy Canada ("XTO")

On August 31, 2022, the Company closed the previously announced acquisition of XTO for total cash consideration of approximately \$1.9 billion. The acquisition of XTO has been accounted for as a business combination under IFRS 3.

The acquisition of XTO has contributed revenues of \$201.3 million and operating income of \$150.0 million since August 31, 2022. Had the acquisition of XTO closed on January 1, 2022, estimated contributed revenues would have been \$610.1 million and estimated contributed operating income would have been \$495.6 million for the year ended December 31, 2022.

Net assets acquired (\$ millions):

Working capital	140.9
Petroleum and natural gas properties	1,898.9
Exploration and evaluation	118.9
Right-of-use assets	1.1
Decommissioning liability	(30.0)
Lease liabilities	(1.1)
Deferred income tax	(257.7)
Total identifiable net assets acquired	1,871.0

Consideration:

Cash consideration	1,871.0
Total consideration	1,871.0

b) 2021 Acquisitions

i) NAL Resources Limited ("NAL")

On January 4, 2021, the Company closed the acquisition of NAL. Whitecap issued 58.3 million Whitecap common shares to the Manufacturers Life Insurance Company in exchange for all the issued and outstanding NAL shares. The acquisition of NAL has been accounted for as a business combination under IFRS 3.

The acquisition of NAL contributed revenues of \$381.1 million and operating income of \$224.1 million from January 4, 2021 to December 31, 2021. Had the acquisition of NAL closed on January 1, 2021, estimated contributed revenues would have been \$385.5 million and estimated contributed operating income would have been \$225.6 million for the year ended December 31, 2021.

Net assets acquired (\$ millions):

Right-of-use assets	0.8
Working capital	29.2
Petroleum and natural gas properties	422.5
Exploration and evaluation	9.1
Decommissioning liability	(150.2)
Deferred income tax	(27.4)
Lease liabilities	(0.8)
Total identifiable net assets acquired	283.2

Consideration:

Share consideration	283.2
Total consideration	283.2

ii) TORC Oil & Gas Ltd. ("TORC")

On February 24, 2021, the Company closed the acquisition of TORC. Whitecap issued 129.8 million Whitecap common shares in exchange for all the issued and outstanding TORC shares and the assumption of net debt. The acquisition of TORC has been accounted for as a business combination under IFRS 3.

The acquisition of TORC contributed revenues of \$536.4 million and operating income of \$315.5 million from February 24, 2021 to December 31, 2021. Had the acquisition of TORC closed on January 1, 2021, estimated contributed revenues would have been \$603.3 million and estimated contributed operating income would have been \$352.6 million for the year ended December 31, 2021.

Net assets acquired (\$ millions):

Right-of-use assets	7.0
Working capital	(4.8)
Petroleum and natural gas properties	955.0
Exploration and evaluation	11.2
Risk management contracts	(7.6)
Decommissioning liability	(96.2)
Bank debt	(361.7)
Deferred income tax	236.0
Lease liabilities	(7.0)
Total identifiable net assets acquired	731.9

Consideration:

Share consideration	731.9
Total consideration	731.9

iii) Kicking Horse Oil & Gas Ltd. ("Kicking Horse")

On May 14, 2021, the Company closed the acquisition of Kicking Horse. The aggregate consideration consisted of 34.5 million Whitecap common shares, \$56.2 million in cash and the assumption of net debt. The acquisition of Kicking Horse has been accounted for as a business combination under IFRS 3.

The acquisition of Kicking Horse contributed revenues of \$88.4 million and operating income of \$67.2 million from May 14, 2021 to December 31, 2021. Had the acquisition of Kicking Horse closed on January 1, 2021, estimated contributed revenues would have been \$133.8 million and estimated contributed operating income would have been \$93.5 million for the year ended December 31, 2021.

Net assets acquired (\$ millions):

Working capital	(31.7)
Petroleum and natural gas properties	354.2
Exploration and evaluation	18.3
Risk management contracts	(24.0)
Decommissioning liability	(5.8)
Bank debt	(39.1)
Deferred income tax	(26.5)
Total identifiable net assets acquired	245.4

Consideration:

Cash consideration	56.2
Share consideration	189.2
Total consideration	245.4

iv) HighRock Resources Ltd. ("HighRock")

On July 2, 2021, the Company closed the acquisition of all the issued and outstanding common shares of HighRock for consideration consisting of 3.6 million Whitecap common shares and \$44.4 million in cash. The acquisition of HighRock has been accounted for as a business combination under IFRS 3.

The acquisition of HighRock contributed revenues of \$21.5 million and operating income of \$14.5 million from July 2, 2021 to December 31, 2021. Had the acquisition of HighRock closed on January 1, 2021, estimated contributed revenues would have been \$41.5 million and estimated contributed operating income would have been \$28.2 million for the year ended December 31, 2021.

Net assets acquired (\$ millions):

Working capital	3.3
Petroleum and natural gas properties	78.1
Exploration and evaluation	0.3
Decommissioning liability	(2.3)
Deferred income tax	(12.7)
Total identifiable net assets acquired	66.7

Consideration:

Cash consideration	44.4
Share consideration	22.3
Total consideration	66.7

v) Other Acquisitions

In the twelve months ended December 31, 2021, the Company acquired assets for total cash consideration of \$72.1 million, primarily consisting of certain production facilities in the Central Alberta and Western Saskatchewan CGUs that were previously leased. See Note 10 – "Right-Of-Use Assets" and Note 12 – "Lease Liabilities" for additional information regarding the Company's leases.

Additionally, in the year ended December 31, 2021, the Company closed the acquisitions of various assets located in its core areas of Eastern Saskatchewan, Western Saskatchewan and Central Alberta for consideration consisting of \$58.7 million of cash consideration and 2.7 million Whitecap common shares. The acquisitions were accounted for as business combinations under IFRS 3.

Net assets acquired (\$ millions):

Petroleum and natural gas properties	160.1
Decommissioning liability	(7.4)
Total net assets acquired	152.7

Consideration:

Cash consideration	130.8
Share consideration	19.5
Other non-cash consideration ⁽¹⁾	2.4
Total consideration	152.7

Note:

⁽¹⁾ Other non-cash consideration relates to asset swaps.

7. PROPERTY, PLANT AND EQUIPMENT**a) Net Carrying Amount**

	December 31, 2022	December 31, 2021
Net book value (\$ millions)		
Petroleum and natural gas properties	12,890.7	11,234.0
Other assets	15.1	9.7
Property, plant and equipment, at cost	12,905.8	11,243.7
Less: accumulated depletion, depreciation, amortization and impairment	(4,548.0)	(4,861.4)
Total net carrying amount	8,357.8	6,382.3

b) Cost

Cost (\$ millions)	Petroleum and natural gas properties	Other assets	Total
Balance at December 31, 2020	8,813.3	5.7	8,819.0
Additions	569.3	4.0	573.3
Property acquisitions	160.1	-	160.1
Corporate acquisitions	1,809.8	-	1,809.8
Transfer from evaluation and exploration assets	1.6	-	1.6
Disposals	(120.1)	-	(120.1)
Balance at December 31, 2021	11,234.0	9.7	11,243.7
Additions	688.8	5.4	694.2
Property acquisitions	8.6	-	8.6
Corporate acquisitions	2,243.2	-	2,243.2
Reclassified as assets held for sale	(869.9)	-	(869.9)
Change in decommissioning costs	(388.9)	-	(388.9)
Transfer from evaluation and exploration assets	2.6	-	2.6
Disposals	(27.7)	-	(27.7)
Balance at December 31, 2022	12,890.7	15.1	12,905.8

c) Accumulated Depletion, Depreciation, Amortization and Impairment

Accumulated depletion, depreciation, amortization and impairment (\$ millions)	Petroleum and natural gas properties	Other assets	Total
Balance at December 31, 2020	6,169.5	4.2	6,173.7
Depletion, depreciation and amortization	537.7	1.2	538.9
Impairment reversal	(1,851.2)	-	(1,851.2)
Balance at December 31, 2021	4,856.0	5.4	4,861.4
Depletion, depreciation and amortization	797.8	2.1	799.9
Reclassified as assets held for sale	(452.8)	-	(452.8)
Impairment reversal	(660.5)	-	(660.5)
Balance at December 31, 2022	4,540.5	7.5	4,548.0

Future development costs of \$5.6 billion (December 31, 2021 – \$5.2 billion) were included in the depletion calculation. The Company capitalized \$22.6 million (December 31, 2021 – \$20.0 million) of administrative costs directly relating to development activities which includes \$11.4 million (December 31, 2021 – \$9.4 million) of stock-based compensation.

Impairment losses can be reversed in future periods if the estimated recoverable amount of the CGU exceeds its carrying value. The impairment recovery is limited to a maximum of the estimated depleted historical cost if the impairment had not been recognized.

d) Impairment Test of Property, Plant and Equipment

j) December 31, 2022 Impairment and Impairment Reversal

At December 31, 2022: (1) as a result of an increase in forward benchmark commodity prices compared to March 31, 2022, an impairment reversal test on the Company's Central Alberta CGU was performed; and, (2) as a result of negative technical revisions in reserves at December 31, 2022 compared to March 31, 2022, an impairment test on the Company's Western Saskatchewan CGU was performed.

The following table outlines the forecast benchmark commodity prices used in the impairment (reversal) calculation of property, plant and equipment at December 31, 2022. Forecast benchmark commodity price assumptions tend to be stable because short-term increases or decreases in prices are not considered to be indicative of long-term price levels, but are nonetheless subject to change. The Company used an after-tax discount rate of 15 percent for the Company's Central Alberta CGU and Western Saskatchewan CGU.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032 ⁽²⁾
WTI crude oil (US\$/bbl) ⁽¹⁾	80.33	78.50	76.95	77.61	79.16	80.74	82.36	84.00	85.69	87.40
AECO natural gas (\$/MMBtu) ⁽¹⁾	4.23	4.40	4.21	4.27	4.34	4.43	4.51	4.60	4.69	4.79
Exchange Rate (CAD/USD)	0.75	0.77	0.77	0.77	0.78	0.78	0.78	0.78	0.78	0.78

Notes:

⁽¹⁾ The forecast benchmark commodity prices listed are adjusted for quality differentials, heat content, transportation and marketing costs and other factors specific to the Company's operations in performing the Company's impairment tests.

⁽²⁾ Forecast benchmark commodity prices are assumed to increase by 2 percent in each year after 2032 to the end of the reserve life. Forecast exchange rate is assumed to remain at 0.78 CAD/USD each year after 2032 to the end of the reserve life.

The impairment (reversal) test at December 31, 2022 concluded: (1) that the FVLCD of the Company's Central Alberta CGU of \$1.6 billion exceeded its carrying amount of \$1.4 billion; and, (2) that the carrying amount of the Company's Western Saskatchewan CGU of \$1.5 billion exceeded its FVLCD of \$1.4 billion.

(\$ millions)	FVLCD	Carrying Value	Impairment Expense (Reversal) ⁽¹⁾
Central Alberta	1,623.3	1,379.2	(243.0)
Western Saskatchewan	1,425.7	1,544.5	118.8
Total	3,049.0	2,923.7	(124.2)

Note:

⁽¹⁾ The impairment recovery is limited to a maximum of the estimated depleted historical cost if the impairment had not been recognized.

The full amount of the net impairment reversal was attributed to PP&E and, as a result, a net impairment reversal of \$124.2 million was recorded in the Consolidated Statement of Comprehensive Income. The impairment reversal in the Company's Central Alberta CGU was primarily a result of higher forecast benchmark commodity prices, and the impairment in the Company's West Saskatchewan CGU was primarily a result of negative technical revisions in reserves. At December 31, 2022, the impairment amounts that can be reversed in future periods for the Company's West Saskatchewan CGU, net of depletion, had no impairment loss been recognized in prior periods, is \$254.0 million. All other previous impairments for the remaining CGUs have been fully reversed.

Changes in any of the key judgments, such as an increase in the after-tax discount rate, a downward revision in reserves, a decrease in forecast benchmark commodity prices, changes in foreign exchange rates, future costs, an increase in royalties or an increase in operating costs would decrease the estimated recoverable amounts of assets and any impairment charges or reversals would affect net income.

As at December 31, 2022, a one percent increase in the assumed discount rate and/or a five percent decrease in the forecast operating cash flows would result in the following total pre-tax impairment expense (reversal) being recognized:

Impairment expense (reversal) (\$ millions)	1% increase in discount rate	5% decrease in cash flows	1% increase in discount rate and 5% decrease in cash flows
Central Alberta	(225.4)	(215.7)	(122.8)
Western Saskatchewan	203.6	213.2	293.8
Total	(21.8)	(2.5)	171.0

ii) December 31, 2022 Impairment Expense on Assets Held for Sale

A \$93.4 million impairment loss was recorded on the assets classified as held for sale as their carrying amount exceeded their FVLCD. See Note 9 – "Assets Held for Sale" for additional information.

iii) March 31, 2022 Impairment Reversal

At March 31, 2022, as a result of an increase in forward benchmark commodity prices compared to December 31, 2021, an impairment reversal test on the Company's PP&E assets was performed.

The impairment reversal test of PP&E at March 31, 2022 concluded that the FVLCD of each of the Company's CGUs with impairment losses recognized in prior periods that were not subsequently fully reversed exceeded their carrying amounts.

(\$ millions)	FVLCD	Carrying Value	Reversal ⁽¹⁾
Central Alberta	1,881.7	1,601.3	(280.4)
Western Saskatchewan	1,736.0	1,386.7	(349.3)
Total	3,617.7	2,988.0	(629.7)

Note:

⁽¹⁾ The impairment recovery is limited to a maximum of the estimated depleted historical cost if the impairment had not been recognized.

The full amount of the impairment reversal was attributed to PP&E and, as a result, a total impairment reversal of \$629.7 million was recorded in the Consolidated Statement of Comprehensive Income for the three months ended March 31, 2022. The impairment reversal was primarily a result of higher forecast benchmark commodity prices.

iv) September 30, 2021 Impairment Reversal

At September 30, 2021, as a result of an increase in forward benchmark commodity prices compared to December 31, 2020, an impairment test on the Company's PP&E assets was performed.

The impairment test of PP&E at September 30, 2021 concluded that the FVLCD of each of the Company's Cash CGUs with impairment losses recognized in prior periods that were not subsequently fully reversed exceeded their carrying amounts:

(\$ millions)	FVLCD	Carrying Value	Reversal
Northwest Alberta & British Columbia	1,729.0	1,265.8	(463.1)
Eastern Saskatchewan	2,288.4	2,067.2	(221.2)
Central Alberta	1,326.5	903.2	(423.3)
Western Saskatchewan	1,380.3	636.7	(743.5)
Total	6,724.1	4,872.9	(1,851.2)

The full amount of the impairment reversal was attributed to PP&E and, as a result, a total impairment reversal of \$1.9 billion was recorded in the Consolidated Statement of Comprehensive Income. The impairment reversal was primarily a result of higher forecast benchmark commodity prices and increases to proved plus probable reserves within certain CGUs.

8. EXPLORATION AND EVALUATION ASSETS

a) Net Carrying Amount

(\$ millions)	December 31, 2022	December 31, 2021
Exploration and evaluation assets	207.6	94.5
Less: accumulated land expiries and write-offs	(44.7)	(38.4)
Total net carrying amount	162.9	56.1

b) Cost

(\$ millions)	Undeveloped Land
Balance at December 31, 2020	50.8
Additions	6.4
Corporate acquisitions	38.9
Transfer to property, plant and equipment	(1.5)
Disposals	(0.1)
Balance at December 31, 2021	94.5
Additions	3.7
Corporate acquisitions	121.7
Transfer to property, plant and equipment	(2.6)
Reclassified as assets held for sale	(9.3)
Disposals	(0.4)
Balance at December 31, 2022	207.6

c) Accumulated Land Expiries and Write-Offs

(\$ millions)	Accumulated land expiries and write-offs
Balance at December 31, 2020	34.0
Land expiries and write-offs	4.4
Balance at December 31, 2021	38.4
Land expiries and write-offs	6.3
Balance at December 31, 2022	44.7

E&E assets consist of the Company's exploration projects which are pending the determination of proved reserves. Additions represent the Company's share of costs acquired or incurred on E&E assets during the year.

d) Impairment Test of Exploration and Evaluation Assets

At December 31, 2022, there were no indicators of impairment for E&E assets.

9. ASSETS HELD FOR SALE

On December 19, 2022, the Company entered into three definitive agreements to sell non-core assets. The designated assets have been reclassified as held for sale, and the associated decommissioning liability has been reclassified to current liabilities as at December 31, 2022. A \$93.4 million impairment loss was recorded on the assets classified as held for sale as their carrying amount exceeded their FVLCD. See Note 24 – "Subsequent Events" for additional information.

10. RIGHT-OF-USE ASSETS

Whitecap recognizes right-of-use assets and corresponding lease liabilities related to certain office facilities, operating facilities, vehicles and equipment. See Note 12 – "Lease Liabilities" for additional information regarding the Company's leases.

a) Net Carrying Amount

(\$ millions)	Offices	Other	Total
Right-of-use assets	35.7	9.3	45.0
Less: accumulated depreciation	(14.8)	(5.6)	(20.4)
Balance at December 31, 2022	20.9	3.7	24.6

b) Cost

(\$ millions)	Offices	Facilities	Other	Total
Balance at December 31, 2020	28.4	60.4	4.2	93.0
Additions	12.5	-	1.8	14.3
Modifications	(5.4)	-	-	(5.4)
Disposals	-	(60.4)	-	(60.4)
Balance at December 31, 2021	35.5	-	6.0	41.5
Additions	0.2	-	3.3	3.5
Balance at December 31, 2022	35.7	-	9.3	45.0

c) Accumulated Depreciation

(\$ millions)	Offices	Facilities	Other	Total
Balance at December 31, 2020	6.5	19.3	2.4	28.2
Depreciation	3.5	2.2	1.4	7.1
Disposals	-	(21.5)	-	(21.5)
Balance at December 31, 2021	10.0	-	3.8	13.8
Depreciation	4.8	-	1.8	6.6
Balance at December 31, 2022	14.8	-	5.6	20.4

11. LONG-TERM DEBT

(\$ millions)	December 31, 2022	December 31, 2021
Credit facility	744.7	460.8
Term loan	705.0	-
Senior secured notes	394.9	594.9
Long-term debt	1,844.6	1,055.7

At December 31, 2022, the Company had a total credit capacity of \$3.1 billion which consisted of a \$2.0 billion credit facility, a \$705 million term loan facility, and \$395 million in senior secured notes.

a) Credit Facility

At December 31, 2022, the Company had a \$2.0 billion credit facility with a syndicate of banks. The credit facility consists of a \$1.93 billion revolving syndicated facility and a \$75.0 million revolving operating facility, with a maturity date of May 31, 2026. At December 31, 2022 the amount drawn on the credit facilities was \$744.7 million. 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.

The following table lists Whitecap's financial covenants as at December 31, 2022:

Covenant Description		December 31, 2022
Debt to EBITDA ^{(1) (2)}	Maximum Ratio 4.00	0.69
EBITDA to interest expense ⁽¹⁾	Minimum Ratio 3.50	45.40

Notes:

(1) 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.

(2) The debt used in the covenant calculation includes bank indebtedness, letters of credit, and dividends declared.

At December 31, 2022, the Company was compliant with all covenants provided for in the lending agreement. Copies of the Company's credit agreement and amendments may be accessed through the SEDAR website (www.sedar.com).

b) Term Loan

At December 31, 2022, the Company had a \$705 million term loan facility which was obtained in conjunction with the closing of the XTO acquisition. The term loan has a maturity date of May 31, 2026 and is repayable at any time with no penalty. At December 31, 2022, the amount of the term loan outstanding was \$705 million. The term loan provides that advances may be made by way of direct advances or banker's acceptances. The term loan 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 EBITDA ratio for the most recent quarter.

The term loan is subject to the same debt to EBITDA ratio and EBITDA to interest expense ratio described under the credit facility. At December 31, 2022, the Company was compliant with all covenants provided for in the term loan agreement. A copy of the Company's term loan agreement may be accessed through the SEDAR website (www.sedar.com).

c) Senior Secured Notes

At December 31, 2022, the Company had issued \$395 million senior secured notes. The notes rank equally with Whitecap's obligations under its credit facility and term loan.

The terms, rates, principals and carrying amounts of the Company's outstanding senior notes are detailed below:

(\$ millions)

Issue Date	Maturity Date	Coupon Rate	Principal	Carrying Value	Fair Value
May 31, 2017	May 31, 2024	3.54%	200.0	200.0	168.3
December 20, 2017	December 20, 2026	3.90%	195.0	194.9	160.9
Balance at December 31, 2022			395.0	394.9	329.2

The senior secured notes are subject to the same debt to EBITDA ratio and EBITDA to interest expense ratio described under the credit facility. At December 31, 2022, the Company was compliant with all covenants provided for in the note agreements. Copies of the Company's note agreements and amendments may be accessed through the SEDAR website (www.sedar.com).

d) Interest and Financing Expense

The following table summarizes the components of interest and financing expense during the year:

(\$ millions)	Twelve months ended December 31,	
	2022	2021
Interest expenses	61.6	42.1
Interest expenses, lease liabilities (Note 12)	1.3	1.5
Realized (gains) losses on interest rate contracts (Note 5(d))	(3.6)	3.4
Unrealized gains on interest rate contracts (Note 5(d))	(19.4)	(10.1)
Interest and financing expenses	39.9	36.9

12. LEASE LIABILITIES

The Company incurs lease payments related to office facilities, operating facilities, vehicles and equipment. Leases are entered into and exited in coordination with specific business requirements which include the assessment of the appropriate durations for the related leased assets.

(\$ millions)	December 31, 2022	December 31, 2021
Current portion	6.6	3.5
Non-current portion	22.4	26.2
Lease liabilities	29.0	29.7

For the twelve months ended December 31, 2022, interest expense of \$1.3 million and total cash outflows of \$5.3 million were recognized relating to lease liabilities.

For the twelve months ended December 31, 2021, interest expense of \$1.5 million and total cash outflows of \$8.4 million were recognized relating to lease liabilities.

13. DECOMMISSIONING LIABILITY

(\$ millions)	
Balance at December 31, 2020	1,046.7
Liabilities incurred	7.8
Liabilities acquired	261.9
Liabilities settled	(12.2)
Liabilities disposed	(6.7)
Revaluation of liabilities acquired ⁽¹⁾	541.1
Change in estimate	(407.1)
Accretion expense	24.3
Balance at December 31, 2021	1,455.8
Liabilities incurred	8.1
Liabilities acquired	32.2
Liabilities settled	(19.9)
Liabilities disposed	(4.1)
Revaluation of liabilities acquired ⁽¹⁾	31.6
Change in estimate	(428.7)
Accretion expense	36.3
Reclassified as liabilities associated with assets held for sale	(110.9)
Balance at December 31, 2022	1,000.4

Note:

⁽¹⁾ Revaluation of liabilities acquired is the revaluation of acquired decommissioning liabilities at the end of the period using the risk-free discount rate. At the date of acquisition, acquired decommissioning liabilities are fair valued.

The Company's decommissioning liability results from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The key assumptions, on which the carrying amount of the decommissioning liability is based, include a risk-free rate of 3.3 percent (1.7 percent at December 31, 2021) and inflation rate of 2.0 percent (2.0 percent at December 31, 2021). At December 31, 2022, the total undiscounted amount of the estimated cash flows required to settle the obligations was \$2.6 billion (December 31, 2021 – \$2.5 billion). The expected timing of payment of the cash flows required for settling the obligations extends up to 68 years.

14. DEFERRED GAIN

In 2021, the Company sold a five percent gross overriding royalty interest on Whitecap's working interest in the Weyburn Unit ("**Weyburn GORR**") for cash proceeds of \$186.0 million, net of transaction costs. The Company applied judgment in concluding that the proceeds for the sale of the Weyburn GORR comprised two components: (1) a payment for partial disposal of an interest in property, plant and equipment; and (2) an upfront payment received for future extraction services that will generate future royalties.

The Company used the discounted future cash flows of future development and operating costs multiplied by the five percent royalty rate to derive the upfront payment received for future extraction services of \$57.6 million, which was initially recorded as deferred gain and is afterwards being recognized as gain on asset disposition over the reserve life of the Weyburn Unit (as this is estimated to approximate the efforts we will incur towards the implied extraction performance obligation).

The remaining proceeds were compared to the carrying value attributable to the partial disposal of property, plant and equipment, which resulted in a \$17.6 million gain on asset disposition recognized in the fourth quarter of 2021. The Company applied judgment in determining the carrying value of property, plant and equipment to be disposed, which was derived based on the proportion of proved and probable reserve value given up on the Company's working interest in the Weyburn Unit. Changes to deferred gain were as follows:

(\$ millions)	December 31, 2022	December 31, 2021
Deferred gain, beginning of the year	57.0	-
Sale of Weyburn GORR	-	57.6
Deferred gain amortization	(2.3)	(0.6)
Deferred gain, end of year	54.7	57.0
Less current portion of deferred gain	(2.3)	(2.3)
Non-current portion of deferred gain	52.4	54.7

15. SHARE CAPITAL

a) Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value. The Company is also authorized to issue an unlimited number of preferred shares without nominal or par value provided that, if the authorized preferred shares are to be assigned voting or conversion rights, the number of preferred shares to be issued may not exceed twenty percent of the number of issued and outstanding common shares at the time of issuance of any such preferred shares.

b) Issued and outstanding

(\$ millions)	Shares	\$
Balance at December 31, 2020	409.0	3,867.3
Issued on the acquisition of NAL ⁽¹⁾	58.3	283.2
Issued on the acquisition of TORC ⁽²⁾	129.8	731.9
Issued on the acquisition of Kicking Horse ⁽³⁾	34.5	189.2
Issued on the acquisition of HighRock ⁽⁴⁾	3.6	22.3
Issued on acquisition of other assets	2.7	19.5
Share issue costs, net of deferred income tax	-	(0.6)
Issued on share award vesting	2.2	-
Common shares repurchased	(24.3)	(164.3)
Contributed surplus adjustment on vesting of share awards	-	12.7
Balance at December 31, 2021	615.8	4,961.2
Issued on the acquisition of TimberRock ⁽⁵⁾	12.4	99.3
Share issue costs, net of deferred income tax	-	(0.1)
Issued on share award vesting	3.2	-
Common shares repurchased	(22.7)	(201.1)
Contributed surplus adjustment on vesting of share awards	-	13.5
Balance at December 31, 2022	608.7	4,872.8

Notes:

- ⁽¹⁾ On January 4, 2021, as part of the acquisition of NAL, 58.3 million Whitecap shares were issued to The Manufacturers Life Insurance Company. The common shares issued were valued using the share price of Whitecap on December 31, 2020, of \$4.86.
- ⁽²⁾ On February 24, 2021, as part of the acquisition of TORC, 129.8 million Whitecap shares were issued to TORC shareholders. The common shares issued were valued using the share price of Whitecap on February 24, 2021, of \$5.64.
- ⁽³⁾ On May 14, 2021, as part of the acquisition of Kicking Horse, 34.5 million Whitecap shares were issued to Kicking Horse shareholders. The common shares issued were valued using the share price of Whitecap on May 14, 2021, of \$5.49.
- ⁽⁴⁾ On July 2, 2021, as part of the acquisition of HighRock, 3.6 million Whitecap shares were issued to HighRock shareholders. The common shares issued were valued using the share price of Whitecap on July 2, 2021, of \$6.24.
- ⁽⁵⁾ As part of the acquisition of TimberRock, 12.4 million Whitecap shares were issued to TimberRock shareholders. The common shares issued were valued using the share price of Whitecap on January 10, 2022 of \$8.03.

c) Normal Course Issuer Bid

On May 16, 2022, the Company announced the approval of its renewed NCIB by the TSX (the "**2022 NCIB**"). The 2022 NCIB allows the Company to purchase up to 58,341,984 common shares over a period of twelve months commencing on May 21, 2022.

On May 17, 2021, the Company announced the approval of its renewed NCIB by the TSX (the "**2021 NCIB**"). The 2021 NCIB allowed the Company to purchase up to 29,894,096 common shares over a period of twelve months commencing on May 21, 2021. On March 22, 2022, the Company amended its 2021 NCIB to increase the number of common shares that it may purchase to 58,947,076 during the twelve month period commencing on May 21, 2021. No other terms of the NCIB changed.

On May 14, 2020, the Company announced the approval of its renewed NCIB by the TSX (the "**2020 NCIB**"). The 2020 NCIB allowed the Company to purchase up to 20,406,799 common shares over a period of twelve months commencing on May 21, 2020.

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 retained earnings.

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

(millions except per share amounts)	Twelve months ended December 31,	
	2022	2021
Shares repurchased	25.0	24.3
Average cost (\$/share)	9.72	6.75
Amounts charged to:		
Share capital (\$)	201.1	164.2
Retained earnings (deficit) (\$)	41.4	-
Share repurchase cost (\$)	242.5	164.2

Note:

(1) At December 31, 2022, 2.2 million shares repurchased under the NCIB were held in treasury. Subsequent to year end, all of the shares held in treasury were cancelled.

d) Award Incentive Plan

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. Independent outside directors receive only time-based awards as the primary form of long-term compensation. As at December 31, 2022, 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. Time-based awards and performance awards issued to employees of the Company and independent outside directors have vesting periods ranging from 1 to 3 years.

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. 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.

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. Performance awards are also adjusted by an estimated payout multiplier. The amount of compensation expense is reduced by an estimated forfeiture rate on the grant date, which has been estimated at four percent of outstanding share awards. The forfeiture rate is adjusted to reflect the actual number of shares that vest. Fluctuations in compensation expense may occur due to changes in estimating the outcome of the performance conditions as well as changes in fair value for awards that are 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. A copy of the Company's Award Incentive Plan may be accessed through the SEDAR website (www.sedar.com).

(\$ millions)	Number of Time- based Awards	Number of Performance Awards ⁽¹⁾	Total Awards
Balance at December 31, 2020	2.1	5.9	8.0
Granted	1.0	2.5	3.5
Forfeited	(0.1)	(0.1)	(0.2)
Vested	(0.9)	(2.4)	(3.3)
Balance at December 31, 2021	2.1	5.9	8.0
Granted	0.9	2.2	3.1
Forfeited	(0.1)	(0.1)	(0.2)
Vested	(1.2)	(3.5)	(4.7)
Balance at December 31, 2022	1.7	4.5	6.2

Note:

(1) Based on underlying awards before performance multiplier and dividends accrued.

e) Contributed Surplus

(\$ millions)

Balance at December 31, 2020	13.0
Stock-based compensation	10.7
Share award vesting	(12.7)
Balance at December 31, 2021	11.0
Stock-based compensation	14.7
Share award vesting	(13.5)
Balance at December 31, 2022	12.2

f) Dividends

Dividends declared were \$0.39 per common share in the year ended December 31, 2022 (\$0.21 per common share in the year ended December 31, 2021).

On January 16, 2023, the Board of Directors declared a dividend of \$0.0483 per common share designated as an eligible dividend, payable in cash to shareholders of record on January 31, 2023. The dividend payment date is February 15, 2023.

On February 15, 2023, the Board of Directors declared a dividend of \$0.0483 per common share designated as an eligible dividend, payable in cash to shareholders of record on February 28, 2023. The dividend payment date is March 15, 2023.

16. REVENUE

Whitecap sells its production pursuant to fixed and variable-price contracts. The transaction price for fixed price contracts represents the stand-alone selling price per the contract terms. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Under its contracts, Whitecap is required to deliver fixed or variable volumes of crude oil, natural gas and natural gas liquids to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable consideration is considered constrained.

The contracts generally have a term of one year or less, whereby delivery occurs throughout the contract period. Commodity purchasers typically remit amounts to Whitecap by the 25th day of the month following production.

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

(\$ millions)	Twelve months ended	
	2022	December 31, 2021
Crude oil	3,617.3	2,143.5
NGLs	313.3	156.5
Natural gas	522.3	226.3
Petroleum and natural gas revenues	4,452.9	2,526.3
Tariffs	(24.1)	(17.6)
Processing & other income	35.9	30.5
Marketing revenue	315.7	154.8
Petroleum and natural gas sales	4,780.4	2,694.0

Substantially all of the petroleum and natural gas revenues for the year ended December 31, 2022 are derived from variable price contracts based on index prices.

Included in accounts receivable at December 31, 2022 is \$385.8 million (December 31, 2021 – \$256.6 million) of accrued petroleum and natural gas revenues related to December 2022 production.

17. KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation relating to key management personnel, including directors of the Company, is as follows:

(\$ millions)	2022	Twelve months ended December 31, 2021
Salaries and bonuses	9.2	8.6
Stock-based compensation	30.3	26.4
Total key management personnel compensation	39.5	35.0

18. EMPLOYEE COMPENSATION EXPENSE

Whitecap's Consolidated Statement of Comprehensive Income is prepared primarily by nature of item, with the exception of employee compensation expense which is included in both operating and general and administrative ("G&A") expense line items.

The following table details the amount of total employee compensation expense included in operating and G&A expense line items in the statements of income:

(\$ millions)	2022	Twelve months ended December 31, 2021
Operating	33.4	26.2
G&A	51.1	37.0
Total employee compensation expense	84.5	63.2

19. PER SHARE RESULTS

	2022	Twelve months ended December 31, 2021
Per share income (\$/share)		
Basic	2.72	2.97
Diluted	2.70	2.95
Weighted average shares outstanding (millions)		
Basic	616.5	598.6
Diluted ⁽¹⁾	621.1	603.1

Note:

⁽¹⁾ For the year ended December 31, 2022, no share awards (0.4 million share awards for the year ended December 31, 2021) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

20. INCOME TAXES

Income taxes for the years ended December 31, 2022 and 2021 are as follows:

(\$ millions) Deferred tax:	2022	2021
Origination and reversal of timing differences	548.5	595.5
Income tax expense	548.5	595.5

The tax provision differs from the amount computed by applying the combined Canadian federal and provincial statutory income tax rates to income before income tax expense as follows:

(\$ millions, except statutory tax rates)	2022	Twelve months ended December 31, 2021
Income before income taxes	2,224.6	2,371.2
Statutory income tax rate ⁽¹⁾	24.46%	24.70%
Expected income tax recovery at statutory rates	542.7	585.9
Increase (decrease) resulting from		
Change corporate tax rates and tax rate variance	0.7	3.8
Return to provision true-up	-	0.1
Non-deductible stock-based compensation	4.3	3.0
Non-deductible transaction costs	1.3	1.5
Other	(0.5)	1.2
Deferred income tax expense	548.5	595.5

Note:

⁽¹⁾ The tax rate consists of the combined federal and provincial statutory tax rates for the Company and its subsidiaries for the years ended December 31, 2022 and 2021.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

(\$ millions)	December 31, 2022	December 31, 2021
Deferred tax assets		
To be recovered after more than 12 months	-	64.0
To be recovered within 12 months	-	18.1
Deferred tax liabilities		
To be settled after more than 12 months	(797.1)	(8.3)
To be settled within 12 months	(1.4)	-
Deferred tax assets (liabilities)	(798.5)	73.8

Deferred tax assets (liabilities):

(\$ millions)	Capital assets in excess of tax value	Risk Management asset / (liability)	Decom- missioning liability	Non- capital loss carry forward	Share issue costs	Cash settled share awards	Total
At December 31, 2020	(10.9)	2.8	260.5	242.4	0.7	4.2	499.7
Charged / (credited) to the income statement	(535.5)	7.5	1.0	(70.8)	(0.9)	3.1	(595.6)
Charged / (credited) directly to equity	-	-	-	-	0.2	-	0.2
Corporate acquisition	(120.1)	7.9	63.5	218.2	-	-	169.5
Change in estimate of decommissioning liabilities	(34.6)	-	34.6	-	-	-	-
At December 31, 2021	(701.1)	18.2	359.6	389.8	0.0	7.3	73.8
Charged / (credited) to the income statement	(187.6)	(19.6)	6.5	(345.8)	0.1	(2.1)	(548.5)
Corporate acquisition	(404.8)	-	7.4	73.5	-	-	(323.9)
Change in estimate of decommissioning liabilities	102.6	-	(102.5)	-	-	-	0.1
At December 31, 2022	(1,190.9)	(1.4)	271.0	117.5	0.1	5.2	(798.5)

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

(\$ millions)	December 31, 2022	December 31, 2021
Undepreciated capital cost	980.8	697.7
Canadian exploration expense	142.6	-
Canadian development expense	975.8	896.3
Canadian oil and gas property expense	1,778.2	1,899.3
Non-capital loss carry forward	498.5	1,578.2
Share issue costs	0.5	0.7
Total	4,376.4	5,072.2

At December 31, 2022, the Company has non-capital losses of \$498.5 million that expire between 2027 and 2041. The Company recognized deferred tax assets to the extent that it is probable that the future benefit will be realized. At December 31, 2022, the Company had \$9.0 million (2021 - \$9.0 million) of tax pools for which no benefit was recognized.

21. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in Non-Cash Working Capital

Changes in non-cash working capital, excluding acquired working capital:

(\$ millions)	2022	Twelve months ended December 31, 2021
Accounts receivable	(141.7)	(66.4)
Deposits and prepaid expenses	(7.5)	25.1
Accounts payable and accrued liabilities	71.4	131.9
Share awards liability – current	(9.3)	15.4
Dividend payable	8.5	8.0
Share awards liability	0.7	(2.6)
Change in non-cash working capital	(77.9)	111.4
Related to:		
Operating activities	(139.7)	25.3
Financing activities	8.5	8.0
Investing activities	45.6	71.4
Items not impacting cash	7.7	6.7

b) Reconciliation of Financing Liabilities Arising from Financing Activities

The following table provides a detailed breakdown of the cash and non-cash changes in financing liabilities arising from financing activities:

(\$ millions)	Long-term debt	Lease liabilities	Dividends payable
Balance at December 31, 2020	1,101.3	71.6	5.8
Additions	-	14.3	-
Modifications	-	(5.4)	-
Disposals	-	(43.9)	-
Cash flows	(48.7)	(6.9)	-
Amortization of debt issuance costs	3.1	-	-
Dividends paid	-	-	(5.8)
Dividends payable	-	-	13.8
Balance at December 31, 2021	1,055.7	29.7	13.8
Additions	-	3.4	-
Modifications	-	-	-
Disposals	-	-	-
Cash flows	791.7	(4.1)	-
Amortization of debt issuance costs	(2.8)	-	-
Dividends paid	-	-	(13.8)
Dividends payable	-	-	22.3
Balance at December 31, 2022	1,844.6	29.0	22.3

22. COMMITMENTS

The Company is committed to future payments under the following agreements:

(\$ millions)	2023	2024	2025	2026+	Total
Lease liabilities ⁽¹⁾ (Note 12)	7.9	7.3	6.7	29.2	51.1
Service agreements	4.6	4.5	4.0	24.9	38.0
Transportation agreements	103.1	80.3	73.7	389.9	647.0
CO ₂ purchase commitments	40.6	23.3	17.5	19.9	101.3
Long-term debt ⁽¹⁾	14.7	210.5	7.6	1,652.0	1,884.8
Total	170.9	325.9	109.5	2,115.9	2,722.2

Note:

⁽¹⁾ These amounts include the notional principal and interest payments.

23. 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 year ended December 31, 2022, the Company incurred \$1.3 million for legal fees and disbursements (\$1.7 million for the year ended December 31, 2021). 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. At December 31, 2022, the payable balance was nil (December 31, 2021 – nil) was outstanding.

24. SUBSEQUENT EVENTS

On January 23, January 24, and February 1, 2023, the Company closed the previously announced dispositions of certain non-core assets for total consideration of \$389.5 million.