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, 2020 and 2019, 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, 2020 and 2019;
- the consolidated statements of comprehensive 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 significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
The impact of oil and natural gas reserves on net petroleum and natural gas properties for the cash generating units (CGUs) of the Company *Refer to note 3 – Significant accounting policies, note 4 – Determination of fair values and note 7 – Property, plant and equipment to the consolidated financial statements*. The Company's oil and natural gas assets consist of $2,645 million of net petroleum and natural gas properties (PP&E) as at December 31, 2020. Depletion expense for the Company was $357.6 million for the year then ended. PP&E is depleted using the unit-of-production method based on estimated proved plus probable oil and natural gas reserves. The Company's PP&E assets are grouped for recoverability assessment purposes into CGUs. The Company reviews its PP&E for any indication of impairment or impairment reversal at each reporting date. If such an indication exists, the estimated recoverable amount is calculated. An impairment loss is recognized in the statement of comprehensive loss if the carrying amount of a CGU exceeds its estimated recoverable amount. An impairment loss is reversed to the extent that the asset's new carrying amount does not exceed the original carrying amount, net of related accumulated depletion, depreciation and amortization. The recoverable amount of PP&E is determined as the fair value less costs of disposal (FVLCD) using a discounted cash flow method. The calculation is based on estimates of proved	Our approach to addressing the matter included the following procedures, among others: • The work of management's experts was used in performing the procedures to evaluate the reasonableness of the proved and probable oil and natural gas reserves used to determine depletion expense and the recoverable amount of PP&E assets. As a basis for using this work, management's experts' competence, capability and objectivity were evaluated, their work performed was understood and the appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions and methods. • Tested how management determined the recoverable amount of the Company's CGUs and depletion expense, which included the following: – Evaluated the appropriateness of the methods used by management in making these estimates. – Tested the data used in determining these estimates. – Evaluated the reasonableness of significant assumptions used in developing the underlying estimates, including: ○ The quantity of proved plus probable reserves, production rates and future

plus probable reserves, which are prepared by independent engineers (management's experts).

As at March 31, 2020, the Company identified indicators of impairment and performed an impairment test on the Company's PP&E assets. The impairment test concluded that the carrying amounts of the Company's PP&E assets exceeded their recoverable amount and the Company recognized an impairment loss of $2,801.6 million related to PP&E assets. As a result of an increase in forward benchmark commodity prices as at December 31, 2020, compared to March 31, 2020, as well as increases to proved plus probable reserves within certain CGUs, an impairment test on the Company's PP&E assets was performed. The impairment test concluded that the FVLCD of the Company's CGUs exceeded their carrying amounts and the Company recorded an impairment reversal of $432.2 million in impairment expenses.

Significant assumptions developed by management used to determine the recoverable amount of the CGU include estimates of proved plus probable reserves, production rates, forecast benchmark commodity pricing, discount rates and future costs.

We determined that this is a key audit matter due to (i) the significant judgment made by management, including the use of management's experts, when developing the expected future cash flows to determine the recoverable amount and the proved plus probable reserves; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the field of valuation

costs by considering the past performance of the CGUs of the Company, and whether these assumptions were consistent with evidence obtained in other areas of the audit.

  - Forecast benchmark commodity prices by comparing those forecasts with other reputable third party industry forecasts.

  - The discount rate, through the assistance of professionals with specialized skill and knowledge in the field of valuation.

- Recalculated the unit-of-production rates used to calculate depletion expense for each of the Company's CGUs.

Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

/s/ "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Calgary, Alberta
February 24, 2021

WHITECAP RESOURCES INC.
CONSOLIDATED BALANCE SHEET

As at (CAD $000s)	**December 31 2020**	December 31 2019
Assets		
Current Assets		
Accounts receivable	**115,958**	172,225
Deposits and prepaid expenses	**30,240**	6,029
Risk management contracts [Notes 4 & 5]	**4,415**	1,733
Total current assets	**150,613**	179,987
Property, plant and equipment [Notes 6 & 7]	**2,645,190**	4,964,358
Exploration and evaluation [Note 8]	**16,738**	9,506
Right-of-use assets [Note 9]	**64,819**	77,833
Goodwill [Note 10]	**-**	122,682
Risk management contracts [Notes 4 & 5]	**4,277**	4,099
Deferred income tax [Note 19]	**499,773**	-
Total assets	**3,381,410**	5,358,465
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**122,133**	183,647
Share awards liability [Note 14]	**9,953**	7,233
Dividends payable	**5,832**	11,674
Lease liabilities [Note 12]	**11,688**	10,568
Risk management contracts [Notes 4 & 5]	**15,854**	3,935
Total current liabilities	**165,460**	217,057
Risk management contracts [Notes 4 & 5]	**4,111**	6
Long-term debt [Note 11]	**1,101,262**	1,176,200
Lease liabilities [Note 12]	**59,906**	70,694
Decommissioning liability [Note 13]	**1,046,659**	859,143
Share awards liability [Note 14]	**7,061**	5,790
Deferred income tax [Note 19]	**-**	101,365
Total liabilities	**2,384,459**	2,430,255
Shareholders' Equity		
Share capital [Note 14]	**3,867,343**	3,860,962
Contributed surplus [Note 14]	**13,022**	18,413
Deficit	**(2,883,414)**	(951,165)
Total shareholders' equity	**996,951**	2,928,210
Total liabilities and shareholders' equity	**3,381,410**	5,358,465

Commitments [Note 21]

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 LOSS
For the years ended December 31

(CAD $000s, except per share amounts)	**2020**	2019
Revenue		
Petroleum and natural gas sales [Note 15]	**931,898**	1,454,239
Royalties	**(121,004)**	(253,763)
Petroleum and natural gas sales, net of royalties	**810,894**	1,200,476
Other Income		
Net gain (loss) on commodity contracts [Note 5]	**83,544**	(108,159)
Gain on acquisition [Note 6(a)(i)]	**28,147**	-
Total revenue and other income	**922,585**	1,092,317
Expenses		
Operating [Notes 17 & 23]	**297,512**	320,960
Transportation	**59,215**	58,627
Marketing	**23,635**	29,632
General and administrative [Notes 17 & 23]	**20,675**	24,827
Stock-based compensation [Notes 5 &14]	**18,117**	16,743
Transaction costs	**1,115**	-
Interest and financing [Notes 5 & 11]	**55,303**	47,972
Accretion of decommissioning liabilities [Note 13]	**12,636**	10,184
Depletion, depreciation, and amortization [Notes 7 & 9]	**357,651**	486,230
Impairment [Notes 7 & 10]	**2,492,106**	296,914
Exploration and evaluation [Note 8]	**2,602**	2,314
Loss on Investment	**-**	1,364
Net gain on asset dispositions	**(2)**	(105)
Total expenses	**3,340,565**	1,295,662
Loss before income taxes	**(2,417,980)**	(203,345)
Taxes		
Deferred income tax recovery [Note 19]	**(573,007)**	(47,472)
Net loss and other comprehensive loss	**(1,844,973)**	(155,873)
Net Loss Per Share ($/share) [Note 18]		
Basic	(4.52)	(0.38)
Diluted	(4.52)	(0.38)

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)	**2020**	2019
Share Capital [Note 14(b)]		
Balance, beginning of year	**3,860,962**	3,870,798
Common shares repurchased [Note 14(c)]	**(10,197)**	(19,628)
Contributed surplus adjustment on vesting of share awards	**16,048**	9,792
Share award liability adjustment on vesting of share awards	**530**	-
Balance, end of year	**3,867,343**	3,860,962
Contributed Surplus [Note 14(e)]		
Balance, beginning of year	**18,413**	15,719
Stock-based compensation	**10,657**	12,498
Share award vesting	**(16,048)**	(9,804)
Balance, end of year	**13,022**	18,413
Deficit		
Balance, beginning of year	**(951,165)**	(656,951)
Net loss and other comprehensive loss	**(1,844,973)**	(155,873)
Dividends	**(87,276)**	(138,341)
Balance, end of year	**(2,883,414)**	(951,165)

See accompanying notes to the consolidated financial statements

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

(CAD $000s)	**2020**	2019
Operating Activities		
Net loss for the year	**(1,844,973)**	(155,873)
Items not affecting cash:		
Depletion, depreciation, and amortization [Notes 7 & 9]	**357,651**	486,230
Impairment [Notes 7 & 10]	**2,492,106**	296,914
Exploration and evaluation [Note 8]	**2,602**	2,314
Deferred income tax recovery [Note 19]	**(573,007)**	(47,472)
Stock-based compensation [Notes 5 & 14]	**7,547**	8,658
Accretion of decommissioning liabilities [Note 13]	**12,636**	10,184
Unrealized loss on risk management contracts [Note 5]	**13,164**	82,755
Loss on investment in limited partnership	**-**	1,364
Net gain on asset dispositions	**(2)**	(105)
Gain on acquisition [Note 6(a)(i)]	**(28,147)**	-
Settlement of decommissioning liabilities [Note 13]	**(5,696)**	(9,359)
Net change in non-cash working capital items [Note 20]	**16,294**	(30,252)
Cash flow from operating activities	**450,175**	645,358
Financing Activities		
Decrease in long-term debt	**(74,938)**	(79,497)
Common shares repurchased [Note 14]	**(10,197)**	(19,628)
Dividends	**(87,276)**	(138,341)
Principal portion of lease payments	**(10,892)**	(10,631)
Net change in non-cash working capital items [Note 20]	**(5,842)**	494
Cash flow used in financing activities	**(189,145)**	(247,603)
Investing Activities		
Expenditures on property, plant and equipment	**(195,886)**	(403,977)
Expenditures on property acquisitions [Note 6]	**(5,381)**	(3,991)
Cash from property dispositions	**-**	878
Expenditures on corporate acquisitions net of cash acquired [Note 6]	**(17,003)**	-
Net change in non-cash working capital items [Note 20]	**(42,760)**	9,335
Cash flow used in investing activities	**(261,030)**	(397,755)
Change in cash, during the year	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**-**	-
Cash Interest Paid	**43,352**	50,401

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, 2020, including 2019 comparative periods. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of February 24, 2021, 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"); and
- 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 significant assumptions of proved plus probable reserves, production rates, oil and gas prices, future costs, discount rates and other relevant assumptions. By their nature, these significant assumptions are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Jointly Controlled Operations

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

b) Financial Instruments

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

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

i) Cash, Accounts Receivable, Loans and Other Receivables

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

ii) Financial Derivative Instruments

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

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

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

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

iv) Impairment of Financial Assets

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

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

c) Oil and Gas Exploration and Evaluation Expenditures

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

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 loss.

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) Leases

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

f) Assets Held for Sale

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

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

g) Goodwill

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

h) Impairment

The carrying amounts of PP&E are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, PP&E assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or group of assets. The 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 loss 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.

i) Business Combinations

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

j) Decommissioning Liability

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

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

Actual expenditures incurred are charged against the accumulated decommissioning liability.

k) Borrowing Costs

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

l) 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.

m) 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.

n) Income Tax

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

o) 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.

p) 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.

q) 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.

r) 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.

s) Changes in Accounting Policies

i) Government Grants

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

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, and goodwill 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, and 10 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, 2020 and December 31, 2019, 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.

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, 2020 and December 31, 2019:

	December 31, 2020			December 31, 2019		
($000s)	Asset	Liability	Net	Asset	Liability	Net
Gross amount	14,485	(25,758)	(11,273)	8,479	(6,588)	1,891
Amount offset	(5,793)	5,793	-	(2,647)	2,647	-
Net amount	8,692	(19,965)	(11,273)	5,832	(3,941)	1,891

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, 2020	December 31, 2019
Accounts receivable	115,958	172,225
Risk management contracts	8,692	5,832
Total exposure	124,650	178,057

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, 2020 pertains to accrued revenue for December 2020 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 25^{th} 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, 2020, two Commodity Purchasers accounted for approximately 18 percent and 15 percent of the total accounts receivable balance and are 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. At December 31, 2020, there was $1.6 million (December 31, 2019 – $2.3 million) of receivables aged over 90 days. Subsequent to December 31, 2020, approximately $0.5 million (December 31, 2019 – $1.1 million) has been collected and the remaining balance is not considered to be a credit risk.

c) Liquidity Risk

Liquidity risk is the risk that Whitecap will not be able to meet its financial obligations as they become due. Whitecap actively manages its liquidity through cash, 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, 2020:

($000s)	<1 year	1 to 2 years	2+ years	Total
Accounts payable and accrued liabilities	122,133	-	-	122,133
Dividends payable	5,832	-	-	5,832
Long-term debt [(1)]	21,605	214,761	941,462	1,177,828
Lease liabilities [(1)]	14,651	14,984	51,106	80,741
Share awards liability	9,953	6,483	578	17,014
Risk management contracts [(2)]	15,854	1,968	2,143	19,965
Total financial liabilities	190,028	238,196	995,289	1,423,513

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, 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.

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 2020	December 31 2019
Current Assets		
Crude oil	728	304
Natural gas	2,110	176
Interest	-	829
Power	-	52
Equity	1,577	372
Total current assets	4,415	1,733
Long-term Assets		
Interest	-	3,215
Equity	4,277	884
Total long-term assets	4,277	4,099
Total fair value	**8,692**	**5,832**

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

($000s)	December 31 2020	December 31 2019
Current Liabilities		
Crude oil	12,506	3,922
Natural gas	1,123	13
Interest	2,225	-
Total current liabilities	15,854	3,935
Long-term Liabilities		
Crude oil	-	6
Interest	4,111	-
Total long-term liabilities	4,111	6
Total fair value	**19,965**	**3,941**

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

		Year ended December 31
($000s)	2020	2019
Realized gain (loss) on commodity contracts	90,925	(20,284)
Unrealized loss on commodity contracts	(7,381)	(87,875)
Net gain (loss) on commodity contracts	83,544	(108,159)
Realized gain (loss) on interest rate contracts [(1)]	(1,397)	434
Unrealized gain (loss) on interest rate contracts [(1)]	(10,380)	3,864
Realized gain (loss) on equity contracts [(2)]	(5,526)	159
Unrealized gain on equity contracts [(2)]	4,597	1,256
Net gain (loss) on risk management contracts	70,838	(102,446)

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 loss before tax:

($000s)	Twelve months ended December 31, 2020	
	Increase 10%	Decrease 10%
Commodity Price		
Crude Oil	(24,967)	23,394
Natural Gas	(3,307)	3,307
Power	-	-
Differential		
Crude Oil	2,006	(2,006)

At December 31, 2020, the following commodity risk management contracts were outstanding with an asset fair market value of $2.8 million and liability fair market value of $13.6 million (December 31, 2019 – asset of $0.5 million and liability of $3.9 million):

1) 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 [(2)]	2021 Jan - Mar	9,000			54.40
Swap	2021 Jan - Jun	4,000			58.25
Swap	2021 Apr - Jun	4,000			60.33
Swap	2021 Jul - Dec	2,000			60.00
Collar [(3)]	2021 Jan - Jun	9,000	54.67	67.52	
Collar	2021 Jul - Dec	2,000	52.00	65.00	

Notes:

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

(2) 1,000 bbls/d are extendable through the second quarter of 2021, as a swap, with a price of C$57.05/bbl at the option of the counterparties through the exercise of a one-time option on March 31, 2021.

(3) 4,000 bbls/d are extendable through the second half of 2021, as a swap, with a weighted average price of C$64.55/bbl at the option of the counterparties through the exercise of a one-time option on June 30, 2021.

2) WTI Crude Oil Differential Derivative Contracts

Type	**Term**	**Volume (bbls/d)**	**Basis** [(1)(2)]	**Swap Price (C$/bbl)** [(3)]
Swap	2021 Jan - Dec	4,000	MSW	6.25
Swap	2021 Jan - Jun	3,000	WCS	15.53

Notes:

(1) Mixed Sweet Blend (“MSW”).

(2) Western Canadian Select (“WCS”).

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

3) Natural Gas Derivative Contracts

Type	**Term**	**Volume (GJ/d)**	**Swap Price (C$/GJ)** [(1)]
Swap	2021 Jan - Mar	29,000	2.82
Swap	2021 Jan - Dec	20,000	2.26
Swap	2021 Apr - Oct	20,000	2.40

Note:

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

4) Contracts entered into subsequent to December 31, 2020

a) WTI Crude Oil Derivative Contracts

Type	**Term**	**Volume (bbls/d)**	**Swap Price (C$/bbl)** [(1)]
Swap	2021 Apr - Jun	8,500	67.98
Swap	2021 Jul - Sep	4,000	73.02
Swap [(2)]	2021 Jul - Dec	12,000	66.05
Swap	2022 Jan - Jun	4,000	64.54

Notes:

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

(2) 2,000 bbls/d are extendable through the first half of 2022, as a swap, with a price of C$68.00/bbl at the option of the counterparties through the exercise of a one-time option on December 31, 2021.

b) WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis (1)(2)	Swap Price (C$/bbl) (3)
Swap	2021 Apr - Jun	8,000	MSW	5.34
Swap	2021 Jul - Sep	3,000	MSW	5.18
Swap	2021 Jul - Dec	3,000	MSW	6.15
Swap	2021 Apr - Jun	1,000	WCS	16.00
Swap	2021 Jul - Sep	2,000	WCS	17.85
Swap	2021 Oct - Dec	3,000	WCS	17.15

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	2021 Apr - Sep	9,000	2.61
Swap	2021 Apr - Oct	6,000	2.37
Swap	2021 Nov - 2022 Mar	12,000	2.89

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, 2020 were to have increased or decreased by 25 basis points, it is estimated that the Company's loss before tax would change by approximately $1.3 million for the year ended December 31, 2020 ($1.5 million for year ended December 31, 2019). 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, 2020.

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 loss before tax:

($000s)	Twelve months ended December 31, 2020	
	Increase 0.25%	Decrease 0.25%
Interest rate swaps	1,815	(1,815)

At December 31, 2020, the following interest rate risk management contracts were outstanding with a liability fair market value of $6.3 million (December 31, 2019 – asset of $4.0 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

Notes:
(1) Rates reported are the weighted average rates for the period.
(2) Canadian Dollar Offered Rate ("CDOR").

iii) Equity Price Risk

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

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

($000s)	Twelve months ended December 31, 2020	
	Increase 10%	Decrease 10%
Total return swaps	3,794	(3,794)

At December 31, 2020, the following equity risk management contracts were outstanding with an asset fair market value of $5.9 million (December 31, 2019 – asset of $1.3 million):

1) Equity Derivative Contracts

Type	**Term**		**Notional Amount ($000s) (1)**	**Share Volume**
Swap	Jan 1, 2021	Oct 1, 2021	14,667	3,342,300
Swap	Jan 1, 2021	Oct 1, 2022	15,338	3,467,300
Swap	Jan 1, 2021	Oct 1, 2023	2,083	997,300

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

iv) Foreign Exchange Risk

The Company is exposed to the risk of changes in the U.S./Canadian dollar exchange rate on crude oil sales based on U.S. dollar benchmark prices and commodity contracts that are settled in U.S. dollars. Foreign exchange risk is mitigated by entering into Canadian dollar denominated commodity risk management contracts or foreign exchange contracts. At December 31, 2020, 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 2020	December 31 2019
Accounts receivable	(115,958)	(172,225)
Deposits and prepaid expenses	(30,240)	(6,029)
Accounts payable and accrued liabilities	122,133	183,647
Dividends payable	5,832	11,674
Long-term debt	1,101,262	1,176,200
Net debt	1,083,029	1,193,267
Shareholders' equity	996,951	2,928,210
Total capitalization	2,079,980	4,121,477

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, 2020 and 2019 is calculated as follows:

	Twelve months ended December 31	
($000s)	2020	2019
Cash flow from operating activities	450,175	645,358
Net change in non-cash working capital items	(16,294)	30,252
Funds flow	433,881	675,610

6. ACQUISITIONS

The revenue and operating income for the post-acquisition period of the acquisitions listed below are included in the statement of comprehensive loss.

The below amounts are estimates which were made by management at the time of the preparation of these consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized for a period of up to one year. The pro-forma information disclosed below is not necessarily indicative of the actual results that would have been achieved had the business combinations closed on January 1, 2020.

a) 2020 Acquisitions

i) Hyak Energy ULC ("Hyak") Acquisition

On January 15, 2020, the Company closed the acquisition of Hyak by acquiring all of the issued and outstanding common shares of Hyak for cash consideration of $16.2 million, net of acquired working capital. The corporate acquisition has been accounted for as a business combination under IFRS 3.

The acquisition of Hyak has contributed revenues of $8.5 million and operating income of $2.4 million since January 15, 2020. Had the acquisition closed on January 1, 2020, estimated contributed revenues would have been $8.7 million and estimated contributed operating income would have been $2.6 million for the year ended December 31, 2020.

Net assets acquired ($000s):	
Working capital	835
Petroleum and natural gas properties	18,267
Exploration and evaluation	150
Decommissioning liability	(2,217)
Deferred income tax	28,131
Total identifiable net assets acquired	45,166
Gain on acquisition	(28,147)
	17,019
Consideration:	
Cash consideration	17,019
Total consideration	**17,019**

The gain on acquisition represents the excess of the $45.2 million total identifiable net assets acquired over the $17.0 million cash consideration paid.

ii) Other Acquisitions

In the twelve months ended December 31, 2020, the Company acquired properties and consolidated working interests on existing assets in the Northwest Alberta and British Columbia, West Central Alberta, and Southwest Saskatchewan cash generating units. The acquisitions were accounted for as business combinations under IFRS 3.

Net assets acquired ($000s):	
Petroleum and natural gas properties	6,446
Decommissioning liability	(1,065)
Total net assets acquired	**5,381**
Consideration:	
Cash consideration	5,381
Total consideration	**5,381**

b) 2019 Acquisitions

i) Other Acquisitions

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**

7. PROPERTY, PLANT AND EQUIPMENT

a) Net Carrying Amount

Net book value ($000s)	December 31 2020	December 31 2019
Petroleum and natural gas properties	8,813,291	8,420,443
Other assets	5,676	4,857
Property, plant and equipment, at cost	8,818,967	8,425,300
Less: accumulated depletion, depreciation, amortization and impairment	(6,173,777)	(3,460,942)
Total net carrying amount	2,645,190	4,964,358

b) Cost

Cost ($000s)	Petroleum and natural gas properties	Other assets	Total
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
Transfers 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
Additions	367,026	819	367,845
Property acquisitions	6,446	-	6,446
Corporate acquisitions	18,267	-	18,267
Transfer from evaluation and exploration assets	1,109	-	1,109
Balance at December 31, 2020	8,813,291	5,676	8,818,967

c) 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, 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
Depletion, depreciation and amortization	342,728	683	343,411
Impairment	2,801,593	-	2,801,593
Impairment reversal	(432,169)	-	(432,169)
Balance at December 31, 2020	6,169,552	4,225	6,173,777

At December 31, 2020, $227.8 million of salvage value (December 31, 2019 – $217.7 million) was excluded from the depletion calculation. Future development costs of $4.1 billion (December 31, 2019 – $4.0 billion) were included in the depletion calculation. The Company capitalized $12.9 million (December 31, 2019 – $13.5 million) of administrative costs directly relating to development activities which includes $5.5 million (December 31, 2019 – $6.2 million) of stock-based compensation.

At March 31, 2020, as a result of the significant decrease in forward benchmark commodity prices compared to December 31, 2019, an impairment test on the Company's PP&E assets was performed. The recoverable amount of PP&E is determined as the FVLCD using a discounted cash flow method and is assessed at the CGU level. 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 impairment test of PP&E at March 31, 2020 concluded that the carrying amounts of each of the Company's CGUs exceeded their FVLCD:

($000s)	FVLCD	Carrying Value	Impairment
Northwest Alberta & British Columbia	521,508	1,164,965	643,457
Southeast Saskatchewan	559,345	900,438	341,093
Southwest Saskatchewan	387,844	895,683	507,839
West Central Alberta	549,188	1,287,248	738,060
West Central Saskatchewan	360,167	931,311	571,144
Total	2,378,052	5,179,645	2,801,593

The full amount of the impairment was attributed to PP&E and, as a result, a total impairment loss of $2.8 billion was recorded in impairment expense. The impairment expense at March 31, 2020 was primarily a result of lower forecast benchmark commodity prices and the increase to the after-tax discount rate at March 31, 2020 to 13 percent compared to 10 percent at December 31, 2019.

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

d) Impairment Test of Property, Plant and Equipment

As a result of an increase in forward benchmark commodity prices at December 31, 2020 compared to March 31, 2020 as well as increases to proved plus probable reserves within certain CGUs, an impairment test on the Company's PP&E assets was performed.

The following table outlines the forecast benchmark commodity prices used in the impairment calculation of property, plant and equipment at December 31, 2020. 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 ranging from 14.5-15 percent (March 31, 2020 – 13 percent).

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 [2]
WTI crude oil (US$/bbl) [1]	47.17	50.17	53.17	54.97	56.07	57.19	58.34	59.50	60.69	61.91
AECO natural gas ($/MMBtu) [1]	2.78	2.70	2.61	2.65	2.70	2.76	2.81	2.87	2.92	2.98
Exchange Rate (CAD/USD)	0.77	0.77	0.76	0.76	0.76	0.76	0.76	0.76	0.76	0.76

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 2030 to the end of the reserve life. Forecast exchange rate is assumed to remain at 0.75 CAD/USD each year after 2030 to the end of the reserve life.

The impairment test of PP&E at December 31, 2020 concluded that the FVLCD of each of the Company's CGUs exceeded their carrying amounts:

($000s)	FVLCD	Carrying Value	Reversal
Northwest Alberta & British Columbia	598,537	450,523	(148,014)
Southeast Saskatchewan	653,971	553,255	(100,716)
Southwest Saskatchewan	440,316	317,008	(123,308)
West Central Alberta	539,659	490,537	(49,122)
West Central Saskatchewan	323,806	312,797	(11,009)
Total	2,556,289	2,124,120	(432,169)

The full amount of the impairment reversal was attributed to PP&E and, as a result, a total impairment reversal of $432.2 million was recorded in impairment expense. The impairment reversal was primarily a result of higher forecast benchmark commodity prices and increases to proved plus probable reserves within certain CGUs.

Changes in any of the key judgments, such as an increase in the after-tax discount rate, a downward revision in reserves, a decrease in forecast benchmark commodity prices, changes in foreign exchange rates, 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, 2020, a one percent increase in the assumed discount rate and/or a five percent decrease in the forecast operating cash flows would result in the following total pre-tax impairment recovery (expense) being recognized:

Impairment expense (reversal) ($000s)	1% increase in discount rate	5% decrease in cash flows	1% increase in discount rate and 5% decrease in cash flows
Northwest Alberta & British Columbia	89,229	108,171	52,325
Southeast Saskatchewan	34,913	57,182	(5,331)
Southwest Saskatchewan	89,335	93,997	61,723
West Central Alberta	4,246	13,198	(29,434)
West Central Saskatchewan	(7,631)	(10,546)	(28,254)
Total	210,092	262,002	51,029

8. EXPLORATION AND EVALUATION ASSETS

a) Net Carrying Amount

($000s)	December 31 2020	December 31 2019
Exploration and evaluation assets	50,757	40,923
Less: accumulated land expiries and write-offs	(34,019)	(31,417)
Total net carrying amount	16,738	9,506

b) Cost

($000s)	Undeveloped Land
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
Additions	10,793
Corporate acquisitions	150
Transfer to property, plant and equipment	(1,109)
Balance at December 31, 2020	50,757

c) Accumulated Land Expiries and Write-Offs

($000s)	Accumulated land expiries and write-offs
Balance at December 31, 2018	29,103
Land expiries and write-offs	2,314
Balance at December 31, 2019	31,417
Land expiries and write-offs	2,602
Balance at December 31, 2020	34,019

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

d) Impairment Test of Exploration and Evaluation Assets

At December 31, 2020, there were no indicators of impairment.

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

a) Net Carrying Amount

($000s)	Offices	Facilities	Other	Total
Right-of-use assets	28,440	60,361	4,242	93,043
Less: accumulated depreciation	(6,534)	(19,316)	(2,374)	(28,224)
Balance at December 31, 2020	21,906	41,045	1,868	64,819

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
Additions	-	-	1,264	1,264
Disposals	-	-	(114)	(114)
Balance at December 31, 2020	28,440	60,361	4,242	93,043

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
Depreciation	3,267	9,658	1,315	14,240
Disposals	-	-	(76)	(76)
Balance at December 31, 2020	6,534	19,316	2,374	28,224

10. GOODWILL

At December 31, 2020, the Company had a goodwill balance of nil (December 31, 2019 – $122.7 million) and total accumulated goodwill impairment charges of $249.1 million (December 31, 2019 – $126.4 million). The recoverable amount of goodwill was determined as the FVLCD using a discounted cash flow method and was 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 was 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. As at March 31, 2020, the Company determined that the corporate carrying amount, consisting of PP&E and goodwill net of associated deferred income tax, of $2.5 billion exceeded the recoverable amount of $2.4 billion. The full amount of the impairment was attributed to goodwill and, as a result, an impairment loss of $122.7 million was recorded in impairment expense. The impairment expense in 2020 was primarily a result of lower forecast benchmark commodity prices at March 31, 2020 compared to December 31, 2019.

11. LONG-TERM DEBT

($000s)	December 31 2020	December 31 2019
Bank debt	506,511	581,551
Senior secured notes	594,751	594,649
Long-term debt	1,101,262	1,176,200

a) Bank Debt

At December 31, 2020, 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. As at December 31, 2020 the amount drawn on the credit facilities was $506.5 million. Prior to any anniversary date, being May 31 of each year, Whitecap may request an extension of the then current maturity date, subject to approval by the banks. Following the granting of such extension, the term to maturity of the credit facilities shall not exceed four years. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. The credit facility bears interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") ratio for the most recent quarter. The bankers' acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's debt to EBITDA ratio. The credit facilities are secured by a floating charge debenture on the assets of the Company. The following table lists Whitecap's financial covenants as at December 31, 2020:

Covenant Description		December 31 2020
Debt to EBITDA [(1)] [(2)]	Maximum Ratio 4.00	2.21
EBITDA to interest expense [(1)]	Minimum Ratio 3.50	11.15

Notes:

(1) The EBITDA used in the covenant calculation is adjusted for non-cash items, transaction costs and extraordinary and non-recurring items such as material acquisitions or dispositions.

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

At December 31, 2020, 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

At December 31, 2020, 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	199,944	202,293
May 31, 2017	May 31, 2024	3.54%	200,000	199,903	200,123
December 20, 2017	December 20, 2026	3.90%	195,000	194,904	197,217
Balance at December 31, 2020			595,000	594,751	599,633

The senior secured notes are subject to the same debt to EBITDA ratio and EBITDA to interest expense ratio described under the credit facility. At December 31, 2020, 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)	Twelve months ended December 31 2020	2019
Interest expense	40,053	48,371
Interest expense, lease liabilities [Note 12]	3,473	3,899
Realized (gains) losses on interest rate contracts	1,397	(434)
Unrealized (gains) losses on interest rate contracts	10,380	(3,864)
Interest and financing expense	55,303	47,972

12. LEASE LIABILITIES

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

($000s)	December 31 2020	December 31 2019
Current portion	11,688	10,568
Non-current portion	59,906	70,694
Lease liabilities	71,594	81,262

For the twelve months ended December 31, 2020, interest expense of $3.5 million and total cash outflows of $14.4 million were recognized relating to lease liabilities.

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

13. DECOMMISSIONING LIABILITY

($000s)	
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
Liabilities incurred	3,523
Liabilities acquired	3,282
Liabilities settled	(5,696)
Revaluation of liabilities acquired (1)	12,680
Change in estimate	161,091
Accretion expense	12,636
Balance at December 31, 2020	1,046,659

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 1.2 percent

(1.8 percent at December 31, 2019) and inflation rate of 2.0 percent (2.0 percent at December 31, 2019). At December 31, 2020 the total undiscounted amount of the estimated cash flows required to settle the obligations was $1.6 billion (December 31, 2019 – $1.0 billion). The expected timing of payment of the cash flows required for settling the obligations extends up to 43 years.

14. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without nominal or par value.

b) Issued and outstanding

(000s)	Shares	$
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
Issued on share award vesting	2,249	-
Common shares repurchased	(2,634)	(10,197)
Contributed surplus adjustment on vesting of share awards	-	16,048
Share award liability adjustment on vesting of share awards	-	530
Balance at December 31, 2020	409,234	3,867,343

Note:

(1) 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 14, 2020, the Company announced the approval of its renewed NCIB by the TSX (the “2020 NCIB”). The 2020 NCIB allows the Company to purchase up to 20,406,799 common shares over a period of twelve months commencing on May 21, 2020.

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.

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.

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 30	
(000s except per share amounts)	2020	2019
Shares repurchased	2,634	4,621
Average cost ($/share)	3.87	4.25
Amounts charged to		
Share capital	10,197	19,628
Share repurchase cost	10,197	19,628

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, 2020, the maximum number of common shares issuable under the plan shall not at any time exceed 3.755 percent of the total common shares outstanding. Vesting is determined by the Company's Board of Directors. Time-based awards and performance awards issued to employees of the Company and independent outside directors have vesting periods ranging from 1 to 3 years. In the year the awards vest for insiders, the awards vest in two tranches with one half of such awards vesting February 1 and one half vesting October 1.

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 $3.20 per award granted during the period ended December 31, 2020.

(000s)	Number of Time-based Awards	Number of Performance Awards [(1)]	Total Awards
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
Granted	734	2,296	3,030
Forfeited	(80)	(102)	(182)
Vested	(682)	(1,732)	(2,414)
Balance at December 31, 2020	2,062	5,878	7,940

Note:

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

e) Contributed Surplus

($000s)	
Balance at December 31, 2018	15,719
Stock-based compensation	12,498
Share award vesting	(9,804)
Balance at December 31, 2019	18,413
Stock-based compensation	10,657
Share award vesting	(16,048)
Balance at December 31, 2020	13,022

f) Dividends

Dividends declared were $0.21 per common share in the year ended December 31, 2020 ($0.34 in the year ended December 31, 2019).

On January 14, 2021, the Board of Directors declared a dividend of $0.01425 per common share designated as an eligible dividend, payable in cash to shareholders of record on January 31, 2021. The dividend payment date is February 15, 2021.

On February 16, 2021, the Board of Directors declared a dividend of $0.01425 per common share designated as an eligible dividend, payable in cash to shareholders of record on February 28, 2021. The dividend payment date is March 15, 2021.

15. 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)	2020	2019
Crude oil	813,083	1,337,035
NGLs	30,549	33,832
Natural gas	57,924	47,609
Petroleum and natural gas revenues	901,556	1,418,476
Tariffs	(11,979)	(12,459)
Processing & other income	18,721	17,869
Marketing revenue	23,600	30,353
Petroleum and natural gas sales	931,898	1,454,239

Substantially all of petroleum and natural gas revenues for the year ended December 31, 2020 are derived from variable price contracts based on index prices.

Included in accounts receivable at December 31, 2020 is $88.2 million (December 31, 2019 – $132.1 million) of accrued petroleum and natural gas revenues related to December 2020 production.

16. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Twelve months ended December 31	
($000s)	2020	2019
Salaries and bonuses	7,084	7,169
Stock-based compensation	8,926	10,532
Total key management personnel compensation	16,010	17,701

17. EMPLOYEE COMPENSATION EXPENSE

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

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

	Twelve months ended December 31	
($000s)	2020	2019
Operating	13,396	12,861
G&A	22,310	25,514
Total employee compensation expense	35,706	38,375

18. PER SHARE RESULTS

	Twelve months ended December 31	
(000s except per share amounts)	2020	2019
Per share loss ($/share)		
Basic	(4.52)	($0.38)
Diluted	(4.52)	($0.38)
Weighted average shares outstanding		
Basic	408,371	412,000
Diluted (1)	408,371	412,000

Note:

(1) For the year ended December 31, 2020, 7.9 million share awards (7.5 million share awards for the year ended December 31, 2019) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

19. INCOME TAXES

Income taxes for the years ended December 31, 2020 and 2019 are as follows:

Deferred tax:

($000s)	2020	2019
Origination and reversal of timing differences	(573,007)	(47,472)
Income tax recovery	(573,007)	(47,472)

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

($000s, except statutory tax rates)	Twelve months ended December 31 2020	2019
Loss before income taxes	(2,417,980)	(203,345)
Statutory income tax rate [1]	25.42%	26.75%
Expected income tax recovery at statutory rates	(614,533)	(54,389)
Increase (decrease) resulting from		
Unrealized gain on acquisition	(7,154)	-
Change corporate tax rates and tax rate variance	11,944	(7,755)
Return to provision true-up	103	(241)
Non-deductible stock-based compensation	2,165	2,942
Non-deductible transaction costs	283	-
Impairment of goodwill	31,940	-
Other	2,245	11,971
Deferred income tax recovery	(573,007)	(47,472)

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, 2020 and 2019. The general Provincial tax rate in Alberta was decreased on October 20, 2020 from 10 percent to 8 percent for the second half of 2020.

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

($000s)	December 31 2020	December 31 2019
Deferred tax assets		
To be recovered after more than 12 months	514,298	471,225
To be recovered within 12 months	2,806	-
Deferred tax liabilities		
To be recovered after more than 12 months	(17,331)	(572,118)
To be recovered within 12 months	-	(472)
Deferred tax assets (liabilities)	499,773	(101,365)

Deferred tax assets (liabilities):

($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, 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)
Charged / (credited) to the income statement	524,909	3,278	986	44,802	(1,951)	983	-	573,007
Corporate acquisition	1,934	-	554	25,643	-	-	-	28,131
Change in estimate of decommissioning liabilities	(44,391)	-	44,391	-	-	-	-	-
At December 31, 2020	(10,927)	2,806	260,500	242,430	729	4,235	-	499,773

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

($000s)	December 31 2020	December 31 2019
Undepreciated capital cost	486,932	610,658
Canadian development expense	569,499	683,907
Canadian oil and gas property expense	1,508,070	1,653,727
Non-capital loss carry forward	974,051	688,645
Share issue costs	2,911	10,714
Total	3,541,463	3,647,651

At December 31, 2020, the Company has non-capital losses of $974.1 million that expire between 2031 and 2038. The Company recognized deferred tax assets to the extent that it is probable that the future benefit will be realized. At December 31, 2020, the Company had of $9.0 million (2019 - nil) of tax pools for which no benefit was recognized.

20. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in Non-Cash Working Capital

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

	Twelve months ended December 31	
($000s)	2020	2019
Accounts receivable	58,544	(51,105)
Deposits and prepaid expenses	(24,200)	5,053
Accounts payable and accrued liabilities	(62,983)	21,992
Share awards liability – current	2,720	3,153
Dividend payable	(5,842)	494
Share awards liability	1,271	2,410
Change in non-cash working capital	(30,490)	(18,003)
Related to:		
Operating activities	16,294	(30,252)
Financing activities	(5,842)	494
Investing activities	(42,760)	9,335
Items not impacting cash	1,818	2,420

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, 2018	1,255,697	-	11,180
Adoption of IFRS 16	-	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
Additions	-	1,264	-
Disposals	-	(40)	-
Cash flows	(76,039)	(10,892)	-
Amortization of debt issuance costs	1,101	-	-
Change in dividends payable	-	-	(5,842)
Balance at December 31, 2020	1,101,262	71,594	5,832

21. COMMITMENTS

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

($000s)	2021	2022	2023	2024+	Total
Lease liabilities (1) [Note 12]	14,651	14,984	15,959	35,147	80,741
Service agreements	2,299	2,300	2,296	8,564	15,459
Transportation agreements	22,078	28,862	23,738	113,257	187,935
CO_2 purchase commitments	39,011	39,791	40,588	60,753	180,143
Long-term debt (1)	21,605	214,761	14,685	926,777	1,177,828
Total	99,644	300,698	97,266	1,144,498	1,642,106

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

22. 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, 2020, the Company incurred $0.4 million for legal fees and disbursements ($0.4 million for the year ended December 31, 2019). These amounts have been recorded at the amounts that have been agreed upon by the two parties. The Company expects to retain the services of BD&P from time to time. At December 31, 2020, a $0.1 million payable balance ($0.1 million – December 31, 2019) was outstanding.

23. GOVERNMENT GRANTS

The Government of Canada passed the Canada Emergency Wage Subsidy ("CEWS") as part of its COVID-19 Economic Response Plan. CEWS allows eligible companies to receive a subsidy of up to 75 percent of employee wages, subject to a maximum. For the year ended December 31, 2020, reductions to general and administrative expenses of $3.8 million and reductions to operating expenses of $2.1 million were recognized relating to CEWS.

24. SUBSEQUENT EVENTS

a) NAL Resources Limited ("NAL") Strategic Combination

On January 4, 2021, the Company closed the previously announced strategic combination with NAL. Whitecap issued approximately 58.3 million Whitecap common shares to the Manufacturers Life Insurance Company in exchange for all the issued and outstanding NAL shares.

The preliminary purchase price allocation of the acquisition is as follows:

Net assets acquired(1) ($000s):	
Working capital	29,201
Petroleum and natural gas properties	431,618
Right-of-use assets	862
Deferred income tax	(27,462)
Lease liabilities	(862)
Decommissioning liability	(150,162)
Total net assets acquired	**283,195**

Consideration:	
Share consideration	283,195
Total consideration	**283,195**

Note:
(1) The above amounts are estimates, which were made by management at the time of the preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

b) TORC Oil & Gas Ltd. ("TORC") Strategic Combination

On February 24, 2021, the Company closed the previously announced strategic combination with TORC (the "TORC Transaction"). Whitecap issued approximately 129.8 million Whitecap common shares to former TORC shareholders in exchange for all the issued and outstanding TORC shares.

As of the date of the financial statements, sufficient information was not yet available to calculate a preliminary purchase price allocation.

c) Credit Facility Increase

Concurrent with the closing of the TORC Transaction, Whitecap's Credit Facility was increased by $230 million to $1.405 billion from $1.175 billion. The credit facility consists of a $1.33 billion revolving syndicated facility and a $75 million revolving operating facility, with a maturity date of May 31, 2023.

d) Dividend Increase

In connection with the TORC Transaction, Whitecap's Board of Directors has approved an increase the Company's monthly dividend from $0.01425 per common share to $0.01508 per common share ($0.18096 per Common Share annualized). The dividend increase is expected to be effective with the March 2021 dividend payable in April 2021.