MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Whitecap Resources Inc. (the "Company" or "Whitecap") is dated October 30, 2018 and should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes for the period ended September 30, 2018, as well as the audited annual consolidated financial statements and related notes for the year ended December 31, 2017. These unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual consolidated financial statements for the year ended December 31, 2017 and Note 3 of the unaudited interim consolidated financial statements for the period ended September 30, 2018. The MD&A should also be read in conjunction with Whitecap's disclosure under "Non-GAAP Measures" and "Forward-Looking Information and Statements" below. Additional information respecting Whitecap, is available on SEDAR at www.sedar.com and on our website at www.wcap.ca.

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

DESCRIPTION OF BUSINESS

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

2018 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Crude oil (bbls/d)	59,212	44,001	58,996	43,216
NGLs (bbls/d)	4,460	3,503	4,309	3,341
Natural gas (Mcf/d)	71,141	62,362	69,144	60,800
Total (boe/d)	75,529	57,898	74,829	56,690
Production split (%)				
Crude oil and NGLs	84	82	85	82
Natural gas	16	18	15	18
Total	100	100	100	100

Average production volumes increased 30 percent to 75,529 boe/d in the third quarter of 2018 from 57,898 boe/d in the third quarter of 2017. Year to date, average production volumes increased 32 percent to 74,829 boe/d from 56,690 boe/d for the same period in 2017. The increases are primarily attributed to the acquisition of oil-weighted assets in southeast Saskatchewan (the "Southeast Saskatchewan Acquisition") that closed on December 14, 2017 which contributed 14,433 boe/d and 14,706 boe/d for the three and nine months ended September 30, 2018, respectively, as well as the Company's successful execution of its development capital program, partially offset by natural declines.

Our crude oil and NGLs weighting in the third quarter of 2018 has increased two percent compared to the third quarter of 2017. The increase is primarily attributed to the assets acquired in the Southeast Saskatchewan Acquisition which have a higher oil-weighting than the Company average.

Petroleum and Natural Gas Revenues

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

	Three months ended September 30		Nine months ended September 30	
($000s)	2018	2017	2018	2017
Crude oil	420,770	217,995	1,171,436	667,033
NGLs	16,441	9,160	44,973	25,587
Natural gas	8,807	12,015	31,039	47,244
Petroleum and natural gas revenues	446,018	239,170	1,247,448	739,864

Petroleum and natural gas revenues in the third quarter of 2018 increased 86 percent to $446.0 million from $239.2 million in the third quarter of 2017. The increase of $206.8 million consists of $127.3 million attributed to higher realized prices and $79.5 million attributed to higher production volumes. Year to date, petroleum and natural gas sales increased 69 percent to $1,247.4 million from $739.9 million for the same period in 2017. The increase of $507.5 million consists of $257.4 million attributed to higher production volumes and $250.1 million attributed to higher realized prices.

Benchmark and Realized Prices

Average benchmark and realized prices are as follows:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Benchmark prices				
WTI (US$/bbl) [(1)]	69.50	48.20	66.75	49.47
Exchange rate (US$/C$)	1.31	1.25	1.29	1.31
WTI (C$/bbl)	90.85	60.35	86.01	64.65
MSW Par at Edmonton ($/bbl) [(2)]	81.91	56.62	78.24	60.78
Fosterton Par at Regina ($/bbl)	71.30	52.35	65.41	52.93
Midale Par at Cromer ($/bbl)	84.86	61.58	80.40	65.13
AECO natural gas ($/Mcf) [(3)]	1.19	1.45	1.48	2.31
Average realized prices [(4)]				
Crude oil ($/bbl)	77.24	53.85	72.73	56.54
NGLs ($/bbl)	40.07	28.42	38.23	28.05
Natural gas ($/Mcf)	1.35	2.09	1.64	2.85
Combined ($/boe)	64.19	44.90	61.06	47.81

Notes:

(1) WTI represents the calendar month average of West Texas Intermediate oil.

(2) Mixed Sweet Blend ("MSW")

(3) AECO represents the AECO 5A Daily Index price.

(4) Prior to the impact of hedging activities and tariffs.

Whitecap's weighted average realized price prior to the impact of hedging activities and tariffs increased 43 percent to $64.19 per boe in the third quarter of 2018 compared to $44.90 per boe in the third quarter of 2017. Year to date, Whitecap's weighted average realized price prior to the impact of hedging activities and tariffs increased 28 percent to $61.06 per boe compared to $47.81 per boe for the same period in 2017.

The US$ WTI price increased 44 percent to average US$69.50 per barrel in the third quarter of 2018 compared to US$48.20 per barrel in the third quarter of 2017. The US$ WTI price increased by 35 percent to average US$66.75 per barrel for the nine months ended September 30, 2018 compared to US$49.47 per barrel for the same period in 2017. The increases are primarily due to significant reductions in US crude oil inventories, increased US oil exports and heightened geopolitical risks in 2018.

The MSW par oil price at Edmonton increased 45 percent to average $81.91 per barrel in the third quarter of 2018 compared to $56.62 per barrel in the third quarter of 2017. MSW par oil prices increased by 29 percent to average $78.24 per barrel for the nine months ended September 30, 2018 compared to $60.78 per barrel for the same period in 2017. The increases are primarily due to increased WTI pricing.

The Company's realized crude oil prices in southwest Saskatchewan are based on Fosterton oil prices at Regina. Fosterton par oil prices increased 36 percent to average $71.30 per barrel in the third quarter of 2018 compared to $52.35 per barrel in the third quarter of 2017. Fosterton par oil prices increased 24 percent to average $65.41 per barrel for the nine months ended September 30, 2018 compared to $52.93 per barrel for the same period in 2017. The increases are primarily due to increased WTI pricing.

The Company's realized crude oil prices in southeast Saskatchewan are based on Midale par oil prices at Cromer. Midale par oil prices increased 38 percent to average $84.86 per barrel in the third quarter of 2018 compared to $61.58 per barrel in the third quarter of 2017. Midale par oil prices increased 23 percent to average $80.40 per barrel for the nine months ended September 30, 2018 compared to $65.13 per barrel for the same period in 2017. The increases are primarily due to increased WTI pricing.

The AECO daily spot price decreased 18 percent to average $1.19 per Mcf in the third quarter of 2018 compared to an average of $1.45 per Mcf in the third quarter of 2017. The decrease was primarily due to higher gas supply. The AECO daily spot price decreased 36 percent to average $1.48 per Mcf for the nine months ended September 30, 2018 compared to an average of $2.31 per Mcf for the same period in 2017. The decrease was primarily due to ample North American gas supply and Canadian export pipeline constraints.

The natural gas liquids realized price increased 41 percent to average $40.07 per barrel in the third quarter of 2018 compared to $28.42 per barrel in the third quarter of 2017. The natural gas liquids realized price increased 36 percent to average $38.23 per barrel for the nine months ended September 30, 2018 compared to $28.05 per barrel for the same period in 2017. The increases were primarily attributed to higher oil pricing which is reflected in the butane and condensate price components of NGLs.

Risk Management and Hedging Activities

Whitecap maintains an ongoing risk management program to reduce the volatility of revenues in order to fund capital expenditures and pay cash dividends to shareholders. The Company has the approval of the Board of Directors to hedge a forward position of up to three years and up to 75 percent of its most recent quarter's average daily production, net of royalties.

The Company realized a loss of $39.5 million and $96.1 million on its commodity and foreign exchange ("FX") risk management contracts for the three and nine months ended September 30, 2018, respectively. The unrealized gains and losses are a result of the non-cash change in the mark-to-market values period over period. The significant assumptions made in determining the fair value of financial instruments are disclosed in Note 4 to the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2018.

	Three months ended September 30		Nine months ended September 30	
Risk Management Contracts ($000s)	2018	2017	2018	2017
Realized gain (loss) on commodity and FX contracts	(39,512)	424	(96,133)	(12,122)
Unrealized gain (loss) on commodity and FX contracts	21,243	(8,997)	(95,778)	86,897
Net gain (loss) on commodity and FX contracts	(18,269)	(8,573)	(191,911)	74,775
Realized loss on interest rate contracts [(1)]	(428)	(1,026)	(1,657)	(3,581)
Unrealized gain on interest rate contracts [(1)]	535	2,937	1,495	6,656
Net gain (loss) on risk management contracts	(18,162)	(6,662)	(192,073)	77,850

Note:

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

At September 30, 2018, the following risk management contracts were outstanding with an asset fair market value of $4.1 million and a liability fair market value of $137.7 million:

WTI Crude Oil Derivative Contracts

Type	Term	Volume (bbls/d)	Sold Put Price ($/bbl)	Bought Put Price ($/bbl) [(1)]	Sold Call Price ($/bbl) [(1)]	Swap Price ($/bbl) [(1)]
Swap	2018 Oct – Dec	21,500				C$72.51
Collar	2018 Oct – Dec	2,000		C$75.00	C$92.93	
Swap	2018 Oct – Dec	6,250				US$51.39
Sold put/call	2018 Oct – Dec	3,000	US$60.00		US$85.83	
Swap [(2)]	2019 Jan – Jun	13,500				C$74.86
Collar	2019 Jan – Jun	7,000		C$70.36	C$89.09	
Swap	2019 Jul – Dec	6,000				C$72.85
Collar	2019 Jul – Dec	8,000		C$70.63	C$90.87	
Swap	2019	2,000				C$72.74
Collar	2020 Jan – Jun	7,000		C$68.57	C$88.61	

Notes:
(1) Prices reported are the weighted average prices for the period.
(2) 2,000 bbls/d at $74.00/bbl are extendable through the second half of 2019 at the option of the counterparties through the exercise of a one-time option on June 28, 2019.

WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis [(1)(2)]	Swap Price (C$/bbl) [(3)]
Swap	2018 Oct – Dec	10,000	MSW	4.51
Swap	2018 Oct – Dec	7,000	WCS	19.39

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

Power Derivative Contracts

Type	Term	Volume (MWh)	Fixed Rate ($/MWh) [(1)]
Swap	2018 Oct – Dec	11,040	47.19
Swap	2019	26,280	51.10
Swap	2020	8,760	50.50

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

Interest Rate Contracts

Type	Term		Amount ($000s)	Fixed Rate (%)	Index [(1)]
Swap	03-Oct-13	03-Oct-18	200,000	2.45	CDOR
Swap	01-May-14	01-May-19	200,000	1.97	CDOR

Note:
(1) Canadian Dollar Offered Rate ("CDOR").

Foreign exchange contracts

Type	Term	Monthly Notional Amount	Floor [(1)]	Ceiling [(1)]	Conditional Ceiling [(1) (2)]
Average rate variable collar	2018 Oct – Dec	US$11.0 million	1.2500	1.4359	1.3071

Notes:
(1) Rates reported are the weighted average rates for the period.
(2) If the USD/CAD average monthly rate settles above the ceiling rate the settlement amount is based on the conditional ceiling.

Contracts entered into subsequent to September 30, 2018

WTI Crude Oil Derivative Contracts

Type	Term	Volume (bbls/d)	Bought Put Price (C$/bbl) [1]	Sold Call Price (C$/bbl) [1]
Collar	2019 Jan – Jun	1,000	80.00	110.50
Collar	2019 Jul – Dec	1,000	80.00	105.00

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

Natural Gas Derivative Contracts

Type	Term	Volume (GJ/d)	Swap Price ($/GJ) [1]
Swap	2019 Jan – Mar	5,000	2.2725

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

Physical Purchase and Sale Contracts

WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis [1]	Swap Price (C$/bbl) [2]
Swap	2018 Oct – Dec	3,000	MSW	4.15

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

Royalties

	Three months ended September 30		Nine months ended September 30	
($000s, except per boe amounts)	2018	2017	2018	2017
Royalties	78,325	31,398	222,505	103,878
As a % of petroleum and natural gas revenues	18	13	18	14
$ per boe	11.27	5.89	10.89	6.71

Royalties as a percentage of revenues in the third quarter of 2018 were 18 percent compared to 13 percent in the third quarter of 2017. Year to date, royalties as a percentage of revenues were 18 percent compared to 14 percent for the same period in 2017. The increases are primarily attributed to the Southeast Saskatchewan Acquisition which had royalty rates of 28 percent and 30 percent for the three and nine months ended September 30, 2018, respectively. Additionally, higher realized prices in the three and nine months ended September 30, 2018 increased the royalties paid when compared to the same periods in 2017. The increases were partially offset by lower royalty rates on new production additions in West Central Saskatchewan, Southwest Saskatchewan and Deep Basin. Whitecap pays royalties to the provincial governments and mineral owners in Alberta, Saskatchewan and British Columbia. Each province has separate royalty regimes which impact Whitecap's overall corporate royalty rate.

Operating Expenses and Processing Income

($000s, except per boe amounts)	Three months ended September 30 2018	2017	Nine months ended September 30 2018	2017
Operating expenses	83,141	58,871	244,508	169,196
$ per boe	11.97	11.05	11.97	10.93
Processing income	2,406	2,373	9,256	6,515
$ per boe	0.35	0.45	0.45	0.42

Operating expenses per boe in the third quarter of 2018 increased eight percent to $11.97 per boe compared to $11.05 per boe in the third quarter of 2017. Year to date, operating expenses per boe increased 10 percent to $11.97 per boe compared to $10.93 per boe for the same period in 2017. The increases in operating expenses per boe are primarily attributed to the properties acquired in the Southeast Saskatchewan Acquisition which had operating expenses of $13.31 per boe and $13.18 per boe for the three and nine months ended September 30, 2018 and one-time favorable cost adjustments on acquired properties recognized in the first half of 2017.

Processing income per boe in the third quarter of 2018 decreased 22 percent to $0.35 per boe compared to $0.45 per boe in the third quarter of 2017. The decrease on a per boe basis is primarily attributed to the increase in production volumes related to the Southeast Saskatchewan Acquisition which have nominal associated processing income. Year to date, processing income per boe increased seven percent to $0.45 per boe compared to $0.42 per boe for the same period in 2017. The increase on a per boe basis is primarily attributed to favourable prior period adjustments recorded in the first half of 2018 partially offset by the increase in production volumes related to the Southeast Saskatchewan Acquisition.

Transportation Expenses and Tariffs

($000s, except per boe amounts)	Three months ended September 30 2018	2017	Nine months ended September 30 2018	2017
Transportation expenses	15,211	9,863	44,132	23,665
$ per boe	2.19	1.85	2.16	1.53
Tariffs	4,446	6,288	15,486	23,530
$ per boe	0.64	1.18	0.76	1.52

Transportation expenses in the third quarter of 2018 increased 18 percent to $2.19 per boe compared to $1.85 per boe in the third quarter of 2017. Year to date, transportation expenses increased 41 percent to $2.16 per boe compared to $1.53 per boe for the same period in 2017. The increases were primarily due to the Company having increased shipper status across all core areas, which resulted in an increase in transportation expenses with a corresponding decrease in tariffs netted against petroleum and natural gas sales, as well as increased clean oil hauling as a result of pipeline apportionment. These increases were partially offset by the properties acquired in the Southeast Saskatchewan Acquisition which had transportation expenses of $1.44 per boe and $1.18 per boe for the three and nine months ended September 30, 2018.

Tariffs per boe in the third quarter of 2018 decreased 46 percent to $0.64 per boe compared to $1.18 per boe in the third quarter of 2017. Year to date, tariffs per boe decreased 50 percent to $0.76 per boe compared to $1.52 per boe for the same period in 2017. The decreases on a per boe basis are primarily attributed to lower gas tariffs in Northwest Alberta due to a reduction in gas transported and sold in Chicago via Alliance pipeline. Additionally, Whitecap had increased shipper status in its core areas for the third quarter of 2018, which resulted in increased transportation expenses and lower tariffs.

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

Operating Netbacks

The components of operating netbacks are shown below:

	Three months ended September 30		Nine months ended September 30	
Netbacks ($/boe)	2018	2017	2018	2017
Petroleum and natural gas revenues	64.19	44.90	61.06	47.81
Tariffs	(0.64)	(1.18)	(0.76)	(1.52)
Processing income	0.35	0.45	0.45	0.42
Blending revenue	0.24	-	0.25	-
Petroleum and natural gas sales	64.14	44.17	61.00	46.71
Realized hedging gain (loss)	(5.69)	0.08	(4.71)	(0.78)
Royalties	(11.27)	(5.89)	(10.89)	(6.71)
Operating expenses	(11.97)	(11.05)	(11.97)	(10.93)
Transportation expenses	(2.19)	(1.85)	(2.16)	(1.53)
Blending expenses	(0.24)	-	(0.20)	-
Operating netbacks [(1)]	32.78	25.46	31.07	26.76

Note:
(1) Operating netbacks are non-GAAP measures, which are defined under the Non-GAAP Measures section of this MD&A.

Operating netbacks in the third quarter of 2018 increased 29 percent to $32.78 per boe compared to $25.46 per boe in the third quarter of 2017. Year to date, operating netbacks increased 16 percent to $31.07 per boe compared to $26.76 per boe for the same period in 2017. The increases on a per boe basis were primarily due to higher petroleum and natural gas revenues and blending revenue and lower tariffs, partially offset by higher realized hedging losses, royalties, operating expenses, transportation expenses and blending expenses.

General and Administrative ("G&A") Expenses

	Three months ended September 30		Nine months ended September 30	
($000s, except per boe amounts)	2018	2017	2018	2017
G&A costs net of recoveries	9,021	8,233	30,469	25,941
Capitalized G&A	(1,385)	(1,309)	(5,861)	(5,620)
G&A expenses	7,636	6,924	24,608	20,321
$ per boe	1.10	1.30	1.20	1.31

G&A expenses per boe in the third quarter of 2018 decreased 15 percent to $1.10 per boe compared to $1.30 per boe in the third quarter of 2017. Year to date, G&A expenses per boe decreased eight percent to $1.20 per boe compared to $1.31 per boe for the same period in 2017. The decreases on a per boe basis are primarily attributed to higher production volumes which were partially offset by the absolute increase in G&A expenses. The increase in G&A costs net of recoveries is primarily attributed to higher salaries and benefits associated with new staff additions as a result of the Southeast Saskatchewan Acquisition, partially offset by increased recoveries from higher expenditures on PP&E.

Share-based Awards

	Three months ended September 30		Nine months ended September 30	
($000s, except per boe amounts)	2018	2017	2018	2017
Stock-based compensation	5,480	5,379	20,124	19,538
Capitalized stock-based compensation	(1,595)	(1,546)	(5,795)	(6,221)
Stock-based compensation expenses	3,885	3,833	14,329	13,317
$ per boe	0.56	0.72	0.70	0.86

In the three and nine months ended September 30, 2018, the Company recorded stock-based compensation of $5.5 million and $20.1 million, respectively, with the offsetting amounts recorded in contributed surplus. Stock-based compensation will fluctuate with changes to the expected payout multipliers associated with the performance awards, vesting of existing grants and additional grants under the Award Incentive Plan.

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 September 30, 2018, the maximum number of common shares issuable under the plan shall not at any time exceed 3.755 percent of the total common shares outstanding. Vesting is determined by the Company's Board of Directors. Currently, time-based and performance share awards issued to employees of the Company vest three years from date of grant. Time-based awards issued to independent outside directors and performance awards issued to officers of the Company vest in two tranches with one half of such awards vesting February 1 of the third year following the grant date and one half vesting October 1 of the third year following the grant date.

Each time-based award may in our sole discretion, entitle the holder to be issued the number of common shares designated in the time-based award plus dividend equivalents. Performance awards are also subject to a performance multiplier. This multiplier, ranging from zero to two, will be applied on vesting and is dependent on the performance of the Company relative to predefined corporate performance measures set by the Board of Directors for the associated period.

A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of awards that vest. Awards are measured at fair value on the date of grant, and the resulting stock-based compensation expense is recognized on a straight-line basis over the vesting period. Upon the vesting of the awards, the associated amount in contributed surplus is recorded as an increase to share capital.

As at September 30, 2018, the Company had 6.4 million awards outstanding.

Interest and Financing Expenses

	Three months ended September 30		Nine months ended September 30	
($000s, except per boe amounts)	2018	2017	2018	2017
Interest and financing expenses	12,904	5,926	39,201	20,195
$ per boe	1.86	1.11	1.92	1.30

Interest and financing expenses per boe increased 68 percent to $1.86 per boe in the third quarter of 2018 compared to $1.11 per boe in the third quarter of 2017. Year to date, interest and financing expenses per boe increased 48 percent to $1.92 per boe compared to $1.30 per boe for the same period in 2017. The increases on a per boe basis were mainly attributed to higher outstanding debt balances and interest rates in 2018 and lower unrealized gains on interest rate contracts in 2018 compared to the same periods in 2017, partially offset by higher production volumes.

Depletion, Depreciation and Amortization

	Three months ended September 30		Nine months ended September 30	
($000s, except per boe amounts)	2018	2017	2018	2017
Depletion, Depreciation and Amortization ("DD&A")	124,076	98,773	361,951	284,552
$ per boe	17.86	18.54	17.72	18.39

DD&A per boe in the third quarter of 2018 decreased four percent to $17.86 per boe compared to $18.54 per boe in the third quarter of 2017. Year to date, DD&A per boe decreased four percent to $17.72 per boe compared to $18.39 per boe for the same period in 2017. The decreases on a per boe basis are mainly attributed to impairments to property, plant and equipment ("PP&E") recognized in the fourth quarter of 2017. DD&A per boe will fluctuate from one period to the next depending on the amount and type of capital spending, the recognition or reversal of impairments, the amount of reserves added and production volumes. The depletion rates are calculated on proved and probable oil and natural gas reserves, taking into account the future development costs to produce the reserves.

Exploration and Evaluation ("E&E") Asset Expiries

During the three and nine months ended September 30, 2018, the Company recognized costs associated with expired mineral leases of nil and $0.9 million as expenses, respectively, compared to $0.4 million and $1.9 million for the same periods in 2017, respectively. During the three and nine months ended September 30, 2018, the Company added $0.1 million and $1.4 million of undeveloped land, respectively, as a result of property acquisitions completed in the period and the Capio Acquisition completed in the first quarter.

Taxes

During the three and nine months ended September 30, 2018, the Company recognized a deferred income tax expense of $25.1 million and $26.5 million, respectively, compared to a deferred income tax expense of $2.7 million and $42.7 million, respectively, for the same periods in 2017.

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

($000s)	September 30 2018	December 31 2017
Undepreciated capital cost	609,993	613,427
Canadian development expense	621,728	499,521
Canadian oil and gas property expense	1,817,400	1,951,708
Non-capital loss carry forward	881,825	1,007,769
Share issue costs	32,505	47,575
Total	3,963,451	4,120,000

Net Income

For the three and nine months ended September 30, 2018, the Company recognized net income of $69.5 million and $58.2 million, respectively, compared to net income of $3.7 million and $107.8 million for the same periods in 2017, respectively. The following changes impacted net income:

($000s)	Three months ended September 30	Nine months ended September 30
2017 Net Income	3,689	107,761
Increased petroleum and natural gas sales	210,393	523,539
Change in deferred income tax expense	(22,396)	16,215
Change in gain (loss) on risk management contracts	(9,696)	(266,686)
Increased royalties	(46,927)	(118,627)
Increased depletion, depreciation and amortization	(25,303)	(77,399)
Increased operating expenses	(24,270)	(75,312)
Increased transportation expenses	(5,348)	(20,467)
Increased interest and financing expenses	(6,978)	(19,006)
Other net changes	(3,632)	(11,856)
2018 Net Income	69,532	58,162

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

Cash Flow from Operating Activities, Funds Flow and Payout Ratios

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

Whitecap reports funds flow in total and on a per share basis. Refer to Note 5(f) "Capital Management" in the unaudited interim consolidated financial statements. The following table reconciles cash flow from operating activities to funds flow and free funds flow:

	Three months ended September 30		Nine months ended September 30	
($000s)	2018	2017	2018	2017
Cash flow from operating activities	186,195	100,263	569,690	361,887
Changes in non-cash working capital	18,800	18,716	(4,080)	3,197
Funds flow (1)	204,995	118,979	565,610	365,084
Dividends paid or declared	33,778	25,851	98,684	77,450
Expenditures on PP&E	114,955	90,033	364,014	282,063
Free funds flow (2)	56,262	3,095	102,912	5,571
Basic payout ratio (%) (2)	16	22	17	21
Total payout ratio (%) (2)	73	97	82	98
Funds flow per share, basic	0.49	0.32	1.35	0.99
Funds flow per share, diluted	0.49	0.32	1.35	0.98
Dividends paid or declared per share	0.08	0.07	0.24	0.21

Notes:

(1) Refer to Note 5(f) "Capital Management" in the financial statements.

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

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

Cash flow from operating activities for the three and nine months ended September 30, 2018 was $186.2 million and $569.7 million, respectively, compared to $100.3 million and $361.9 million for the same periods in 2017. The following changes impacted cash flow from operating activities:

($000s)	Three months ended September 30	Nine months ended September 30
2017 Cash flow from operating activities	100,263	361,887
Change in net income	65,843	(49,599)
Increased depletion, depreciation and amortization	25,303	77,399
Change in deferred income tax expense	22,396	(16,215)
Change in unrealized gain (loss) on risk management contracts	(27,838)	187,836
Other net changes	312	1,105
Net change in non-cash working capital items	(84)	7,277
2018 Cash flow from operating activities	186,195	569,690

Funds flow for the three and nine months ended September 30, 2018, was $205.0 million and $565.6 million, respectively, compared to $119.0 million and $365.1 million for the same periods in 2017. The increases in funds flow are primarily attributed to higher production volumes and higher operating netbacks.

Free funds flow for the three and nine months ended September 30, 2018, was $56.3 million and $102.9 million, respectively, compared to $3.1 million and $5.6 million for the same periods in 2017. The increases in free funds flow are primarily attributed to higher funds flow partially offset by higher dividends paid or declared and expenditures on PP&E.

Capital Expenditures

	Three months ended September 30		Nine months ended September 30	
($000s)	2018	2017	2018	2017
Land and geological	176	585	446	1,558
Drilling and completions	91,103	79,630	316,481	252,803
Investment in facilities	22,191	8,379	40,766	21,637
Capitalized administration	1,385	1,309	5,861	5,620
Corporate and other assets	100	130	460	445
Expenditures on PP&E	114,955	90,033	364,014	282,063
Property acquisitions	18,369	24,962	20,092	31,868
Property dispositions	(9,764)	-	(11,476)	(5,821)
Corporate acquisition	750	-	53,916	-
Total capital expenditures	124,310	114,995	426,546	308,110

For the third quarter of 2018, expenditures on PP&E totaled $115.0 million with 99 percent spent on drilling, completions and facilities.

Whitecap drilled 76 (61.3 net) wells in the third quarter of 2018, including 33 (28.6 net) horizontal Viking oil wells in west central Saskatchewan, 26 (21.2 net) wells in southwest Saskatchewan, 10 (7.3 net) wells in northwest Alberta, and 7 (4.2 net) wells in southeast Saskatchewan.

Corporate Acquisition

On February 22, 2018, the Company completed the acquisition of all of the issued and outstanding common shares of Capio Energy Inc. for $56.8 million in cash, net of acquired working capital.

Decommissioning Liability

At September 30, 2018, the Company's decommissioning liability balance was $683.7 million ($683.0 million as at December 31, 2017) for future abandonment and reclamation of the Company's properties. Estimates are based on both operational knowledge of the properties and updated industry guidance provided by the Alberta Energy Regulator and the Saskatchewan Ministry of the Economy. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined.

Capital Resources and Liquidity

Credit Facilities

As at September 30, 2018, the Company had a $1.105 billion credit facility with a syndicate of Canadian and American banks. The credit facility consists of a $1.03 billion revolving syndicated facility and a $75 million revolving operating facility, with a termination date of May 31, 2022. Prior to any anniversary date, being May 31 of each year, Whitecap may request an extension of the then current termination date, subject to approval by the banks. Following the granting of such extension, the term to maturity of the credit facilities shall not exceed four years. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. The credit facility bears interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to earnings before interest, taxes, depreciation and amortization "EBITDA" ratio for the most recent quarter. The bankers' acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's debt to EBITDA ratio. The credit facilities are secured by a floating charge debenture on the assets of the Company. In the second quarter of 2017, Whitecap repaid its $372 million term loan facility with banker's acceptances under the Company's revolving production facility.

In the second quarter of 2018, as part of our annual credit facility review, the credit facility transitioned from a borrowing-based structure with lending capacity re-determined on a semi-annual basis, to a financial covenant-based structure with an extendible four year term governed by our existing financial covenants. The credit facility has two financial covenants, whereby the Company's ratio of debt to EBITDA shall not exceed 4.00:1.00 (1.56:1.00 as at September 30, 2018) and the ratio of EBITDA to interest expense shall not be less than 3.50:1.00 (15.74:1.00 as at September 30, 2018). The EBITDA used in the covenant calculation is adjusted for non-cash items, transaction costs and extraordinary and non-recurring items. The debt used in the covenant calculation includes bank indebtedness, letters of credit and dividends declared. As of September 30, 2018, the Company was compliant with all covenants provided for in the lending agreement.

Senior Secured Notes

As at September 30, 2018, the Company had issued $595 million senior secured notes. The notes rank equally with Whitecap's obligations under its credit facility. The terms, rates and principals of the Company's outstanding senior notes are detailed below:

($000s)

Issue Date	Maturity Date	Coupon Rate	Principal
January 5, 2017	January 5, 2022	3.46%	200,000
May 31, 2017	May 31, 2024	3.54%	200,000
December 20, 2017	December 20, 2026	3.90%	195,000
Balance at September 30, 2018			595,000

The senior secured notes are subject to the same debt to EBITDA ratio and EBITDA to interest expense ratio described under the credit facility. As of September 30, 2018, the Company was compliant with all covenants provided for in the lending agreements.

Equity

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

On May 16, 2018, the Company announced the approval of its renewed NCIB by the TSX (the “2018 NCIB”). The 2018 NCIB allows 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, are first charged to share capital to the extent of the average carrying value of Whitecap’s common shares and the excess is charged to contributed surplus.

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

	Three months ended September 30		Nine months ended September 30	
(000s except per share amounts)	2018	2017	2018	2017
Shares repurchased	1,029	100	2,974	439
Average cost ($/share)	8.17	8.77	8.57	9.09
Amounts charged to				
Share capital	8,414	877	25,473	3,980
Contributed surplus	-	-	11	6
Share repurchase cost	8,414	877	25,484	3,986

On December 4, 2017, the Company closed a bought deal public financing of approximately 37.8 million subscription receipts at a price of $8.80 per subscription receipt for gross proceeds of approximately $332.5 million and a private placement of approximately 10.5 million subscription receipts at a price of $8.80 per subscription receipt for gross proceeds of approximately $92.5 million. The total proceeds of $425 million were used to partially fund the Southeast Saskatchewan Acquisition. Each subscription receipt was converted to one common share on December 14, 2017.

The Company is authorized to issue an unlimited number of common shares. As at October 30, 2018, there were 416.5 million common shares and 6.1 million share awards outstanding.

Liquidity

The Company generally relies on funds flow, equity issuances and its credit facility to fund its capital requirements, dividend payments and provide liquidity. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds flow, existing credit facilities and the ability to access debt and equity markets. All repayments on the revolving production and operating facilities are due at the term maturity date. As none of the facilities mature within the next year, the liabilities are considered to be non-current. The Company generates positive funds flow. At September 30, 2018, the Company had $458.7 million of unutilized credit to cover any working capital deficiencies. The Company believes that available credit facilities combined with anticipated funds flow will be sufficient to satisfy Whitecap’s 2018 development capital program and dividend payments for the 2018 fiscal year.

Contractual Obligations

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

($000s)	2018	2019	2020	2021+	Total
Operating leases	3,927	15,701	15,684	93,837	129,149
Transportation agreements	5,261	19,316	16,890	53,143	94,610
Long-term debt (1)	5,446	21,605	21,605	1,317,448	1,366,104
Total	14,634	56,622	54,179	1,464,428	1,589,863

Note:

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

Related Party Transactions

The Company has retained the law firm of Burnet, Duckworth & Palmer LLP ("BD&P") to provide Whitecap with legal services. A director of Whitecap is a partner of this firm. During the three and nine months ended September 30, 2018, the Company incurred nil and $0.6 million for legal fees and disbursements, respectively ($0.1 million and $0.2 million for the three and nine months ended September 30, 2017, respectively). These amounts have been recorded at the amounts that have been agreed upon by the two parties. The Company expects to retain the services of BD&P from time to time. As of September 30, 2018 a nil payable balance (nil – September 30, 2017) was outstanding.

Changes in Accounting Policies Including Initial Adoption

IFRS 9 Financial Instruments ("IFRS 9")
Whitecap retrospectively applied the requirements of IFRS 9 on January 1, 2018, and the adoption did not result in a change in the carrying value of any of the Company's financial instruments on transition date.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39 *Financial Instruments: recognition and measurement* ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, and IFRS 9 has introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not result in a material change on the financial statements of the Company, however, there are additional required disclosures which have been included in Note 5 of the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2018.

IFRS 9 also contains a new hedge accounting model, however, the Company did not apply hedge accounting to any of its commodity price risk management contracts. In addition, IFRS 9 includes amended guidance for the classification and measurement of financial assets by introducing a fair value through other comprehensive income category for certain debt instruments. Whitecap does not have any investments in debt instruments for which this guidance applies to.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
Whitecap adopted the requirements of IFRS 15 on January 1, 2018 using the modified retrospective approach. Whitecap management reviewed its revenue streams and major contracts with customers using the IFRS 15 five step model and there were no material changes to net earnings or timing of petroleum and natural gas sales revenue recognized. As part of the adoption of the standard, Whitecap has used the practical expedient to not restate contracts that are completed contracts at the beginning of the earliest period presented. Refer to Note 14 of the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2018 for more information including additional disclosures as required under IFRS 15.

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.

Standards Issued but not yet Effective

The Company has reviewed the new and revised accounting pronouncements listed below that have been issued, but are not yet effective. There are no other standards or interpretations issued, but not yet adopted, that are anticipated to have a material effect on the reported net income (loss) or net assets of the Company.

IFRS 16 Leases ("IFRS 16")
IFRS 16 was issued in January 2016 and replaces IAS 17 *Leases* and related interpretations. The standard is required to be adopted either retrospectively or by recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15 has also been adopted. IFRS 16 requires lessees to recognize a lease obligation and right-of-use asset for the majority of leases. Whitecap is currently evaluating the impact of the standard including identifying and reviewing contracts that are impacted. The Company expects that the standard will have a material impact on the consolidated financial statements. On adoption, non-current assets, current liabilities, and non-current liabilities on Whitecap's consolidated balance sheet will increase. Interest expense will be recognized on the lease obligation and lease payments will be applied against the lease obligation.

Off Balance Sheet Arrangements

The Company does not have any special purpose entities nor is it party to any arrangements that would be excluded from the balance sheet other than commitments disclosed in Note 17 to the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2018.

Critical Accounting Estimates

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

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

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

Business Risks

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

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

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

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

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

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

Environmental Risks

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

Summary of Quarterly Results

	2018			2017				2016
($000s, except as noted)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial								
Petroleum and natural gas revenues	446,018	433,380	368,050	291,376	239,170	251,391	249,303	217,958
Funds flow [(1)]	204,995	195,816	164,799	143,543	118,979	121,870	124,235	117,792
Basic ($/share) [(1)]	0.49	0.47	0.39	0.38	0.32	0.33	0.34	0.32
Diluted ($/share) [(1)]	0.49	0.47	0.39	0.38	0.32	0.33	0.33	0.32
Net income (loss)	69,532	(3,615)	(7,755)	(231,729)	3,689	44,541	59,531	191,104
Basic ($/share)	0.17	(0.01)	(0.02)	(0.61)	0.01	0.12	0.16	0.52
Diluted ($/share)	0.17	(0.01)	(0.02)	(0.61)	0.01	0.12	0.16	0.51
Expenditures on PP&E	114,955	66,444	182,615	57,698	90,033	67,934	124,096	79,703
Property acquisitions	18,369	1,108	615	939,015	24,962	(923)	7,829	12,043
Property dispositions	(9,764)	(1,585)	(127)	(8,777)	-	(2,498)	(3,323)	35
Corporate acquisition	750	-	53,166	-	-	-	-	-
Total assets	6,142,384	6,136,672	6,165,095	5,961,347	5,194,875	5,194,640	5,204,068	5,134,940
Net debt	1,288,259	1,323,093	1,414,606	1,295,906	842,897	820,295	848,228	818,580
Common shares outstanding (000s)	416,456	417,485	417,255	418,029	369,818	369,797	369,045	368,351
Dividends paid or declared per share	0.08	0.08	0.08	0.07	0.07	0.07	0.07	0.07
Operational								
Average daily production								
Crude oil (bbls/d)	59,212	59,786	57,976	44,699	44,001	43,204	42,425	37,072
NGLs (bbls/d)	4,460	4,461	4,002	3,634	3,503	3,333	3,185	3,247
Natural gas (Mcf/d)	71,141	69,393	66,852	68,244	62,362	58,373	61,657	61,756
Total (boe/d)	75,529	75,813	73,120	59,707	57,898	56,266	55,886	50,612

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

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

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

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

In the second quarter of 2017, the Company closed an issuance of $200 million senior secured notes which have an annual coupon rate of 3.54% and mature on May 31, 2024. The notes were issued by way of a private placement, pursuant to a note purchase agreement and rank equally with Whitecap’s obligations under its credit facility. The proceeds of this private placement were used to repay indebtedness under the Company’s credit facility.

In the first quarter of 2017, the Company closed an issuance of $200 million senior secured notes which have an annual coupon rate of 3.46% and mature on January 5, 2022. The notes were issued by way of a private placement, pursuant to a note purchase and private shelf agreement and rank equally with Whitecap's obligations under its credit facility. The proceeds of this private placement were used to repay indebtedness under the Company's credit facility.

In the fourth quarter of 2016, as a result of lower forecast benchmark commodity prices at December 31, 2016 compared to December 31, 2015, an impairment test on the Company's PP&E assets was performed. The impairment test concluded that the estimated recoverable amount of all cash generating units exceeded their carrying amount and the Company recognized a PP&E impairment reversal of $284.8 million.

INTERNAL CONTROLS UPDATE

Whitecap is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Whitecap disclose in its interim MD&A any material weaknesses in Whitecap's internal control over financial reporting and/or any changes in Whitecap's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Whitecap's internal controls over financial reporting. Whitecap confirms that no material weaknesses or such changes were identified in Whitecap's internal controls over financial reporting during the third quarter of 2018.

NON-GAAP MEASURES

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

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

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

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

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

BOE PRESENTATION

Boe means barrel of oil equivalent. All boe conversions in this MD&A are derived by converting gas to oil at the ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("Bbl") of oil. Boe may be misleading, particularly if used in isolation. A Boe conversion rate of 1 Bbl : 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 Bbl : 6 Mcf, utilizing a conversion ratio of 1 Bbl : 6 Mcf may be misleading as an indication of value.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements and are based on Whitecap's beliefs and assumptions based on information available at the time the assumption was made. By its nature, such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "estimate", "objective", "ongoing", "may", "will", "project", "believe", “measure”, “stability”, “depends”, “could”, “sustainability” and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: Whitecap's focus, Whitecap's commodity risk management program and the benefits to be derived therefrom; the amount of future decommissioning liabilities; future liquidity and financial capacity; sources of funding the Company's capital program; transportation expenses, stock-based compensation expenses; Whitecap's ability to fund its current capital program and dividend payments for 2018, and Whitecap's deductions available for deferred income tax purposes.

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

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Whitecap's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in Whitecap's development plans or by third party operators of Whitecap's properties; competition from other producers; inability to retain drilling rigs and other services; incorrect assessment of the value of acquisitions; failure to realize the anticipated benefits of acquisitions; delays resulting from or inability to obtain require regulatory approvals; increased debt levels or debt service requirements; inaccurate estimation of Whitecap's oil and gas reserve volumes; limited, unfavourable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Whitecap's public disclosure documents (including, without limitation, those risks identified in this MD&A) and may be accessed through the SEDAR website (www.sedar.com).

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