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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2019 and 2018;
- the consolidated statements of comprehensive income (loss) 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 a summary of significant accounting policies.

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.

Other information

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

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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.

The engagement partner on the audit resulting in this independent auditor's report is Calvin Blain Jacober.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Calgary, Alberta
February 26, 2020

WHITECAP RESOURCES INC.
CONSOLIDATED BALANCE SHEET

As at (CAD $000s)	**December 31 2019**	December 31 2018
Assets		
Current Assets		
Accounts receivable	**172,225**	121,120
Deposits and prepaid expenses	**6,029**	11,082
Risk management contracts [Notes 4 & 5]	**1,733**	75,219
Total current assets	**179,987**	207,421
Property, plant and equipment [Notes 6 & 7]	**4,964,358**	5,189,461
Exploration and evaluation [Note 8]	**9,506**	9,683
Right-of-use assets [Note 9]	**77,833**	-
Investment in limited partnership [Note 10]	**-**	1,364
Goodwill [Note 11]	**122,682**	122,682
Risk management contracts [Notes 4 & 5]	**4,099**	9,454
Deferred income tax [Note 20]	**-**	418,899
Total assets	**5,358,465**	5,958,964
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**183,647**	161,655
Share awards liability [Note 15]	**7,233**	4,080
Dividends payable	**11,674**	11,180
Lease liabilities [Note 13]	**10,568**	-
Risk management contracts [Notes 4 & 5]	**3,935**	-
Total current liabilities	**217,057**	176,915
Risk management contracts [Notes 4 & 5]	**6**	27
Long-term debt [Note 12]	**1,176,200**	1,255,697
Lease liabilities [Note 13]	**70,694**	-
Decommissioning liability [Note 14]	**859,143**	725,643
Share awards liability [Note 15]	**5,790**	3,380
Deferred income tax [Note 20]	**101,365**	567,736
Total liabilities	**2,430,255**	2,729,398
Shareholders' Equity		
Share capital [Note 15]	**3,860,962**	3,870,798
Contributed surplus [Note 15]	**18,413**	15,719
Deficit	**(951,165)**	(656,951)
Total shareholders' equity	**2,928,210**	3,229,566
Total liabilities and shareholders' equity	**5,358,465**	5,958,964

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 STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31

(CAD $000s, except per share amounts)	**2019**	2018
Revenue		
Petroleum and natural gas sales [Note 16]	**1,454,239**	1,525,299
Royalties	**(253,763)**	(268,090)
Petroleum and natural gas sales, net of royalties	**1,200,476**	1,257,209
Other Income		
Net gain (loss) on commodity and FX contracts [Note 5]	**(108,159)**	58,481
Total revenue and other income	**1,092,317**	1,315,690
Expenses		
Operating	**320,960**	327,160
Transportation	**58,627**	58,952
Blending	**29,632**	10,273
General and administrative [Note 18]	**24,827**	29,856
Stock-based compensation [Note 15]	**16,743**	12,616
Transaction costs	**-**	200
Interest and financing [Note 12]	**47,972**	52,702
Accretion of decommissioning liabilities [Note 14]	**10,184**	15,726
Depletion, depreciation, and amortization [Note 7 & 9]	**486,230**	487,013
Impairment [Note 7]	**296,914**	219,253
Exploration and evaluation [Note 8]	**2,314**	920
Loss on investment [Note 10]	**1,364**	6,221
Net (gain) loss on asset dispositions [Note 7]	**(105)**	1,245
Total expenses	**1,295,662**	1,222,137
Income (loss) before income taxes	**(203,345)**	93,553
Taxes		
Deferred income tax expense (recovery) [Note 20]	**(47,472)**	28,425
Net income (loss) and other comprehensive income (loss)	**(155,873)**	65,128
Net Income (Loss) Per Share ($/share) [Note 19]		
Basic	**(0.38)**	0.16
Diluted	**(0.38)**	0.15

See accompanying notes to the consolidated financial statements

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

(CAD $000s)	**2019**	2018
Share Capital [Note 15(b)]		
Balance, beginning of year	**3,870,798**	3,889,255
Common shares repurchased [Note 15(c)]	**(19,628)**	(42,708)
Contributed surplus adjustment on vesting of share awards	**9,792**	24,251
Balance, end of year	**3,860,962**	3,870,798
Contributed Surplus [Note 15(e)]		
Balance, beginning of year	**15,719**	33,662
Stock-based compensation	**12,498**	23,021
Share award vesting	**(9,804)**	(24,251)
Conversion of insider share awards to cash-settled	**-**	(16,702)
Common shares repurchased [Note 15(c)]	**-**	(11)
Balance, end of year	**18,413**	15,719
Deficit		
Balance, beginning of year	**(656,951)**	(589,784)
Net income (loss) and other comprehensive income (loss)	**(155,873)**	65,128
Dividends	**(138,341)**	(132,295)
Balance, end of year	**(951,165)**	(656,951)

See accompanying notes to the consolidated financial statements

WHITECAP RESOURCES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the years ended

(CAD $000s)	**2019**	2018
Operating Activities		
Net income (loss) for the year	**(155,873)**	65,128
Items not affecting cash:		
Depletion, depreciation, and amortization [Note 7]	**486,230**	487,013
Impairment [Note 7]	**296,914**	219,253
Exploration and evaluation [Note 8]	**2,314**	920
Deferred income tax expense (recovery) [Note 20]	**(47,472)**	28,425
Stock-based compensation [Note 15]	**8,658**	12,616
Accretion of decommissioning liabilities [Note 14]	**10,184**	15,726
Unrealized gain on risk management contracts [Note 5]	**82,755**	(123,940)
Unrealized loss on investment in limited partnership [Note 10]	**1,364**	6,221
Net (gain) loss on asset dispositions [Note 7]	**(105)**	1,245
Settlement of decommissioning liabilities [Note 14]	**(9,359)**	(8,187)
Net change in non-cash working capital items [Note 21]	**(30,252)**	23,514
Cash flow from operating activities	**645,358**	727,934
Financing Activities		
Decrease in long-term debt	**(79,497)**	(28,534)
Common shares repurchased [Note 15]	**(19,628)**	(42,719)
Dividends	**(138,341)**	(132,295)
Principal portion of lease payments	**(10,631)**	-
Net change in non-cash working capital items [Note 21]	**494**	938
Cash flow used in financing activities	**(247,603)**	(202,610)
Investing Activities		
Expenditures on property, plant and equipment	**(403,977)**	(440,499)
Expenditures on property acquisitions	**(3,991)**	(35,249)
Cash from property dispositions	**878**	8,065
Expenditures on corporate acquisitions net of cash acquired [Note 6]	**-**	(58,222)
Net change in non-cash working capital items [Note 21]	**9,335**	581
Cash flow used in investing activities	**(397,755)**	(525,324)
Change in cash, during the year	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**-**	-
Cash Interest Paid	**50,401**	52,647

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, 2019, including 2018 comparative periods. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of February 25, 2020, the date the Board of Directors approved the statements.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, share-based transactions and the investment in the partnership 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.

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 ("NABC")
- Southeast Saskatchewan ("SESK")
- Southwest Saskatchewan ("SWSK")
- West Central Alberta ("WCAB")
- West Central Saskatchewan ("WCSK")

Estimates of future cash flows used in the calculation of the recoverable amount are based on reserve evaluation reports prepared by independent petroleum reservoir engineers. Discounted future net cash flows are based on forecasted 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.

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, and discount rates. 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. Future net earnings can be affected as a result of changes in future depletion, depreciation and amortization ("DD&A"), asset impairment or reversal, or goodwill impairment.

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.

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

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.

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.

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.

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

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) Investment in Limited Partnership
On June 26, 2014 the Company acquired a 10% interest in an oil and gas limited partnership. The investment is classified as a financial asset at fair value through profit or loss and is fair valued with the resulting gain or loss recorded in net income or loss. On April 15, 2019, the Company disposed of the interest in the oil and gas limited partnership.

iii) 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.

iv) 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.

v) 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 reserves are determined by independent engineers 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) 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.

f) 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 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.

g) 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 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 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 recoverable amount, but only to the extent of what the carrying amount would have been had no impairment been recognized.

The 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 recoverable amount. An impairment loss in respect of goodwill is not reversed.

h) 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.

i) 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.

j) 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.

k) Share-based Compensation

The Company's share-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 accounts payable and share-based compensation 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.

l) Flow-through Shares

Periodically, the Company finances a portion of its exploration and development activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. The stated capital recorded on flow-through share issuances is equal to the estimated fair value of the common shares, exclusive of the flow-through component, on the date of issue. The difference between the gross proceeds received and the stated capital recorded is a liability ("flow-through share liability") until qualifying expenditures are incurred. When the expenditures are incurred, the resulting deferred tax liability is recorded through income tax expense less the reversal of the flow-through share liability previously reported.

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/Loss per Share

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

Diluted net income/loss 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 stock options and share awards granted to employees and directors. The number of shares included with respect to options and 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) Changes in Accounting Policies

i) IFRS 16 *Leases* (“IFRS 16”)

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

On adoption of IFRS 16, Whitecap recognized lease liabilities of $91.0 million in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2018, adjusted by commitments in relation to arrangements not containing leases, short-term and low-value leases, and discounted using the Company’s incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate used to determine the lease liabilities at adoption was approximately 4.5 percent. The difference in operating lease commitments disclosed as at December 31, 2018 and lease liabilities recognized on the consolidated balance sheet at January 1, 2019 is primarily due to non-lease components of contracts reassessed as service agreements. The associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019, with no impact on retained earnings. See Note 9 – "Right-of-Use Assets" and Note 13 – "Lease Liabilities" for additional information regarding the Company's leases.

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

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

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

1) Leases

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

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

- The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease liabilities, and the resulting interest expense and depreciation expense, may differ due to changes in the market conditions and lease term.

- Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.

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 ("FX") contracts are based on inputs including quoted forward prices for commodities, forward interest rates and forward 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, 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 property, plant and equipment ("PP&E"), exploration and evaluation ("E&E"), right-of-use assets, goodwill, and the investment in limited partnership 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, 9, 10 and 11 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) are 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. 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 cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2019 and December 31, 2018, 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 commodity prices, forward interest rates and forward 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 technique used has 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.

e) Investment in Limited Partnership

The fair value of the investment in limited partnership was based on the Company's share of the fair value of the limited partnership's accounts receivable, prepaid expenses and deposits, risk management contracts, PP&E, accounts payable and accrued liabilities, bank debt, loan from parent, and decommissioning obligations. The fair values were determined using the methods in the preceding paragraphs as applicable.

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 by counterparty that are offset on the balance sheet as at December 31, 2019 and December 31, 2018:

	December 31, 2019			December 31, 2018		
($000s)	Asset	Liability	Net	Asset	Liability	Net
Gross amount	8,479	(6,588)	1,891	86,539	(1,893)	84,646
Amount offset	(2,647)	2,647	-	(1,866)	1,866	-
Net amount	5,832	(3,941)	1,891	84,673	(27)	84,646

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:

	December 31, 2019	December 31, 2018
Accounts receivable	172,225	121,120
Risk management contracts	5,832	84,673
Total exposure	178,057	205,793

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, 2019 pertains to accrued revenue for December 2019 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, 2019, one Commodity Purchaser accounted for approximately 15 percent of the total accounts receivable balance and is not 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. Accordingly, no provision has been recorded for expected credit losses.

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. As at December 31, 2019, there was $2.3 million (December 31, 2018 – $1.6 million) of receivables aged over 90 days. Subsequent to December 31, 2019, approximately $1.1 million (December 31, 2018 – $0.8 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, debt and equity 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 additional common shares and/or 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, 2019:

($000s)	<1 year	1 to 2 years	2+ years	Total
Accounts payable and accrued liabilities	183,647	-	-	183,647
Dividends payable	11,674	-	-	11,674
Long-term debt (1)	21,605	21,605	1,231,220	1,274,430
Lease liabilities (1)	13,993	14,288	65,493	93,774
Share awards liability	7,233	3,482	2,308	13,023
Risk management contracts (2)	3,935	6	-	3,941
Total financial liabilities	242,087	39,381	1,299,021	1,580,489

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, 2018:

($000s)	<1 year	1 to 2 years	2+ years	Total
Accounts payable and accrued liabilities	161,655	-	-	161,655
Dividends payable	11,180	-	-	11,180
Long-term debt (1)	21,605	21,605	1,332,322	1,375,532
Share awards liability	4,080	2,672	708	7,460
Risk management contracts (2)	-	27	-	27
Total financial liabilities	198,520	24,304	1,333,030	1,555,854

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:

($000s)	December 31 2019	December 31 2018
Current Assets		
Crude oil	304	74,588
Natural gas	176	388
Interest	829	180
Power	52	63
Equity	372	-
Total current assets	1,733	75,219
Long-term Assets		
Crude oil	-	9,454
Interest	3,215	-
Equity	884	-
Total long-term assets	4,099	9,454
Total fair value	**5,832**	**84,673**

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

($000s)	December 31 2019	December 31 2018
Current Liabilities		
Crude oil	3,922	-
Natural gas	13	-
Total current liabilities	3,935	**-**
Long-term Liabilities		
Crude oil	6	-
Power	-	27
Total long-term liabilities	6	27
Total fair value	**3,941**	**27**

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

	Year ended December 31	
($000s)	2019	2018
Realized loss on commodity and FX contracts	(20,284)	(64,000)
Unrealized gain (loss) on commodity and FX contracts	(87,875)	122,481
Net gain (loss) on commodity and FX contracts	(108,159)	58,481
Realized gain (loss) on interest rate contracts (1)	434	(1,623)
Unrealized gain on interest rate contracts (1)	3,864	1,459
Realized gain on equity contracts (2)	159	-
Unrealized gain on equity contracts (2)	1,256	-
Net gain (loss) on risk management contracts	(102,446)	58,317

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.

i) 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, 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:

($000s)	December 31, 2019	
	Increase 10%	Decrease 10%
Commodity Price		
Crude Oil	(29,174)	23,251
Natural Gas	(886)	886
Power	49	(49)

At December 31, 2019, the following commodity risk management contracts were outstanding with an asset fair market value of $0.5 million and liability fair market value of $3.9 million (December 31, 2018 – asset of $84.5 million and liability of $0.1 million):

1) WTI Crude Oil Derivative Contracts

Type	**Term**	**Volume (bbls/d)**	**Bought Put Price (C$/bbl) (1)**	**Sold Call Price (C$/bbl) (1)**
Collar	2020 Jan – Jun	11,000	68.18	87.45
Collar	2020 Jul – Dec	7,000	64.29	84.22
Collar	2020	10,000	62.30	80.23
Collar	2021	1,000	60.00	80.35

Note:

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

2) Natural Gas Derivative Contracts

Type	Term	Volume (GJ/d)	Swap Price (C$/GJ) (1)
Swap	2020 Jan – Mar	20,000	2.19
Swap	2020 Apr – Oct	5,000	1.65
Swap	2020	5,000	1.82

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

3) Power Derivative Contracts

Type	Term	Volume (MWh)	Fixed Rate ($/MWh) (1)
Swap	2020	8,784	50.50

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

4) Contracts entered into subsequent to December 31, 2019

a) WTI Crude Oil Derivative Contracts

Type	Term	Volume (bbls/d)	Bought Put Price (C$/bbl) (1)	Sold Call Price (C$/bbl) (1)	Swap Price (C$/bbl) (1)
Swap	2020 Jan – Jun	2,000			80.93
Collar	2020 Jul – Dec	2,000	65.00	83.20	
Collar	2021 Jan – Jun	1,000	60.00	82.70	

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

b) WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis (1)(2)	Swap Price (C$/bbl) (3)
Swap	2020 Apr – Jun	6,000	MSW	6.88
Swap	2020 Jul – Dec	2,000	MSW	8.00
Swap	2020 Apr – Jun	4,000	WCS	21.80
Swap	2020 Jul – Dec	2,000	WCS	21.65

Notes:
(1) Mixed Sweet Blend ("MSW").
(2) Western Canadian Select ("WCS")
(3) Prices reported are the weighted average prices for the period.

c) Natural Gas Derivative Contracts

Type	Term	Volume (GJ/d)	Swap Price (C$/GJ) (1)
Swap	2020 Apr – Oct	10,000	1.67
Swap	2021	5,000	1.86

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

ii) Interest Rate Risk

The Company is exposed to interest rate risk on its credit facility. The credit facility consists of a $1.1 billion revolving syndicated facility and a $75 million revolving operating facility. The revolving syndicated facility and revolving operating facility 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, 2019 were to have increased or decreased by 25 basis points, it is estimated that the Company's income before tax would change by approximately $1.5 million for the year ended December 31, 2019 ($1.7 million for the year ended December 31, 2018, respectively). This assumes that the change in interest rate is effective from the beginning of the year and the amount of floating rate debt is as at December 31, 2019.

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 25 basis points is a reasonable measure. A 25 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:

($000s)		December 31, 2019
	Increase 0.25%	Decrease 0.25%
Interest rate swaps	2,187	(2,187)

At December 31, 2019, the following interest rate risk management contracts were outstanding with an asset fair market value of $4.0 million (December 31, 2018 – asset of $0.2 million):

1) Interest Rate Contracts

Type	**Term**		**Amount ($000s)**	**Fixed Rate (%) [(1)]**	**Index [(2)]**
Swap	Aug 6, 2019	Aug 6, 2024	200,000	1.554	CDOR

Note:

(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:

($000s)		December 31, 2019
	Increase 10%	Decrease 10%
Total return swaps	3,796	(3,796)

At December 31, 2019, the following equity risk management contracts were outstanding with an asset fair market value of $1.3 million (December 31, 2018 – nil):

1) Equity Derivative Contracts

Type	**Term**		**Notional Amount ($000s) [(1)]**	**Share Volume**
Swap	Jan 1, 2020	Oct 1, 2020	10,867	2,025,000
Swap	Jan 1, 2020	Oct 1, 2021	12,584	2,345,000
Swap	Jan 1, 2020	Oct 1, 2022	13,255	2,470,000

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 ("USD/CAD") 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, 2019, 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.

i) Net Debt and Total Capitalization

Management considers net debt a key measure to assess the Company's liquidity. Total capitalization is 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:

($000s)	December 31 2019	December 31 2018
Accounts receivable	(172,225)	(121,120)
Deposits and prepaid expenses	(6,029)	(11,082)
Accounts payable and accrued liabilities	183,647	161,655
Dividends payable	11,674	11,180
Working capital deficiency	17,067	40,633
Long-term debt	1,176,200	1,255,697
Net debt	1,193,267	1,296,330
Shareholders' equity	2,928,210	3,229,566
Total capitalization	4,121,477	4,525,896

ii) Funds Flow

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

Funds flow for the years ended December 31, 2019 and 2018 is calculated as follows:

		Twelve months ended December 31
($000s)	2019	2018
Cash flow from operating activities	645,358	727,934
Net change in non-cash working capital items	30,252	(23,514)
Funds flow	675,610	704,420

6. ACQUISITIONS

a) 2019 Acquisitions

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.

In the twelve months ended December 31, 2019, the Company consolidated working interests on existing assets in the Northwest Alberta and British Columbia, Southwest Saskatchewan, and the West Central Saskatchewan cash generating units. The acquisitions were accounted for as business combinations under IFRS 3.

Net assets acquired ($000s):	
Petroleum and natural gas properties	5,109
Decommissioning liability	(1,093)
Total net assets acquired	**4,016**

Consideration:	
Cash consideration	3,991
Non-cash consideration	25
Total consideration	**4,016**

b) 2018 Acquisitions

i) Capio Energy Inc. (“Capio”) Acquisition

On February 22, 2018, the Company closed the acquisition of Capio by acquiring all of the issued and outstanding common shares of Capio for cash consideration of $56.8 million, net of acquired working capital. The corporate acquisition has been accounted for as a business combination under IFRS 3.

The acquisition of Capio has contributed revenues of $16.0 million and operating income of $11.2 million since February 22, 2018. Had the acquisition closed on January 1, 2018, estimated contributed revenues would have been $18.7 million and estimated contributed operating income would have been $13.5 million for the year ended December 31, 2018.

Net assets acquired ($000s):	
Working capital	6,718
Petroleum and natural gas properties	52,025
Exploration and evaluation	1,141
Deferred income tax	4,301
Decommissioning liability	(637)
Total net assets acquired	**63,548**

Cash consideration:	
Total consideration	**63,548**

ii) SESK Royalty Interest Acquisition

On September 14, 2018, the Company closed the acquisition of a gross overriding royalty on property where the Company has a 100% working interest. The acquisition was accounted for as a business combination under IFRS 3.

The royalty interest acquired has contributed operating income of $0.4 million since September 14, 2018. Had the acquisition closed on January 1, 2018, estimated contributed operating income would have been $1.6 million for the year ended December 31, 2018.

Net assets acquired ($000s):	
Petroleum and natural gas properties	**12,034**

Cash consideration:	
Total consideration	**12,034**

iii) West Pembina Property Acquisition

On October 1, 2018, the Company closed the acquisition of certain light oil assets in the West Pembina area. The property acquisition was accounted for as a business combination under IFRS 3.

The light oil assets acquired have contributed revenues of $0.4 million and operating income of $0.3 million since October 1, 2018. Had the acquisition closed on January 1, 2018, estimated contributed revenues would have been $2.1 million and estimated contributed operating income would have been $1.4 million for the period ended December 31, 2018.

Net assets acquired ($000s):	
Petroleum and natural gas properties	15,443
Decommissioning liability	(444)
	14,999

Cash consideration:	
Total consideration	**14,999**

iv) Other Acquisitions

In the twelve months ended December 31, 2018, the Company acquired, for cash, strategic tuck-in properties and working interests that complement existing assets in the NABC CGU and the WCAB CGU. The acquisitions were accounted for as business combinations under IFRS 3.

Net assets acquired ($000s):	
Petroleum and natural gas properties	8,655
Decommissioning liability	(731)
Total net assets acquired	**7,924**

Cash consideration:	
Total consideration	**7,924**

7. PROPERTY, PLANT AND EQUIPMENT

Net book value ($000s)	December 31 2019	December 31 2018
Petroleum and natural gas properties	8,420,443	7,876,793
Other assets	4,857	4,706
Property, plant and equipment, at cost	8,425,300	7,881,499
Less: accumulated depletion, depreciation, amortization and impairment	(3,460,942)	(2,692,038)
Total net carrying amount	4,964,358	5,189,461

Cost ($000s)	Petroleum and natural gas properties	Other assets	Total
Balance at December 31, 2017	7,320,003	3,144	7,323,147
Additions	482,496	1,767	484,263
Property acquisitions	35,032	-	35,032
Corporate acquisition	52,775	-	52,775
Transfer from evaluation and exploration assets	1,268	-	1,268
Disposals	(14,781)	(205)	(14,986)
Balance at December 31, 2018	7,876,793	4,706	7,881,499
Additions	535,652	607	536,259
Property acquisitions	5,109	-	5,109
Transfer from evaluation and exploration assets	3,769	-	3,769
Disposals	(880)	(456)	(1,336)
Balance at December 31, 2019	8,420,443	4,857	8,425,300

a) Accumulated Depletion, Depreciation, Amortization and Impairment

Accumulated depletion, depreciation, amortization and impairment ($000s)	Petroleum and natural gas properties	Other assets	Total
Balance at December 31, 2017	1,986,055	2,088	1,988,143
Depletion, depreciation and amortization	486,124	889	487,013
Impairment	219,253	-	219,253
Disposals	(2,325)	(46)	(2,371)
Balance at December 31, 2018	2,689,107	2,931	2,692,038
Depletion, depreciation and amortization	471,379	791	472,170
Impairment	296,914	-	296,914
Disposals	-	(180)	(180)
Balance at December 31, 2019	3,457,400	3,542	3,460,942

At December 31, 2019, $217.7 million of salvage value (December 31, 2018 – $217.7 million) was excluded from the depletion calculation. Future development costs of $4.0 billion (December 31, 2018 – $3.4 billion) were included in the depletion calculation. The Company capitalized $13.5 million (December 31, 2018 – $13.0 million) of administrative costs directly relating to development activities which includes $6.2 million (December 31, 2018 – $5.7 million) of stock-based compensation.

b) Impairment Test of Property, Plant and Equipment

The recoverable amount of PP&E is determined as the FVLCD using a discounted cash flow method and is assessed at the CGU level. As a result of the decrease in forward benchmark commodity prices at December 31, 2019 compared to December 31, 2018, an impairment test on the Company's PP&E assets was performed. The fair value measurement of the Company's PP&E is designated Level 3 on the fair value hierarchy. Refer to Note 4 – "Determination of Fair Values" for a description of the methodology used in the determination of fair values.

The following table outlines the forecast benchmark commodity prices used in the impairment calculation of property, plant and equipment at December 31, 2019. Forecast benchmark commodity price assumptions tend to be stable because short-term increases or decreases in prices are not considered indicative of long-term price levels but are nonetheless subject to change. The Company used an after-tax discount rate of 10 percent.

	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029** (2)
WTI crude oil (US$/bbl) (1)	61.00	63.75	66.18	67.91	69.48	71.07	72.68	74.24	75.73	77.24
AECO natural gas ($/MMBtu) (1)	2.04	2.32	2.62	2.71	2.81	2.89	2.96	3.03	3.09	3.16
Exchange Rate (CAD/USD)	0.76	0.77	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79

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% in each year after 2029 to the end of the reserve life. Forecast exchange rate is assumed to remain at 0.79 CAD/USD each year after 2029 to the end of the reserve life.

The following table outlines the forecast benchmark commodity prices used in the impairment calculation of property, plant and equipment at December 31, 2018.

	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028** (2)
WTI crude oil (US$/bbl) (1)	58.58	64.60	68.20	71.00	72.81	74.59	76.42	78.40	79.98	81.59
AECO natural gas ($/MMBtu) (1)	1.88	2.31	2.74	3.05	3.21	3.31	3.39	3.46	3.54	3.62
Exchange Rate (CAD/USD)	0.76	0.78	0.80	0.80	0.81	0.81	0.81	0.81	0.81	0.81

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% in each year after 2028 to the end of the reserve life. Forecast exchange rate is assumed to remain at 0.81 CAD/USD each year after 2028 to the end of the reserve life.

The impairment test of PP&E at December 31, 2019 concluded that the carrying amounts of the WCSK and WCAB CGUs of $0.9 billion and $1.3 billion, respectively, exceeded their FVLCD of $0.8 billion and $1.1 billion, respectively. The full amount of the impairment was attributed to PP&E and, as a result, a total impairment loss of $296.9 million was recorded in impairment expense. The impairment expense in 2019 was primarily a result of lower forecast benchmark commodity prices at December 31, 2019 compared to December 31, 2018.

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

As at December 31, 2019, 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 pre-tax impairment expense being recognized:

Impairment expense (reversal) ($000s)	WCSK CGU	WCAB CGU
1% increase in discount rate	52,072	101,460
5% decrease in cash flows	52,287	74,135
1% increase in discount rate and 5% decrease in cash flows	101,755	170,521

The increase in discount rate and decrease in forecast operating cash flows would not result in impairment in the Company's remaining CGUs. 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.

The impairment test of PP&E at December 31, 2018 concluded that the carrying amount of the WCSK CGU of $1.1 billion exceeded its FVLCD of $0.8 billion. The full amount of the impairment was attributed to PP&E and, as a result, a total impairment loss of $219.3 million was recorded in impairment expense. The impairment expense in 2018 was primarily a result of negative technical revisions in reserves assigned due to well performance at December 31, 2018, compared to December 31, 2017.

8. EXPLORATION AND EVALUATION ASSETS

($000s)	December 31 2019	December 31 2018
Exploration and evaluation assets	40,923	38,786
Less: accumulated land expiries and write-offs	(31,417)	(29,103)
Total net carrying amount	9,506	9,683

($000s)	Undeveloped Land
Balance at December 31, 2017	38,973
Property acquisitions	350
Corporate acquisition	1,141
Transfer to property, plant and equipment	(1,268)
Disposals	(410)
Balance at December 31, 2018	38,786
Additions	5,947
Transfer to property, plant and equipment	(3,769)
Disposals	(41)
Balance at December 31, 2019	40,923

($000s)	Accumulated land expiries and write-offs
Balance at December 31, 2017	28,183
Land expiries and write-offs	920
Balance at December 31, 2018	29,103
Land expiries and write-offs	2,314
Balance at December 31, 2019	31,417

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.

a) Impairment Test of Exploration and Evaluation Assets

There were no indicators of impairment at December 31, 2019.

9. 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 13 – "Lease Liabilities" for additional information regarding the Company's leases.

a) Carrying Amounts

($000s)	Offices	Facilities	Other	Total
Right-of-use assets	28,440	60,361	3,092	91,893
Less: accumulated depreciation	(3,267)	(9,658)	(1,135)	(14,060)
Balance at December 31, 2019	25,173	50,703	1,957	77,833

b) Cost

($000s)	Offices	Facilities	Other	Total
Balance at December 31, 2018	-	-	-	-
Adoption of IFRS 16 on January 1, 2019	28,440	60,361	2,154	90,955
Additions	-	-	938	938
Balance at December 31, 2019	28,440	60,361	3,092	91,893

c) Accumulated Depreciation

($000s)	Offices	Facilities	Other	Total
Balance at December 31, 2018	-	-	-	-
Depreciation	3,267	9,658	1,135	14,060
Balance at December 31, 2019	3,267	9,658	1,135	14,060

10. INVESTMENT IN LIMITED PARTNERSHIP

($000s)	December 31 2019	December 31 2018
Investment in limited partnership, beginning of year	1,364	7,585
Loss on investment	(1,364)	(6,221)
Investment in limited partnership, end of year	-	1,364

On June 26, 2014, the Company acquired a ten percent interest in an oil and gas limited partnership. The investment was recorded at fair value and any subsequent gains or losses recorded in net income or loss. On April 15, 2019, the Company disposed of the interest in the oil and gas limited partnership.

11. GOODWILL

At December 31, 2019, the Company had goodwill of $122.7 million (December 31, 2018 – $122.7 million). At December 31, 2019, the Company had total accumulated goodwill impairment charges of $126.4 million, which was recorded during the year ended December 31, 2015. The recoverable amount of goodwill is determined as the FVLCD using a discounted cash flow method and is assessed at the corporate level. The Company's key assumptions used in determining the FVLCD include reserves, discount rate, future commodity prices, operating costs and capital expenditures of the Company. The values of these assumptions have been assigned based on internal and external reserve and market price information. The fair value measurement of the Company's goodwill is designated Level 3 on the fair value hierarchy. Refer to Note 4 – "Determination of Fair Values" for a description of the methodology used in the determination of fair values.

a) Impairment Test of Goodwill

The impairment test of goodwill at December 31, 2019 concluded that the estimated recoverable amount exceeded the carrying amount. As such, no goodwill impairment existed. Refer to Note 7 – "Property, Plant and Equipment" for a description of the key input estimates and the methodology used in the determination of the estimated recoverable amount related to goodwill.

12. LONG-TERM DEBT

($000s)	December 31 2019	December 31 2018
Bank debt	581,551	661,151
Senior secured notes	594,649	594,546
Long-term debt	1,176,200	1,255,697

a) Bank Debt

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

In the second quarter of 2018, as part of our annual credit facility review, the credit facility transitioned from a borrowing-based structure with lending capacity re-determined on a semi-annual basis, to a financial covenant-based structure with an extendible four-year term governed by our existing financial covenants. The following table lists Whitecap's financial covenants as at December 31, 2019:

Covenant Description		December 31 2019
Debt to EBITDA [(1)] [(2)]	Maximum Ratio 4.00	1.59
EBITDA to interest expense [(1)]	Minimum Ratio 3.50	14.39

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.

As of December 31, 2019, the Company was compliant with all covenants provided for in the lending agreement. Copies of the Company's credit agreements may be accessed through the SEDAR website (www.sedar.com).

b) Senior Secured Notes
As at December 31, 2019, the Company had issued $595 million senior secured notes. The notes rank equally with Whitecap's obligations under its credit facility. The terms, rates, principals and carrying amounts of the Company's outstanding senior notes are detailed below:

($000s) Issue Date	Maturity Date	Coupon Rate	Principal	Carrying Value	Fair Value
January 5, 2017	January 5, 2022	3.46%	200,000	199,886	203,033
May 31, 2017	May 31, 2024	3.54%	200,000	199,875	200,370
December 20, 2017	December 20, 2026	3.90%	195,000	194,888	198,411
Balance at December 31, 2019			595,000	594,649	601,814

The senior secured notes are subject to the same debt to EBITDA ratio and EBITDA to interest expense ratio described under the credit facility. As of December 31, 2019, the Company was compliant with all covenants provided for in the lending agreements.

c) Interest and Financing Expense
The following table summarizes the components of interest and financing expense during the period:

($000s)	Year ended December 2019	2018
Interest expense	48,371	52,538
Interest expense, lease liabilities [Note 13]	3,899	-
Unrealized gains on interest rate contracts	(3,864)	(1,459)
Realized (gains) losses on interest rate contracts	(434)	1,623
Interest and financing expense	47,972	52,702

13. 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 includes the assessment of the appropriate durations for the related leased assets.

($000s)	December 31 2019	December 31 2018
Current portion	10,568	-
Non-current portion	70,694	-
Lease liabilities	81,262	-

For the year ended December 31, 2019, interest expense of $3.9 million and total cash outflows of $14.5 million were recognized relating to lease liabilities.

14. DECOMMISSIONING LIABILITY

($000s)	
Balance at December 31, 2017	683,015
Liabilities incurred	12,668
Liabilities acquired	1,812
Liabilities settled	(8,187)
Liabilities disposed	(3,714)
Revaluation of liabilities acquired (1)	5,660
Change in estimate	18,663
Accretion expense	15,726
Balance at December 31, 2018	725,643
Liabilities incurred	7,778
Liabilities acquired	1,093
Liabilities settled	(9,359)
Liabilities disposed	(398)
Revaluation of liabilities acquired (1)	1,459
Change in estimate	122,743
Accretion expense	10,184
Balance at December 31, 2019	859,143

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 1.8 percent (2.2 percent at December 31, 2018) and inflation rate of 2.0 percent (2.0 percent at December 31, 2018). The total undiscounted amount of the estimated cash flows required to settle the obligations was $1.0 billion (December 31, 2018 – $1.2 billion). The expected timing of payment of the cash flows required for settling the obligations extends up to 44 years.

15. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without nominal or par value.

b) Issued and outstanding

(000s)	Shares	$
Balance at December 31, 2017	418,029	3,889,255
Issued on share award vesting	1,401	-
Common shares repurchased	(5,367)	(42,708)
Contributed surplus adjustment on vesting of share awards	-	24,251
Balance at December 31, 2018	414,063	3,870,798
Issued on share award vesting	1,087	-
Common shares repurchased (1)	(5,531)	(19,628)
Contributed surplus adjustment on vesting of share awards	-	9,792
Balance at December 31, 2019	409,619	3,860,962

Notes:

As at December 31, 2018, 910,000 shares repurchased under the NCIB were held in treasury. Subsequent to December 31, 2018, all of the shares held in treasury were cancelled.

c) Normal Course Issuer Bid

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

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

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

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

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

	Twelve months ended December 31	
(000s except per share amounts)	2019	2018
Shares repurchased [(1)]	4,621	6,277
Average cost ($/share)	4.25	6.81
Amounts charged to		
Share capital	19,628	42,708
Contributed surplus	-	11
Share repurchase cost	19,628	42,719

Note:
(1) As at December 31, 2018, 910,000 shares repurchased under the NCIB were held in treasury. Subsequent to December 31, 2019, all of the shares held in treasury were cancelled.

d) Award Incentive Plan

The Company implemented an Award Incentive Plan effective April 30, 2013. The Award Incentive Plan has time-based awards and performance awards which may be granted to directors, officers, employees of the Company and other service providers. Effective January 1, 2017, independent outside directors will receive only time-based awards as the primary form of long-term compensation. As at December 31, 2019, the maximum number of common shares issuable under the plan shall not at any time exceed 3.755 percent of the total common shares outstanding. Vesting is determined by the Company's Board of Directors. Currently, time-based awards and performance awards issued to employees of the Company vest three years from date of grant. Time-based awards issued to independent outside directors have vesting periods ranging from 1 to 3 years. Performance awards issued to officers of the Company vest in two tranches with one half of such awards vesting February 1 and one half vesting October 1 of the third year following the grant date.

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

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 4 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.

The estimated weighted average fair value for equity-settled share awards at the measurement date is $4.49 per award granted during the period ended December 31, 2019.

(000s)	Number of Time-based Awards	Number of Performance Awards [1]	Total Awards
Balance at December 31, 2017	1,329	3,867	5,196
Granted	699	1,701	2,400
Forfeited	(74)	(142)	(216)
Vested	(230)	(856)	(1,086)
Balance at December 31, 2018	1,724	4,570	6,294
Granted	737	1,998	2,735
Forfeited	(44)	(56)	(100)
Vested	(327)	(1,096)	(1,423)
Balance at December 31, 2019	2,090	5,416	7,506

Note:
[1] Based on underlying awards before performance multiplier and dividends accrued.

e) Contributed Surplus

($000s)	
Balance at December 31, 2017	33,662
Stock-based compensation	23,021
Share award vesting	(24,251)
Conversion of insider share awards to cash-settled	(16,702)
Common shares repurchased	(11)
Balance at December 31, 2018	15,719
Stock-based compensation	12,498
Share award vesting	(9,804)
Balance at December 31, 2019	18,413

f) Dividends

Dividends declared were $0.34 per common share in the year ended December 31, 2019 ($0.32 in the year ended December 31, 2018).

On January 15, 2020, the Board of Directors declared a dividend of $0.0285 per common share designated as an eligible dividend, payable in cash to shareholders of record on January 31, 2020. The dividend payment date is February 18, 2020.

On February 13, 2020, the Board of Directors declared a dividend of $0.0285 per common share designated as an eligible dividend, payable in cash to shareholders of record on February 29, 2020. The dividend payment date is March 16, 2020.

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:

	Twelve months ended December 31	
($000s)	2019	2018
Crude oil	1,337,035	1,419,363
NGLs	33,832	57,617
Natural gas	47,609	42,865
Petroleum and natural gas revenues	1,418,476	1,519,845
Tariffs	(12,459)	(19,524)
Processing & other income	17,869	12,210
Blending revenue	30,353	12,768
Petroleum and natural gas sales	1,454,239	1,525,299

Substantially all of petroleum and natural gas revenues for the year ended December 31, 2019 are derived from variable price contracts based on index prices.

Included in accounts receivable at December 31, 2019 is $132.1 million (December 31, 2018 – $46.0 million) of accrued petroleum and natural gas revenues related to December 2019 production.

17. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Twelve months ended December 31	
($000s)	2019	2018
Salaries and bonuses	7,169	6,848
Stock-based compensation	10,532	4,102
Total key management personnel compensation	17,701	10,950

18. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

	Twelve months ended December 31	
($000s)	2019	2018
Salaries and benefits	32,791	33,823
Building leases	1,963	5,577
Professional services	3,697	2,550
Other	10,099	11,987
Overhead recoveries	(16,446)	(16,854)
Capitalized salaries	(7,277)	(7,227)
Total general and administrative expenses	24,827	29,856

19. PER SHARE RESULTS

(000s except per share amounts)	2019	Twelve months ended December 31 2018
Per share income (loss) ($/share)		
Basic	($0.38)	$0.16
Diluted	($0.38)	$0.15
Weighted average shares outstanding		
Basic	412,000	417,061
Diluted [(1)]	412,000	420,587

Note:

(1) For the year ended December 31, 2019, 2.7 million share awards (1.3 million share awards for the year ended December 31, 2018) 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, 2019 and 2018 are as follows:

Deferred tax:

($000s)	2019	2018
Origination and reversal of timing differences	(47,472)	28,425
Income tax expense (recovery)	(47,472)	28,425

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:

($000s, except statutory tax rates)	2019	Twelve months ended December 31 2018
Income (loss) before income taxes	(203,345)	93,553
Statutory income tax rate [(1)]	26.75%	27.00%
Expected income tax expense at statutory rates	(54,389)	25,259
Increase (decrease) resulting from		
Change in statutory rate	(7,755)	-
Return to provision true-up	(241)	(481)
Non-deductible stock-based compensation	2,942	3,406
Non-deductible transaction costs	-	54
Other	11,971	187
Deferred income tax expense (recovery)	(47,472)	28,425

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, 2019 and 2018. The general Provincial tax rate in Alberta was decreased on June 28, 2019 from 12 percent to 11 percent for the second half of 2019.

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

($000s)	December 31 2019	December 31 2018
Deferred tax assets		
To be recovered after more than 12 months	(471,225)	(495,506)
Deferred tax liabilities		
To be recovered after more than 12 months	572,118	621,489
To be recovered within 12 months	472	22,854
Deferred tax liability (net)	101,365	148,837

Deferred tax liabilities / (assets)

($000s)	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	Investment in limited partnership	Total
At December 31, 2017	605,430	(10,609)	(184,909)	(272,914)	(12,033)	-	(252)	124,713
Charged / (credited) to the income statement	(33,721)	33,464	(2,035)	27,778	4,619	-	(1,680)	28,425
Change in estimate of decommissioning liabilities	9,302	-	(9,474)	-	-	-	-	(172)
Other	588	(1)	(665)	(3,611)	(440)	-	-	(4,129)
At December 31, 2018	581,599	22,854	(197,083)	(248,747)	(7,854)	-	(1,932)	148,837
Charged / (credited) to the income statement	(121,571)	(22,134)	15,649	76,760	5,144	(3,252)	1,932	(47,472)
Change in estimate of decommissioning liabilities	33,135	-	(33,135)	-	-	-	-	-
Other	216	(248)	-	2	30	-	-	-
At December 31, 2019	493,379	472	(214,569)	(171,985)	(2,680)	(3,252)	-	101,365

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

($000s)	December 31 2019	December 31 2018
Undepreciated capital cost	610,658	594,470
Canadian development expense	683,907	598,346
Canadian oil and gas property expense	1,653,727	1,807,731
Non-capital loss carry forward	688,645	919,893
Share issue costs	10,714	30,467
Total	3,647,651	3,950,907

At December 31, 2019, the Company has non-capital losses of $688.6 million that expire between 2031 and 2038.

21. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in Non-Cash Working Capital

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

($000s)	Twelve months ended December 31 2019	2018
Accounts receivable	(51,105)	21,026
Deposits and prepaid expenses	5,053	(68)
Accounts payable and accrued liabilities	21,992	11,785
Share awards liability – current	3,153	
Dividend payable	494	938
Share awards liability	2,410	3,380
Change in non-cash working capital	(18,003)	37,061
Related to:		
Operating activities	(30,252)	23,514
Financing activities	494	938
Investing activities	9,335	581
Items not impacting cash	2,420	12,028

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:

($000s)	Long-term debt	Lease liabilities	Dividend payable
Balance at December 31, 2017	1,284,232	-	10,242
Cash flows	(30,152)	-	-
Amortization of debt issuance costs	1,617	-	-
Change in dividends payable	-	-	938
Balance at December 31, 2018	1,255,697	-	11,180
Adoption of IFRS 16 [Note 3]	-	91,629	-
Additions	-	938	-
Adjustment for leasehold improvement	-	(674)	-
Cash flows	(80,862)	(10,631)	-
Amortization of debt issuance costs	1,365	-	-
Change in dividends payable	-	-	494
Balance at December 31, 2019	1,176,200	81,262	11,674

22. COMMITMENTS

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

($000s)	2020	2021	2022	2023+	Total
Lease liabilities [Note 13]	13,993	14,287	14,651	50,843	93,774
Service agreements	2,254	2,251	2,249	10,955	17,709
Transportation agreements	23,281	16,845	24,239	135,554	199,919
CO_2 purchase commitments	38,350	39,011	39,790	119,246	236,397
Long-term debt (1)	21,605	21,605	14,780	1,216,440	1,274,430
Total	99,483	93,999	95,709	1,533,038	1,822,229

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, 2019, the Company incurred $0.4 million for legal fees and disbursements ($0.7 million for the year ended December 31, 2018). These amounts have been recorded at the amounts that have been agreed upon by the two parties. The Company expects to retain the services of BD&P from time to time. As of December 31, 2019, a $0.1 million payable balance (nil – December 31, 2018) was outstanding.