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 February 27, 2019 and should be read in conjunction with the Company's audited annual consolidated financial statements and related notes for the year ended December 31, 2018 and our Annual Information Form for the year ended December 31, 2018. The audited annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual consolidated financial statements for the year ended December 31, 2018. 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 audited annual 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 ANNUAL FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Year ended December 31	
	2018	2017
Crude oil (bbls/d)	58,511	43,589
NGLs (bbls/d)	4,397	3,415
Natural gas (Mcf/d)	69,042	62,676
Total (boe/d)	74,415	57,450
Production split (%)		
Crude oil and NGLs	85	82
Natural gas	15	18
Total	100	100

Average production volumes increased 30 percent to 74,415 boe/d in 2018 from 57,450 boe/d in 2017. Average production volumes increased 23 percent to 73,185 boe/d in the fourth quarter of 2018 from 59,707 boe/d in the fourth quarter of 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 14,599 boe/d and 14,679 boe/d for the three months and year ended December 31, 2018, respectively, compared to 2,934 boe/d and 740 boe/d for the same periods in 2017 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 2018 increased three percent compared to 2017. The increase is primarily attributed to the assets acquired in the Southeast Saskatchewan Acquisition which had a higher oil-weighting than the Company average.

Petroleum and Natural Gas Revenues

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

	Year ended December 31	
($000s)	2018	2017
Crude oil	1,419,363	932,457
NGLs	57,617	38,106
Natural gas	42,865	60,677
Petroleum and natural gas revenues	1,519,845	1,031,240

Petroleum and natural gas revenues in 2018 increased 47 percent to $1,519.8 million from $1,031.2 million in 2017. The increase of $488.6 million consists of $336.3 million attributed to higher production volumes and $152.3 million attributed to higher realized prices. Petroleum and natural gas revenues in the fourth quarter of 2018 decreased seven percent to $272.4 million from $291.4 million in the fourth quarter of 2017. The decrease of $19.0 million consists of $96.1 million attributed to lower realized prices offset by $77.1 million attributed to higher production volumes.

Benchmark and Realized Prices

Average benchmark and realized prices are as follows:

	Year ended December 31	
	2018	2017
Average benchmark prices		
WTI (US$/bbl) [(1)]	64.77	50.95
Exchange rate (US$/C$)	1.30	1.30
WTI (C$/bbl)	83.90	66.11
MSW Par at Edmonton ($/bbl) [(2)]	69.36	62.82
Fosterton Par at Regina ($/bbl)	60.22	54.42
Midale Par at Cromer ($/bbl)	75.73	67.05
AECO natural gas ($/Mcf) [(3)]	1.50	2.16
Average realized prices [(4)]		
Crude oil ($/bbl)	66.46	58.61
NGLs ($/bbl)	35.90	30.57
Natural gas ($/Mcf)	1.70	2.65
Combined ($/boe)	55.96	49.18

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 14 percent to $55.96 per boe in 2018 compared to $49.18 per boe in 2017. Whitecap's weighted average realized price prior to the impact of hedging activities and tariffs decreased 24 percent to $40.46 per boe in the fourth quarter of 2018 compared to $53.04 per boe in the fourth quarter of 2017.

The US$ WTI price increased by 27 percent to average US$64.77 per barrel in 2018 compared to US$50.95 per barrel in 2017. The increase is primarily due to improved demand, strong US oil exports and US crude oil storage remaining within average levels through most of 2018 compared to higher levels in 2017. The US$ WTI price increased six percent to average US$58.81 per barrel in the fourth quarter of 2018 compared to US$55.40 per barrel in the fourth quarter of 2017. The increase is primarily due to market expectations of an OPEC supply cut in early December and geopolitical supply risks, including impacts of the US economic sanctions imposed on Iran in November.

MSW par oil prices increased by 10 percent to average $69.36 per barrel in 2018 compared to $62.82 per barrel in 2017. The increase is primarily due to improved WTI oil prices. The MSW par oil price decreased 38 percent to average $42.75 per barrel in the fourth quarter of 2018 compared to $68.94 per barrel in the fourth quarter of 2017. The decrease is primarily due to an unprecedented widening of MSW oil price differentials in late 2018 that resulted from reduced demand during refinery maintenance, high oil inventory levels at Edmonton and ongoing transportation constraints.

The Company's realized crude oil price in southwest Saskatchewan is based on Fosterton par prices at Regina. Fosterton oil price increased 11 percent to average $60.22 per barrel in 2018 compared to $54.42 per barrel in 2017. The increase is primarily due to improved WTI oil prices. Fosterton par price decreased 24 percent to average $44.64 per barrel in the fourth quarter of 2018 compared to $58.90 per barrel in the fourth quarter of 2017. The decrease is primarily due to an unprecedented widening of Western Canadian Select ("WCS") oil price differentials in 2018 that resulted from reduced refinery demand, unusually high oil inventory levels at Hardisty and ongoing transportation constraints.

The Company's realized crude oil price in southeast Saskatchewan is based on Midale par price at Cromer. Midale par price increased 13 percent to average $75.73 per barrel in 2018 compared to $67.05 per barrel for in 2017. The increase is primarily due to improved WTI oil prices. Midale par oil prices decreased 15 percent to average $61.72 per barrel in the fourth quarter of 2018 compared to $72.80 per barrel in the fourth quarter of 2017. The decrease is primarily due to the widening of Midale par price differentials in late 2018 that resulted from reduced demand during refinery maintenance activity and unusually high oil inventory levels in western Canada.

The AECO daily spot price decreased 31 percent to average $1.50 per Mcf in 2018 compared to an average of $2.16 per Mcf in 2017. The decrease was primarily due to ongoing growth in North American gas supply and transportation bottlenecks restricting the ability to get gas to market. The AECO daily spot price decreased eight percent to average $1.56 per Mcf in the fourth quarter of 2018 compared to an average of $1.69 per Mcf in the fourth quarter of 2017. The decrease was primarily due to continued western Canadian supply growth, transportation constraints and lower seasonal demand.

The natural gas liquids realized price increased 17 percent to average $35.90 per barrel in 2018 compared to $30.57 per barrel in 2017. The increase is primarily due to stronger butane and condensate prices in correlation with higher oil prices. The natural gas liquids realized price decreased 21 percent to average $29.52 per barrel in the fourth quarter of 2018 compared to $37.45 per barrel in the fourth quarter of 2017. The decrease was primarily due to the impact of lower natural gas prices on ethane pricing, lower propane prices caused by ample supply and lower seasonal heating demand late in the year, as well as lower butane and condensate prices as a result of widening differentials.

Blending Revenues and Expenses

	Year ended December 31	
($000s, except per boe amounts)	2018	2017
Blending revenues	12,768	-
$ per boe	0.47	-
Blending expenses	10,273	-
$ per boe	0.38	-

Blending revenues per boe in the fourth quarter and year ended December 31, 2018 were $1.13 per boe and $0.47 per boe, respectively. Blending expenses per boe in the fourth quarter and year ended December 31, 2018 were $0.92 per boe and $0.38 per boe, respectively. In the second quarter of 2018, the Company began generating crude oil blending revenue and expenses. Crude oil blending can occur when there is a sufficiently large variance between crude oil sales stream prices and where there is both sufficient facility and pipeline capacity.

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 gain of $32.1 million and realized a loss of $64.0 million on its commodity and foreign exchange ("FX") risk management contracts for the quarter and year ended December 31, 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 audited annual consolidated financial statements for the year ended December 31, 2018.

	Year ended December 31	
Risk Management Contracts ($000s)	2018	2017
Realized loss on commodity and FX contracts	(64,000)	(24,174)
Unrealized gain on commodity and FX contracts	122,481	77,634
Net gain on commodity and FX contracts	58,481	53,460
Realized loss on interest rate contracts (1)	(1,623)	(4,485)
Unrealized gain on interest rate contracts (1)	1,459	7,502
Net gain on risk management contracts	58,317	56,477

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

At December 31, 2018, the following risk management contracts were outstanding with an asset fair market value of $84.7 million:

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)	2019 Jan – Jun	13,500			74.86
Collar	2019 Jan – Jun	8,000	71.56	91.76	
Swap	2019 Jul – Dec	6,000			72.85
Collar	2019 Jul – Dec	9,000	71.67	92.44	
Swap	2019	2,000			72.74
Collar	2020 Jan – Jun	7,000	68.57	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	2019 Jan – Mar	2,000	MSW	18.90
Swap	2019 Jan – Mar	2,000	WCS	25.90

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

Natural Gas Derivative Contracts

Type	**Term**	**Volume (GJ/d)**	**Swap Price (C$/GJ) (1)**
Swap	2019 Jan – Mar	5,000	2.27

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

Power Derivative Contracts

Type	Term	Volume (MWh)	Fixed Rate ($/MWh) (1)
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	01-May-14	01-May-19	200,000	1.97	CDOR

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

Contracts entered into subsequent to December 31, 2018

WTI Crude Oil Derivative Contracts

Type	Term	Volume (bbls/d)	Basis (1)(2)	Swap Price (C$/bbl) (3)
Swap	2019 Feb – Mar	2,000	MSW	9.85
Swap	2019 Mar	2,000	MSW	5.85
Swap	2019 Apr – Jun	4,000	MSW	9.75
Swap	2019 Feb – Mar	4,000	WCS	19.98
Swap	2019 Apr – Jun	5,000	WCS	19.30

Notes:
(1) Mixed Sweet Blend ("MSW").
(2) Western Canadian Select ("WCS").
(3) 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 (US$/bbl)
Swap	2019 Feb – Jun	2,000	MSW	9.85

Note:
(1) Mixed Sweet Blend ("MSW").

Royalties

	Year ended December 31	
($000s, except per boe amounts)	2018	2017
Royalties	268,090	144,563
As a % of petroleum and natural gas revenues	18	14
$ per boe	9.87	6.89

Royalties as a percentage of revenues were 18 percent in 2018 compared to 14 percent in 2017. Royalties as a percentage of revenues in the fourth quarter of 2018 were 17 percent compared to 14 percent in the fourth quarter of 2017. The increases are primarily attributed to the Southeast Saskatchewan Acquisition which had royalty rates of 25 percent and 29 percent for the quarter and year ended December 31, 2018, respectively. 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

	Year ended December 31	
($000s, except per boe amounts)	2018	2017
Operating expenses	327,160	232,040
$ per boe	12.05	11.07
Processing income	12,210	9,603
$ per boe	0.45	0.46

Operating expenses per boe in 2018 increased nine percent to $12.05 per boe compared to $11.07 per boe in 2017. Operating expenses per boe in the fourth quarter of 2018 increased seven percent to $12.28 per boe compared to $11.44 per boe in the fourth quarter of 2017. The increases in operating expenses per boe are primarily attributed to the Southeast Saskatchewan Acquisition which had operating expenses of $12.51 per boe and $13.01 per boe for the quarter and year ended December 31, 2018 which were higher than the Company average, one-time favorable cost adjustments recognized in 2017 and higher operating expenses in Northwest Alberta and British Columbia.

Processing income per boe in 2018 was relatively flat at $0.45 per boe compared to $0.46 per boe in 2017. Processing income per boe in the fourth quarter of 2018 decreased 21 percent to $0.44 per boe compared to $0.56 per boe in the fourth quarter of 2017. The decrease on a per boe basis is primarily attributed to the increase in production volumes.

Transportation Expenses and Tariffs

	Year ended December 31	
($000s, except per boe amounts)	2018	2017
Transportation expenses	58,952	34,257
$ per boe	2.17	1.63
Tariffs	19,524	29,897
$ per boe	0.72	1.43

Transportation expenses per boe in 2018 increased 33 percent to $2.17 per boe compared to $1.63 per boe in 2017. Transportation expenses per boe in the fourth quarter of 2018 increased 14 percent to $2.20 per boe compared to $1.93 per boe in the fourth quarter of 2017. The increases were primarily due to increased clean oil hauling as a result of pipeline apportionment and increased shipper status across all core areas, which resulted in higher transportation expenses with a corresponding decrease in tariffs netted against petroleum and natural gas sales. These increases were partially offset by the Southeast Saskatchewan Acquisition properties which had transportation expenses of $1.29 per boe and $1.21 per boe for the quarter and year ended December 31, 2018.

Tariffs per boe in 2018 decreased 50 percent to $0.72 per boe compared to $1.43 per boe in 2017. Tariffs per boe in the fourth quarter of 2018 decreased 48 percent to $0.60 per boe compared to $1.16 per boe in the fourth quarter of 2017. The decreases on a per boe basis are primarily attributed to lower natural gas tariffs in Northwest Alberta due to a reduction in natural gas transported and sold in Chicago via Alliance pipeline. Additionally, Whitecap had increased shipper status in its core areas compared to the same periods in 2017, 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:

Netbacks ($/boe)	Year ended December 31 2018	2017
Petroleum and natural gas revenues	55.96	49.18
Tariffs	(0.72)	(1.43)
Processing income	0.45	0.46
Blending revenue	0.47	-
Petroleum and natural gas sales	56.16	48.21
Realized hedging loss	(2.36)	(1.15)
Royalties	(9.87)	(6.89)
Operating expenses	(12.05)	(11.07)
Transportation expenses	(2.17)	(1.63)
Blending expenses	(0.38)	-
Operating netbacks [(1)]	29.33	27.47

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

Operating netbacks in 2018 increased seven percent to $29.33 per boe compared to $27.47 per boe in 2017. The increase on a per boe basis was primarily due to higher petroleum and natural gas revenues, partially offset by higher realized hedging losses and royalties. Operating netbacks in the fourth quarter of 2018 decreased 18 percent to $24.03 per boe compared to $29.48 per boe in the fourth quarter of 2017. The decrease on a per boe basis was primarily due to lower petroleum and natural gas revenues, partially offset by realized hedging gains and blending revenue.

General and Administrative ("G&A") Expenses

($000s, except per boe amounts)	Year ended December 31 2018	2017
G&A costs net of recoveries	37,083	34,431
Capitalized G&A	(7,227)	(7,020)
G&A expenses	29,856	27,411
$ per boe	1.10	1.31

G&A expenses per boe in 2018 decreased 16 percent to $1.10 per boe compared to $1.31 per boe in 2017. The decrease on a per boe basis is 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 incremental 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 property, plant and equipment ("PP&E") and operating recoveries. G&A expenses per boe in the fourth quarter of 2018 decreased 40 percent to $0.78 per boe compared to $1.29 per boe in the fourth quarter of 2017. The decrease on a per boe basis is primarily attributed to a decrease in G&A costs net of recoveries and higher production volumes. The decrease in G&A costs net of recoveries is primarily attributed to increased capital and operating recoveries.

Share-based Awards

($000s, except per boe amounts)	Year ended December 31 2018	2017
Stock-based compensation	18,347	25,226
Capitalized stock-based compensation	(5,731)	(7,946)
Stock-based compensation expenses	12,616	17,280
$ per boe	0.46	0.82

In the quarter and year ended December 31, 2018, the Company recorded a stock-based compensation recovery of $1.8 million and a stock-based compensation expense of $18.3 million, respectively, compared to a stock-based compensation expense of $5.7 million and $25.2 million for the same periods in 2017. The decreases are primarily attributed to recoveries recognized as a result of remeasuring the fair value of cash-settled awards as Whitecap's share price decreased since the awards were granted. Stock-based compensation will fluctuate with changes to the expected payout multipliers associated with the performance awards, vesting of existing grants, additional grants under the Award Incentive Plan, as well as changes in fair value for awards that are accounted for as cash-settled.

Award Incentive Plan

The Company implemented an Award Incentive Plan effective April 30, 2013. The Award Incentive Plan has time-based awards and performance awards which may be granted to directors, officers, employees of the Company and other service providers. Effective January 1, 2017, independent outside directors will receive only time-based awards as the primary form of long-term compensation. As at December 31, 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 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 awards liabilities on the consolidated balance sheet. Performance awards are also subject to a performance multiplier. This multiplier, ranging from zero to two, will be applied on vesting and is dependent on the performance of the Company relative to predefined corporate performance measures set by the Board of Directors for the associated period.

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

As at December 31, 2018, the Company had 6.3 million awards outstanding.

Interest and Financing Expenses

	Year ended December 31	
($000s, except per boe amounts)	2018	2017
Interest and financing expenses	52,702	29,635
$ per boe	1.94	1.41

Interest and financing expenses per boe in 2018 increased 38 percent to $1.94 per boe compared to $1.41 per boe in 2017. Interest and financing expenses per boe increased 17 percent to $2.01 per boe in the fourth quarter of 2018 compared to $1.72 per boe in the fourth quarter of 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 ("DD&A")

	Year ended December 31	
($000s, except per boe amounts)	2018	2017
Depletion, Depreciation and Amortization	487,013	385,918
$ per boe	17.93	18.40

DD&A per boe in 2018 decreased three percent to $17.93 per boe compared to $18.40 per boe in 2017. The decreases on a per boe basis are mainly attributed to impairments to PP&E recognized in the fourth quarter of 2017. DD&A per boe in the fourth quarter of 2018 of $18.57 per boe was consistent with $18.45 per boe 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.

Impairment expense

	Year ended December 31	
($000s)	2018	2017
Impairment expense	219,253	347,429

As at December 31, 2018, the Company determined that the carrying amount of the West Central Saskatchewan ("WCSK") CGU of $1.1 billion exceeded its fair value less costs of disposal of $846.0 million. The full amount of the impairment was attributed to PP&E and, as a result, a total impairment loss of $219.3 million was recorded in impairment expense. The impairment expense in 2018 was primarily a result of negative technical revisions in reserves assigned due to well performance at December 31, 2018, compared to December 31, 2017.

As at December 31, 2017, the Company determined that the carrying amounts of the WCSK and the West Central Alberta ("WCAB") CGUs of $1.2 billion and $1.4 billion, respectively, exceeded their fair value less costs of disposal of $1.0 billion and $1.3 billion, respectively. The full amounts of the impairments were attributed to PP&E and, as a result, a total impairment loss of $347.4 million was recorded in impairment expense. The impairment expense in 2017 was primarily a result of lower forecast benchmark commodity prices at December 31, 2017, compared to December 31, 2016.

Taxes

During the quarter and year ended December 31, 2018, the Company recognized a deferred income tax expense of $1.9 million and $28.4 million, respectively, compared to a deferred income tax recovery of $79.3 million and $36.7 million, respectively, for the same periods in 2017.

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

($000s)	December 31 2018	December 31 2017
Undepreciated capital cost	594,470	613,427
Canadian development expense	598,346	499,521
Canadian oil and gas property expense	1,807,731	1,951,708
Non-capital loss carry forward	919,893	1,007,769
Share issue costs	30,467	47,575
Total	3,950,907	4,120,000

Net Income

For the quarter and year ended December 31, 2018, the Company recognized net income of $7.0 million and $65.1 million, respectively, compared to a net loss of $231.7 million and $124.0 million for the same periods in 2017, respectively. The following changes impacted net income:

($000s)	Quarter ended December 31	Year ended December 31
2017 Net Income	(231,729)	(123,968)
Change in petroleum and natural gas sales	(9,185)	514,353
Decrease in impairment expense	128,176	128,176
Change in net gain on risk management contracts	271,707	5,021
Increased royalties	(4,900)	(123,527)
Increase in DD&A	(23,696)	(101,095)
Increased operating expenses	(19,809)	(95,120)
Change in deferred income tax expense or recovery	(81,295)	(65,080)
Increased transportation expenses	(4,228)	(24,695)
Increased interest and financing expenses	(4,061)	(23,067)
Change in net (gain) loss on asset dispositions	(14,721)	(16,925)
Increase in blending expenses	(6,225)	(10,273)
Other net changes	6,932	1,328
2018 Net Income	6,966	65,128

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 audited annual consolidated financial statements. The following table reconciles cash flow from operating activities to funds flow and free funds flow:

	Year ended December 31	
($000s)	2018	2017
Cash flow from operating activities	727,934	489,119
Changes in non-cash working capital	(23,514)	19,508
Funds flow [(1)]	704,420	508,627
Dividends paid or declared	132,295	104,926
Expenditures on PP&E	440,499	339,761
Free funds flow [(2)]	131,626	63,940
Basic payout ratio (%) [(2)]	19	21
Total payout ratio (%) [(2)]	81	87
Funds flow per share, basic	1.69	1.37
Funds flow per share, diluted	1.67	1.36
Dividends paid or declared per share	0.32	0.28

Notes:

(1) Refer to Note 5(f) "Capital Management" in the audited annual consolidated 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 dividend policy on a monthly basis.

Cash flow from operating activities for the quarter and year ended December 31, 2018, was $158.2 million and $727.9 million, respectively, compared to $127.2 million and $489.1 million for the same periods in 2017. The following changes impacted cash flow from operating activities:

($000s)	Three months ended December 31	Year ended December 31
2017 Cash flow from operating activities	127,232	489,119
Change in net income	238,695	189,096
Change in DD&A	23,696	101,095
Change in deferred income tax expense or recovery	81,295	65,080
Net change in non-cash working capital items	35,745	43,022
Change in net (gain) loss on asset dispositions	14,721	16,925
Change in impairment expense	(128,176)	(128,176)
Change in unrealized gain on risk management contracts	(226,640)	(38,804)
Other net changes	(8,324)	(9,423)
2018 Cash flow from operating activities	158,244	727,934

Funds flow for the year ended December 31, 2018 was $704.4 million compared to $508.6 million for the same period in 2017. The increase in funds flow is primarily attributed to higher production volumes and higher operating netbacks. Funds flow for the fourth quarter of 2018, was $138.8 million compared to $143.5 million for the same period in 2017. The decrease in funds flow is primarily attributed to lower operating netbacks offset by higher production volumes.

Free funds flow for the year ended December 31, 2018 was $131.6 million compared to $63.9 million for the same period in 2017. The increase in free funds flow is primarily attributed to higher funds flow partially offset by higher dividends paid or declared and higher expenditures on PP&E. Free funds flow for the fourth quarter of 2018, was $28.7 compared to $58.4 million for the same period in 2017. The decrease in free funds flow is primarily attributed to lower funds flow and higher dividends paid or declared and expenditures on PP&E.

Capital Expenditures

($000s)	Year ended December 31 2018	2017
Land and geological	1,452	1,384
Drilling and completions	371,330	301,163
Investment in facilities	59,765	29,213
Capitalized administration	7,227	7,020
Corporate and other assets	725	981
Expenditures on PP&E	440,499	339,761
Property acquisitions	35,249	970,883
Property dispositions	(11,681)	(14,598)
Corporate acquisition	53,916	-
Total capital expenditures	517,983	1,296,046

For the year ended December 31, 2018, expenditures on PP&E totaled $440.5 million with 98 percent spent on drilling, completions and facilities.

For the year ended December 31, 2018, Whitecap's drilling activity was as follows:

	Gross	Net
Northern Alberta and British Columbia	29	20.6
Southeast Saskatchewan	16	9.6
Southwest Saskatchewan	60	41.2
West Central Alberta	21	17.5
West Central Saskatchewan	135	127.4
	261	216.3

Corporate Acquisition

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

Decommissioning Liability

At December 31, 2018, the Company's decommissioning liability balance was $725.6 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 December 31, 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 (1.65:1.00 as at December 31, 2018) and the ratio of EBITDA to interest expense shall not be less than 3.50:1.00 (14.16:1.00 as at December 31, 2018). The EBITDA used in the covenant calculation is adjusted for non-cash items, transaction costs and extraordinary and non-recurring items such as material acquisitions or dispositions. The debt used in the covenant calculation includes bank indebtedness, letters of credit, and dividends declared. As of December 31, 2018, the Company was compliant with all covenants provided for in the lending agreement.

Senior Secured Notes

As at December 31, 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 December 31, 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 December 31, 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:

	Year ended December 31	
(000s except per share amounts)	2018	2017
Shares repurchased [1]	6,277	1,192
Average cost ($/share)	6.81	8.79
Amounts charged to		
Share capital	42,708	10,472
Contributed surplus	11	6
Share repurchase cost	42,719	10,478

Note:

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

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 February 27, 2019, there were 413.2 million common shares and 5.9 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 December 31, 2018, the Company had $443.8 million of unutilized credit to cover any working capital deficiencies. The Company believes that available credit facilities combined with anticipated funds flow will be sufficient to satisfy Whitecap's 2019 development capital program and dividend payments for the 2019 fiscal year.

Contractual Obligations

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

($000s)	2019	2020	2021	2022+	Total
Operating leases	21,144	15,728	15,797	78,341	131,010
Transportation agreements	19,311	16,976	13,084	40,636	90,007
Long-term debt (1)	21,605	21,605	21,605	1,310,717	1,375,532
Total	62,060	54,309	50,486	1,429,694	1,596,549

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 year ended December 31, 2018, the Company incurred $0.7 million for legal fees and disbursements ($0.5 million for the year ended December 31, 2017). These amounts have been recorded at the amounts that have been agreed upon by the two parties. The Company expects to retain the services of BD&P from time to time. As of December 31, 2018, a nil payable balance ($0.3 million – December 31, 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 audited annual consolidated financial statements for the year ended December 31, 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 audited annual consolidated financial statements for the year ended December 31, 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. The expected impact on the opening balance sheet at January 1, 2019, is a material increase to property, plant and equipment and a corresponding material increase to finance lease obligations. 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 20 to the Company’s audited annual consolidated financial statements for the year ended December 31, 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.

Selected Annual information

($000s, except as noted)	2018	2017	2016
Financial			
Petroleum and natural gas revenues	1,519,845	1,031,240	669,753
Funds flow [(1)]	704,420	508,627	384,725
Basic ($/share) [(1)]	1.69	1.37	1.13
Diluted ($/share) [(1)]	1.67	1.36	1.13
Net income (loss)	65,128	(123,968)	170,748
Basic ($/share)	0.16	(0.33)	0.50
Diluted ($/share)	0.15	(0.33)	0.50
Expenditures on PP&E	440,499	339,761	174,358
Property acquisitions	35,249	970,883	630,565
Property dispositions	(11,681)	(14,598)	(144,379)
Corporate acquisitions	53,916	-	-
Total assets	5,958,964	5,961,347	5,134,940
Net debt	1,300,410	1,295,906	818,580
Common shares outstanding (000s)	414,063	418,029	368,351
Dividends paid or declared per share	0.32	0.28	0.35
Operational			
Average daily production			
Crude oil (bbls/d)	58,511	43,589	32,398
NGLs (bbls/d)	4,397	3,415	3,168
Natural gas (Mcf/d)	69,042	62,676	61,651
Total (boe/d)	74,415	57,450	45,841

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.

In the past three years, Whitecap has been able to consistently increase its production volumes through the efficient execution of its capital program as well as completing strategic acquisitions. Over the three years, while production volumes have consistently increased, fluctuations in 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.

Summary of Quarterly Results

($000s, except as noted)	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Financial								
Petroleum and natural gas revenues	272,397	446,018	433,380	368,050	291,376	239,170	251,391	249,303
Funds flow [(1)]	138,810	204,995	195,816	164,799	143,543	118,979	121,870	124,235
Basic ($/share) [(1)]	0.33	0.49	0.47	0.39	0.38	0.32	0.33	0.34
Diluted ($/share) [(1)]	0.33	0.49	0.47	0.39	0.38	0.32	0.33	0.33
Net income (loss)	6,966	69,532	(3,615)	(7,755)	(231,729)	3,689	44,541	59,531
Basic ($/share)	0.02	0.17	(0.01)	(0.02)	(0.61)	0.01	0.12	0.16
Diluted ($/share)	0.02	0.17	(0.01)	(0.02)	(0.61)	0.01	0.12	0.16
Expenditures on PP&E	76,485	114,955	66,444	182,615	57,698	90,033	67,934	124,096
Property acquisitions	15,157	18,369	1,108	615	939,015	24,962	(923)	7,829
Property dispositions	(205)	(9,764)	(1,585)	(127)	(8,777)	-	(2,498)	(3,323)
Corporate acquisition	-	750	-	53,166	-	-	-	-
Total assets	5,958,964	6,142,384	6,136,672	6,165,095	5,961,347	5,194,875	5,194,640	5,204,068
Net debt	1,300,410	1,288,259	1,323,093	1,414,606	1,295,906	842,897	820,295	848,228
Common shares outstanding (000s)	414,063	416,456	417,485	417,255	418,029	369,818	369,797	369,045
Dividends paid or declared per share	0.08	0.08	0.08	0.08	0.07	0.07	0.07	0.07
Operational								
Average daily production								
Crude oil (bbls/d)	57,072	59,212	59,786	57,976	44,699	44,001	43,204	42,425
NGLs (bbls/d)	4,656	4,460	4,461	4,002	3,634	3,503	3,333	3,185
Natural gas (Mcf/d)	68,739	71,141	69,393	66,852	68,244	62,362	58,373	61,657
Total (boe/d)	73,185	75,529	75,813	73,120	59,707	57,898	56,266	55,886

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 2018, the Company recognized an impairment of $219.3 million attributed to PP&E. The impairment expense was primarily a result of negative technical revisions in reserves assigned due to well performance at December 31, 2018 compared to December 31, 2017.

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.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer of Whitecap evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Whitecap's DC&P were effective as at December 31, 2018.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of Whitecap;
2. are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of Whitecap are being made in accordance with authorizations of management and Directors of Whitecap; and
3. are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining ICFR for Whitecap. They have, as at the financial year ended December 31, 2018, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued an updated Internal Control-Integrated Framework ("2013 Framework") replacing the Internal Control - Integrated Framework (1992). The control framework Whitecap's officers used to design the Company's ICFR is the 2013 Framework.

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, Whitecap conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2018 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2018, Whitecap maintained effective ICFR.

It should be noted that while Whitecap's officers believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the DC&P and ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met.

There were no changes in Whitecap's ICFR during the year ended December 31, 2018 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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 2019, Whitecap’s deductions available for deferred income tax purposes, and the expected impact of accounting standards issued but not yet effective.

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.