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February 27, 2018

Independent Auditor's Report

To the Shareholders of
Whitecap Resources Inc.

We have audited the accompanying consolidated financial statements of Whitecap Resources Inc., which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of comprehensive income (loss), changes in equity, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Whitecap Resources Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

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WHITECAP RESOURCES INC.
CONSOLIDATED BALANCE SHEET

As at (CAD $000s)	**December 31 2017**	December 31 2016
Assets		
Current Assets		
Accounts receivable	**139,612**	102,168
Deposits and prepaid expenses	**10,982**	8,998
Risk management contracts [Notes 4 & 5]	**11,056**	28
	161,650	111,194
Property, plant and equipment [Notes 6 & 7]	**5,335,004**	4,699,548
Exploration and evaluation [Notes 6 & 8]	**10,790**	14,115
Investment in limited partnership [Note 9]	**7,585**	13,625
Goodwill [Note 10]	**122,682**	122,682
Risk management contracts [Notes 4 & 5]	**215**	-
Deferred income tax [Note 17]	**323,421**	173,776
	5,961,347	5,134,940
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**152,026**	147,768
Dividends payable	**10,242**	8,583
Risk management contracts [Notes 4 & 5]	**49,017**	75,065
	211,285	231,416
Risk management contracts [Notes 4 & 5]	**1,548**	49,393
Long-term debt [Note 11]	**1,284,232**	773,395
Decommissioning liability [Note 12]	**683,015**	609,729
Deferred income tax [Note 17]	**448,134**	338,814
	2,628,214	2,002,747
Shareholders' Equity		
Share capital [Note 13]	**3,889,255**	3,452,671
Contributed surplus [Note 13]	**33,662**	40,412
Deficit	**(589,784)**	(360,890)
	3,333,133	3,132,193
	5,961,347	5,134,940

Commitments (Note 19)

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board:

(signed) *"Stephen C. Nikiforuk"*

Stephen C. Nikiforuk
Director

(signed) *"Grant B. Fagerheim"*

Grant B. Fagerheim
Director

WHITECAP RESOURCES INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31

(CAD $000s, except per share amounts)	**2017**	2016
Revenue		
Petroleum and natural gas sales	**1,001,343**	635,306
Royalties	**(144,563)**	(90,855)
Petroleum and natural gas sales, net of royalties	**856,780**	544,451
Net gain (loss) on commodity and foreign exchange contracts [Note 5]	**53,460**	(8,474)
	910,240	535,977
Expenses		
Operating	**222,437**	160,057
Transportation	**34,257**	14,903
General and administrative [Note 15]	**27,411**	21,716
Stock-based compensation [Note 13]	**17,280**	16,793
Transaction costs	**99**	350
Interest and financing	**29,635**	29,277
Accretion of decommissioning liabilities [Note 12]	**14,333**	14,267
Depletion, depreciation, amortization and impairment [Note 7]	**733,347**	20,743
Exploration and evaluation [Note 8]	**2,126**	4,925
Unrealized loss on investment [Note 9]	**5,618**	9,787
Net (gain) loss on asset dispositions [Note 7]	**(15,680)**	3,540
	1,070,863	296,358
Income (loss) before income taxes	**(160,623)**	239,619
Taxes		
Deferred income tax expense (recovery) [Note 17]	**(36,655)**	68,871
Net income (loss) and other comprehensive income (loss)	**(123,968)**	170,748
Net Income (Loss) Per Share ($/share) [Note 16]		
Basic	**(0.33)**	0.50
Diluted	**(0.33)**	0.50

See accompanying notes to the consolidated financial statements

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

(CAD $000s)	**2017**	2016
Share Capital [Note 13(b)]		
Balance, beginning of year	**3,452,671**	2,881,762
Issued for cash through public prospectus offering	**425,014**	563,823
Share issue costs, net of deferred income tax	**(9,928)**	(19,670)
Issued on exercise of options	**-**	2,561
Common shares repurchased [Note 13(c)]	**(10,472)**	-
Contributed surplus adjustment on exercise of options	**-**	988
Contributed surplus adjustment on vesting of share awards	**31,970**	23,207
Balance, end of year	**3,889,255**	3,452,671
Contributed Surplus [Note 13(f)]		
Balance, beginning of year	**40,412**	39,971
Award incentive plan and option-based awards	**25,226**	24,636
Option exercises	**-**	(988)
Share award vesting	**(31,970)**	(23,207)
Common shares repurchased [Note 13(c)]	**(6)**	-
Balance, end of year	**33,662**	40,412
Deficit		
Balance, beginning of year	**(360,890)**	(415,117)
Net income (loss) and other comprehensive income (loss)	**(123,968)**	170,748
Dividends	**(104,926)**	(116,521)
Balance, end of year	**(589,784)**	(360,890)

See accompanying notes to the consolidated financial statements

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

(CAD $000s)	**2017**	2016
Operating Activities		
Net income (loss) for the period	**(123,968)**	170,748
Items not affecting cash:		
Depletion, depreciation, amortization and impairment [Note 7]	**733,347**	20,743
Exploration and evaluation [Note 8]	**2,126**	4,925
Deferred income tax expense (recovery) [Note 17]	**(36,655)**	68,871
Stock-based compensation [Note 13]	**17,280**	16,793
Accretion of decommissioning liabilities [Note 12]	**14,333**	14,267
Unrealized (gain) loss on risk management contracts [Note 5]	**(85,136)**	76,287
Unrealized loss on investment [Note 9]	**5,618**	9,787
Net (gain) loss on asset dispositions [Note 7]	**(15,680)**	3,540
Settlement of decommissioning liabilities [Note 12]	**(2,638)**	(1,236)
Net change in non-cash working capital items [Note 18]	**(19,508)**	(19,587)
	489,119	365,138
Financing Activities		
Issuance of long-term debt	**594,470**	-
Repayment of long-term debt	**(83,633)**	(102,771)
Option exercises	**-**	2,561
Common shares repurchased [Note 13]	**(10,478)**	-
Dividends	**(104,926)**	(116,521)
Issuance of share capital, net of share issue costs	**411,415**	536,883
Net change in non-cash working capital items [Note 18]	**1,659**	(10,205)
	808,507	309,947
Investing Activities		
Expenditures on property, plant and equipment	**(339,761)**	(174,358)
Expenditures on property acquisitions	**(967,392)**	(613,063)
Cash from property dispositions	**24,767**	100,136
Partnership investment income received [Note 9]	**422**	844
Net change in non-cash working capital items [Note 18]	**(15,662)**	11,356
	(1,297,626)	(675,085)
Change in cash, during the year	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**-**	-
Cash Interest Paid	**31,567**	35,554

See accompanying notes to the consolidated financial statements

1. NATURE OF BUSINESS

Whitecap Resources Inc. (also referred to herein as “Whitecap” or the “Company”) is a Calgary based oil and gas company that is engaged in the business of acquiring, developing and holding interests in petroleum and natural gas properties and assets. Whitecap's common shares are traded on the Toronto Stock Exchange (“TSX”) under the symbol WCP. The Company’s principal place of business is located at 3800, 525 – 8th Avenue SW, Calgary, Alberta, Canada, T2P 1G1.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared under International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board as at and for the year ended December 31, 2017, including 2016 comparative periods. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of February 27, 2018, the date the Board of Directors approved the statements.

b) Basis of Measurement

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

c) Functional and Presentation Currency

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

d) Use of Estimates and Judgments

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

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

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

Management’s determination of whether a transaction constitutes a business combination or asset acquisition is determined based on the criteria in IFRS 3 *Business Combinations* (“IFRS 3”). Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment (“PP&E”) and exploration and evaluation (“E&E”) assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices, and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill. Future net earnings can be affected as a result of changes in future depletion, depreciation and amortization (“DD&A”), asset impairment or reversal, or goodwill impairment.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Jointly Controlled Operations

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

b) Financial Instruments

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

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

i) Cash, Accounts Receivable, Loans and Other Receivables

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

A provision for impairment of accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or significant delinquency in payments are considered indicators that a receivable is impaired.

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

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

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

iv) Accounts Payable, Accrued Liabilities and Long-term Debt
These financial instruments are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. These financial instruments are classified as financial liabilities at amortized cost and are reported at amortized cost.

v) Impairment of Financial Assets
At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

1) Financial assets carried at amortized cost:
The amount of the impairment is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income.

2) Financial assets carried at fair value through profit or loss:
The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive income.

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

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

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

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

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

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

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

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

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

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

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

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

The recoverable amount of goodwill is determined as the fair value less costs of disposal using a discounted cash flow method. Goodwill is evaluated at a corporate level as the business combinations giving rise to goodwill do not have specifically identifiable benefits to any one CGU. Furthermore, management does not track or manage goodwill at a CGU level.

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

h) Business Combinations

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

i) Decommissioning Liability

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

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

Actual expenditures incurred are charged against the accumulated decommissioning liability.

j) Borrowing Costs

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

k) Share-based Compensation

The Company's share-based compensation program consists of stock options and share awards, which are equity-settled transactions.

The Company has issued options to acquire common shares to directors, officers and employees of the Company. These options are accounted for using the fair-value method which estimates the value of the options at the date of the grant using the Black-Scholes option pricing model. The fair value thus established is recognized as compensation expense over the vesting period of the options with an equivalent increase to contributed surplus. Awards or stock options which have vested and exercised are equity settled. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

Time-based and performance share awards granted under the Award Incentive Plan are accounted for at fair value. Stock-based compensation expense is determined based on the estimated fair value of shares on the date of grant using the Black-Scholes option pricing model. Forfeitures are estimated at the grant date and are subsequently adjusted to reflect actual forfeitures. The expense is recognized on a straight–line basis over the vesting period, with a corresponding increase to contributed surplus. The Company capitalizes the portion of stock-based compensation directly attributable to development activities, with a corresponding decrease to stock-based compensation expense.

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

l) Flow-through Shares

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

m) Income Tax

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

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

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

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

n) Revenue

Revenue from the sale of crude oil, natural gas and natural gas liquids is recorded when the risks and rewards of ownership of the product is transferred to the buyer, which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline. Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

o) Share Capital

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

p) Net Income/Loss per Share

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

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

q) Principles of Consolidation

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

r) Changes in Accounting Policies

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

s) Standards Issued but not yet Effective

The Company has reviewed 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 income or net assets of the Company.

i) IFRS 9 *Financial Instruments* ("IFRS 9") (2013 & 2014)

IFRS 9 (2013) significantly revises the existing hedge accounting guidance in IAS 39 *Financial Instruments: Recognition and Measurement* and is intended to align hedging with an entity's risk management strategies. IFRS 9 (2014) incorporates a further amendment to classification categories for financial assets, and includes a new impairment model. IFRS 9 (2013 & 2014) are effective for annual periods beginning on or after January 1, 2018. The impact of the standard has been evaluated and is expected to have no material impact on the Company's financial statements.

ii) IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 was issued in May 2014 and replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The standard is required to be adopted either retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The impact of the standard has been evaluated and is expected to have no material impact on the Company's financial statements. Additional disclosure may be required upon implementation of IFRS 15 in order to provide sufficient information to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from the contracts with customers.

iii) 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 recognising 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 *Revenue from Contracts with Customers* has also been adopted. Whitecap is currently evaluating the impact of the standard on the Company's consolidated financial statements.

4. DETERMINATION OF FAIR VALUES

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

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

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations for commodity, interest and foreign exchange contracts are based on inputs including quoted forward prices for commodities, forward interest rates and forward exchange rates, respectively, time value and volatility factors, which can be substantially observed or corroborated in the market place.

- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying value of deposits, accounts receivable, bank debt, dividends payable, accounts payable and accrued liabilities included in the balance sheet approximate fair value due to the short-term nature of those instruments or the indexed rate of interest on the bank debt. The fair value measurement of the risk management contracts and the senior notes have a fair value hierarchy of Level 2. The fair value measurement of PP&E, E&E, goodwill, and the investment in limited partnership have a fair value hierarchy of Level 3. The Company's finance department is responsible for performing the valuation of financial instruments, including the calculation of Level 3 fair values. Refer to Notes 7, 8, 9 and 10 for changes in the Company's Level 3 investments.

a) PP&E and E&E Assets

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

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

The fair value of deposits, accounts receivable, bank debt, senior notes, dividends payable, accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2017 and December 31, 2016, the fair value of these balances, other than senior notes, approximated their carrying value. The fair value of the bank debt is equal to its carrying amount as the bank debt bears interest at floating rates and credit spreads within the facility are indicative of market rates.

c) Derivatives

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

d) Stock Options and Share Awards

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

e) Investment in Limited Partnership

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

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial Assets and Financial Liabilities Subject to Offsetting

Financial assets and liabilities are only offset if Whitecap has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. Whitecap offsets risk management assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same. The following table summarizes the gross asset and liability positions of the Company's financial derivatives by counterparty that are offset on the balance sheet as at December 31, 2017 and December 31, 2016:

	December 31, 2017			December 31, 2016		
($000s)	Asset	Liability	Net	Asset	Liability	Net
Gross amount	32,171	(71,465)	(39,294)	1,804	(126,234)	(124,430)
Amount offset	(20,900)	20,900	-	(1,776)	1,776	-
Net amount	11,271	(50,565)	(39,294)	28	(124,458)	(124,430)

b) Credit Risk

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

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

The maximum exposure to credit risk is as follows:

	December 31, 2017	December 31, 2016
Accounts receivable	139,612	102,168
Risk management contracts	11,271	28
	150,883	102,196

Joint interest receivables are typically collected within one to three months following production. The majority of the credit exposure on accounts receivable at December 31, 2017 pertains to accrued revenue for December 2017 production volumes. Whitecap transacts with a number of oil and natural gas marketing companies and commodity end users ("Commodity Purchasers"). Commodity Purchasers and marketing companies typically remit amounts to Whitecap by the 25th day of the month following production. The Company monitors the exposure to any single counterparty along with its financial position. If it is deemed that a counterparty has become materially weaker, the Company will work to reduce the credit exposure to that counterparty. At December 31, 2017, two Commodity Purchasers and marketing companies accounted for approximately 15 percent and 8 percent of the total accounts receivable balance and are not considered a credit risk.

Whitecap has not previously experienced any material credit loss in the collection of accounts receivable.

When determining whether amounts that are past due are collectable, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Whitecap considers all amounts greater than 90 days to be past due. As at December 31, 2017, there was

$1.6 million (December 31, 2016 – $0.8 million) of receivables aged over 90 days. Subsequent to December 31, 2017, approximately $0.8 million (December 31, 2016 – $0.6 million) has been collected and the remaining balance is not considered to be a credit risk.

c) Liquidity Risk

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

The following table details Whitecap's financial liabilities as at December 31, 2017:

($000s)	<1 year	1 to 2 years	2+ years	Total
Accounts payable and accrued liabilities	152,026	-	-	152,026
Dividends payable	10,242	-	-	10,242
Long-term debt [(1)]	21,605	710,837	693,230	1,425,672
Risk management contracts [(1)]	49,017	1,548	-	50,565
Total financial liabilities	232,890	712,385	693,230	1,638,505

Note:
(1) These amounts include the notional principal and interest payments. Interest rate swaps are included in risk management contracts.

The following table details Whitecap's financial liabilities as at December 31, 2016:

($000s)	<1 year	1 to 2 years	2+ years	Total
Accounts payable and accrued liabilities	147,768	-	-	147,768
Dividends payable	8,583	-	-	8,583
Long-term debt [(1)]	13,522	602,053	186,499	802,074
Risk management contracts [(1)]	75,065	49,040	353	124,458
Total financial liabilities	244,938	651,093	186,852	1,082,883

Note:
(1) These amounts include the notional principal and interest payments. Interest rate swaps are included in risk management contracts.

d) Market Risk

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

Whitecap's consolidated balance sheet included the following fair value on risk management assets outstanding:

($000s)	December 31 2017	December 31 2016
Current Assets		
Crude oil	7,772	-
Natural gas	861	-
Interest	-	28
Power	310	-
Foreign exchange	2,113	-
Total current assets	11,056	28
Long-term Assets		
Interest	130	-
Power	85	-
Total long-term assets	215	-
Total fair value	**11,271**	**28**

Whitecap's consolidated balance sheet included the following fair value on risk management liabilities outstanding:

($000s)	December 31 2017	December 31 2016
Current Liabilities		
Crude oil	47,358	51,702
Natural gas	-	3,443
Interest	1,409	5,023
Power	-	582
Foreign exchange	250	14,315
Total current liabilities	49,017	75,065
Long-term Liabilities		
Crude oil	1,548	34,957
Interest	-	3,786
Power	-	370
Foreign exchange	-	10,280
Total long-term liabilities	1,548	49,393
Total fair value	**50,565**	**124,458**

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

	Twelve months ended December 31	
($000s)	2017	2016
Realized gain (loss) on commodity and foreign exchange contracts	(24,174)	74,464
Unrealized gain (loss) on commodity and foreign exchange contracts	77,634	(82,938)
Net gain (loss) on commodity and foreign exchange contracts	53,460	(8,474)
Realized loss on interest rate contracts [1]	(4,485)	(5,137)
Unrealized gain on interest rate contracts [1]	7,502	6,651
Net gain (loss) on risk management contracts	56,477	(6,960)

Note:

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

i) Commodity Price Risk

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

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

($000s)	December 31, 2017	
	Increase 10%	Decrease 10%
Commodity Price		
Crude Oil	(62,519)	59,420
Natural Gas	(182)	182
Power	290	(290)
Differential		
Crude oil	10,747	(10,747)

At December 31, 2017, the following risk management contracts were outstanding with an asset fair market value of $9.0 million and a liability fair market value of $48.9 million (December 31, 2016 – liability of $91.1 million):

1) WTI Crude Oil Derivative Contracts

Type	Term	Volume (bbls/d)	Sold Call Price ($/bbl) (1)	Sold Put Price ($/bbl)	Swap Price ($/bbl) (1)
Swap	2018 Jan – Jun	10,000			C$68.75
Swap	2018 Apr – Dec	1,000			C$65.14
Swap	2018 Jul – Dec	5,000			C$67.61
Swap	2018	8,500			C$66.01
Swap	2018	5,500			US$51.85
Sold put/call (2)	2018	3,000	US$85.83	US$60.00	
Swap	2019 Jan – Jun	4,000			C$68.71

Notes:

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

(2) In the third quarter of 2015, Whitecap optimized its previous 6,000 bbls/d sold puts with an average strike price of US$66.68/bbl in 2016 by lowering the strike price to US$50.00/bbl and concurrently sold 2017 and 2018 put and call options with strike prices of US$60.00/bbl and US$85.83/bbl respectively. The optimization was completed on a costless basis.

2) WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis (1)(2)	Swap Price (C$/bbl) (3)
Swap	2018 Jan – Jun	5,000	MSW	3.72
Swap	2018	10,000	MSW	4.51
Swap	2018 Jan – Jun	4,000	WCS	19.45
Swap	2018 Jul – Dec	4,000	WCS	19.12
Swap	2018	3,000	WCS	19.75

Notes:

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

(2) Western Canadian Select ("WCS").

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

3) Natural Gas Derivative Contracts

Type	Term	Volume (GJ/d)	Sold Call Price ($/GJ)	Bought Put Price ($/GJ)	Swap Price ($/GJ) (1)
Swap	2018 Jan – Mar	5,000			2.34
Collar	2018 Jan – Mar	2,500	3.47	2.75	
Collar	2018 Jan – Jun	2,500	3.08	2.55	

Note:

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

4) Power Derivative Contracts

Type	Term	Volume (MWh)	Fixed Rate ($/MWh) (1)
Swap	2018	43,800	47.19
Swap	2019	8,760	43.30

Note:

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

5) Contracts entered into subsequent to December 31, 2017

a) WTI Crude Oil Derivative Contracts

Type	Term	Volume (bbls/d)	Swap Price ($/bbl) (1)
Swap	2018 Apr – Dec	2,800	C$71.98 (2)
Swap (3)	2019 Jan – Jun	4,000	C$73.30
Swap	2019 Jul – Dec	2,000	C$70.17
Swap	2019	1,000	C$72.49

Notes:

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

(2) Contracts executed in USD were converted to CAD through a foreign exchange contract.

(3) 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.

ii) Interest Rate Risk

The Company is exposed to interest rate risk on its credit facility. The credit facility consists of a $1.030 billion revolving production facility and a $75 million revolving operating facility. The revolving production and revolving operating facility bear interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. Changes in interest rates could result in an increase or decrease in the amount Whitecap pays to service the variable interest rate debt. The Company mitigates its exposure to interest rate changes by entering into interest rate swap transactions and/or fixed rate debt.

If interest rates applicable to floating rate debt at December 31, 2017 were to have increased or decreased by 25 basis points, it is estimated that the Company's income before tax would change by approximately $1.7 million for the year ended December 31, 2017 ($1.0 million for the year ended December 31, 2016). This assumes that the change in interest rate is effective from the beginning of the year and the amount of floating rate debt is as at December 31, 2017.

When assessing the potential impact of forward interest rate changes on the Company's interest rate swaps, the Company believes an interest rate volatility of 25 basis points is a reasonable measure. A 25 basis point increase or decrease in forward interest rates would have resulted in the following impact to unrealized gains (losses) on risk management contracts and net income (loss) before tax:

($000s)	December 31, 2017	
	Increase 0.25%	Decrease 0.25%
Interest rate swaps	1,076	(1,076)

At December 31, 2017, the following interest rate contracts were outstanding with an asset fair market value of $0.1 million and a liability fair market value of $1.4 million (December 31, 2016 – asset of $0.1 million and liability of $8.8 million):

1) 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").

iii) Foreign Exchange Risk

The Company is exposed to the risk of changes in the U.S./Canadian dollar exchange rate ("USD/CAD") on crude oil sales based on U.S. dollar benchmark prices and commodity contracts that are settled in U.S. dollars. Foreign exchange risk is mitigated by entering into Canadian dollar denominated commodity risk management contracts or foreign exchange contracts. The Company assesses the effects of movement in USD/CAD on income before tax. When assessing the potential impact of these USD/CAD changes, the Company believes 0.01 volatility is a reasonable measure. An increase or decrease of 0.01 in USD/CAD would have resulted in the following impact to unrealized gains (losses) on risk management contracts and net income (loss) before tax:

($000s)	December 31, 2017	
	Increase 0.01	Decrease 0.01
Foreign exchange	(779)	857

At December 31, 2017, the following foreign exchange contracts were outstanding with an asset fair market value of $2.1 million and a liability fair market value of $0.2 million (December 31, 2016 – liability of $24.6 million):

1) Foreign exchange contracts

Type	Term	Monthly Notional Amount	USD/CAD [1]
Monthly average rate forward	2018 Jan – Jun	US$3.0 million	1.2424

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

Type	Term	Monthly Notional Amount	Floor [1]	Ceiling [1]	Conditional Ceiling [1] [2]
Average rate variable collar	2018 Jan – Jun	US$8.0 million	1.2535	1.3914	1.2858
Average rate variable collar	2018 Jul – 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.

e) Physical Purchase and Sale Contracts

1) WTI Crude Oil Differential Derivative Contracts

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

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

f) Capital Management

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

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

($000s)	December 31 2017	December 31 2016
Current assets [(1)]	(150,594)	(111,166)
Current liabilities [(1)]	162,268	156,351
Working capital deficiency	11,674	45,185
Long-term debt	1,284,232	773,395
Net debt	1,295,906	818,580
Shareholders' equity	3,333,133	3,132,193
Total capitalization	4,629,039	3,950,773

Note:

(1) Excluding risk management contracts.

6. ACQUISITIONS

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

The below amounts are estimates which were made by management at the time of the preparation of these consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized. The pro-forma information disclosed below is not necessarily indicative of the actual results that would have been achieved had the business combinations closed on January 1, 2017.

a) 2017 Acquisitions

i) Boundary Lake Property Acquisition

On July 6, 2017, the Company closed the acquisition of certain light oil assets in the Boundary Lake area. The property acquisition was accounted for as a business combination under IFRS 3.

The light oil assets acquired have contributed revenues of $1.6 million and operating income of $0.9 million since July 6, 2017. Had the acquisition closed on January 1, 2017, estimated contributed revenues would have been $3.5 million and estimated contributed operating income would have been $2.1 million for the period ended December 31, 2017.

Net assets acquired ($000s):	
Petroleum and natural gas properties	17,588
Decommissioning liability	(168)
	17,420

Cash consideration:	
Total consideration	**17,420**

ii) Southeast Saskatchewan Acquisition

On December 14, 2017, the Company closed the acquisition of high quality light oil assets in southeast Saskatchewan. The property acquisition was accounted for as a business combination under IFRS 3.

The light oil assets acquired have contributed revenues of $17.7 million and operating income of $9.5 million since December 14, 2017. Had the acquisition closed on January 1, 2017, estimated contributed revenues would have been $321.3 million and estimated contributed operating income would have been $151.7 million for the period ended December 31, 2017.

Net assets acquired ($000s):	
Petroleum and natural gas properties	946,544
Exploration and evaluation	1,662
Decommissioning liability	(9,990)
	938,216

Cash consideration:	
Total consideration	**938,216**

iii) Asset Swaps and Other Property Acquisitions
In the twelve months ended December 31, 2017, the Company acquired strategic tuck-in properties and working interests that complement existing assets in the Northwest Alberta and British Columbia ("NABC") CGU and the West Central Alberta ("WCAB") CGU. The property acquisitions were accounted for as business combinations under IFRS 3.

Net assets acquired ($000s): (1)	
Petroleum and natural gas properties	15,514
Cash	197
Decommissioning liability	(267)
	15,444

Consideration: (1)	
Cash consideration	11,756
Non-cash consideration	3,688
Total consideration	**15,444**

Note:
(1) Net assets acquired and consideration include the impact of an asset swap transaction which closed on January 26, 2017 in which $3.5 million of PP&E assets and $0.2 million of cash were received in exchange for properties in northwest Alberta. The net book value of the properties disposed in the asset swap transaction was $2.7 million.

b) 2016 Acquisitions

i) Saskatchewan Asset Swap
On February 3, 2016, the Company closed an asset swap transaction in which Whitecap received PP&E assets in its west central Saskatchewan core area in exchange for non-core Saskatchewan PP&E assets. The property acquisition was accounted for as a business combination under IFRS 3.

The light oil assets acquired have contributed revenues of $1.4 million and operating income of $0.8 million since February 3, 2016. Had the acquisition closed on January 1, 2016, estimated contributed revenues would have been $1.5 million and estimated contributed operating income would have been $0.9 million for the year ended December 31, 2016.

Net assets acquired ($000s):	
Petroleum and natural gas properties	17,841
Decommissioning liability	(339)
	17,502

Non-cash consideration:	
Total consideration	**17,502**

ii) Southwest Saskatchewan Property Acquisition
On June 23, 2016, Whitecap closed the acquisition of certain premium crude oil assets in southwest Saskatchewan. The property acquisition was accounted for as a business combination under IFRS 3.

The crude oil assets acquired have contributed revenues of $99.2 million and operating income of $43.7 million since June 23, 2016. Had the acquisition closed on January 1, 2016, estimated contributed revenues would have been $166.8 million and estimated contributed operating income would have been $67.9 million for the year ended December 31, 2016.

Net assets acquired ($000s):	
Petroleum and natural gas properties	635,611
Exploration and evaluation assets	9,720
Decommissioning liability	(48,246)
	597,085

Cash consideration:	
Total consideration	**597,085**

iii) Other Property Acquisitions

In the twelve months ended December 31, 2016, the Company acquired strategic tuck-in properties and working interests that complement existing assets in the NABC and WCAB CGUs. The property acquisitions were accounted for as business combinations under IFRS 3.

Net assets acquired ($000s):	
Petroleum and natural gas properties	16,367
Decommissioning liability	(389)
	15,978

Cash consideration:	
Total consideration	**15,978**

7. PROPERTY, PLANT AND EQUIPMENT

Net book value ($000s)	December 31 2017	December 31 2016
Petroleum and natural gas properties	7,320,003	5,954,201
Other assets	3,144	2,163
Property, plant and equipment, at cost	7,323,147	5,956,364
Less: accumulated depletion, depreciation, amortization and impairment	(1,988,143)	(1,256,816)
Total net carrying amount	5,335,004	4,699,548

Cost ($000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2015	5,130,660	1,798	5,132,458
Additions	303,151	365	303,516
Property acquisitions	667,876	-	667,876
Transfer from evaluation and exploration assets	5,287	-	5,287
Disposals	(152,773)	-	(152,773)
Balance at December 31, 2016	5,954,201	2,163	5,956,364
Additions	402,524	981	403,505
Property acquisitions	976,559	-	976,559
Transfer from evaluation and exploration assets	4,502	-	4,502
Disposals	(17,783)	-	(17,783)
Balance at December 31, 2017	7,320,003	3,144	7,323,147

a) Non-Core Asset Dispositions

During the year ended December 31, 2017, the Company recognized a net gain of $15.7 million on the disposition of non-core assets ($3.5 million net loss for the year ended December 31, 2016). The gain was primarily attributable to the disposition of certain non-core producing properties in southwest Saskatchewan for a gain of $14.8 million, combined with an asset swap transaction in which Whitecap disposed of certain non-core producing properties in northwest Alberta for a gain of $0.9 million.

b) Accumulated Depletion, Depreciation, Amortization and Impairment

Accumulated depletion, depreciation, amortization and impairment ($000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2015	1,258,077	1,197	1,259,274
Depletion, depreciation and amortization	305,121	407	305,528
Impairment reversal	(284,785)	-	(284,785)
Disposals	(23,201)	-	(23,201)
Balance at December 31, 2016	1,255,212	1,604	1,256,816
Depletion, depreciation and amortization	385,434	484	385,918
Impairment	347,429	-	347,429
Disposals	(2,020)	-	(2,020)
Balance at December 31, 2017	1,986,055	2,088	1,988,143

At December 31, 2017, $211.3 million of salvage value (December 31, 2016 – $193.4 million) was excluded from the depletion calculation. Future development costs of $3.1 billion (December 31, 2016 – $1.9 billion) were included in the depletion calculation. The Company capitalized $15.0 million (December 31, 2016 – $12.3 million) of administrative costs directly relating to development activities which includes $7.9 million (December 31, 2016 – $7.8 million) of stock-based compensation.

c) Impairment Test of Property, Plant and Equipment

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

The following table outlines the forecast benchmark commodity prices used in the impairment calculation of property, plant and equipment at December 31, 2017. Forecast benchmark commodity price assumptions tend to be stable because short-term increases or decreases in prices are not considered indicative of long-term price levels, but are nonetheless subject to change. The Company used an after-tax discount rate of 10 percent.

	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027 (2)**
WTI crude oil (US$/bbl) (1)	58.50	58.70	62.40	69.00	73.10	74.50	76.00	77.50	79.10	80.70
AECO natural gas ($/MMBtu) (1)	2.25	2.65	3.05	3.40	3.60	3.65	3.75	3.80	3.90	3.95
Exchange Rate (CAD/USD)	0.79	0.79	0.80	0.83	0.85	0.85	0.85	0.85	0.85	0.85

Notes:

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

(2) Forecast benchmark commodity prices are assumed to increase by 2% in each year after 2027 to the end of the reserve life. Forecast exchange rate is assumed to remain at 0.85 CAD/USD each year after 2027 to the end of the reserve life.

The impairment test of PP&E at December 31, 2017 concluded that the carrying amounts of the West Central Saskatchewan ("WCSK") and the 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 depletion, depreciation, amortization and 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.

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

As at December 31, 2017, a one percent increase in the assumed discount rate and/or a five percent decrease in the forecast operating cash flows would result in the following impairment expense being recognized:

Impairment expense ($000s)	WCSK CGU	WCAB CGU
1% increase in discount rate	289,460	250,310
5% decrease in cash flows	284,216	221,354
1% increase in discount rate and 5% decrease in cash flows	355,665	332,629

The increase in discount rate and decrease in forecast operating cash flows would not result in impairment in the Company's remaining CGUs. The impairment loss can be reversed in future periods if the estimated recoverable amounts of the WCSK and WCAB CGUs exceed their carrying value. The impairment recovery is limited to a maximum of the estimated depleted historical cost if the impairment had not been recognized.

The impairment test of PP&E at December 31, 2016 concluded that the estimated recoverable amount of all CGUs exceeded their carrying amount. As such, the Company recognized an impairment reversal in the WCSK CGU and the WCAB CGU of $48.4 million and $236.4 million, respectively. The full amounts of the reversals were recorded in net depletion, depreciation, amortization and impairment expense. The impairment reversal in 2016 was a result of the Company performing an impairment test due to the decrease in forward benchmark commodity prices in the fourth quarter.

8. EXPLORATION AND EVALUATION ASSETS

($000s)	December 31 2017	December 31 2016
Exploration and evaluation assets	38,973	40,172
Less: accumulated land expiries and write-offs	(28,183)	(26,057)
Total net carrying amount	10,790	14,115

($000s)	Undeveloped Land
Balance at December 31, 2015	34,757
Property acquisitions	11,663
Disposals	(961)
Transfer to property, plant and equipment	(5,287)
Balance at December 31, 2016	40,172
Property acquisitions	4,749
Disposals	(1,446)
Transfer to property, plant and equipment	(4,502)
Balance at December 31, 2017	38,973

($000s)	Accumulated land expiries and write-offs
Balance at December 31, 2015	21,132
Land expiries and write-offs	4,925
Balance at December 31, 2016	26,057
Land expiries and write-offs	2,126
Balance at December 31, 2017	28,183

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

a) Impairment Test of Exploration and Evaluation Assets
There were no indicators of impairment at December 31, 2017.

9. INVESTMENT IN LIMITED PARTNERSHIP

($000s)	December 31 2017	December 31 2016
Investment in limited partnership, beginning of year	13,625	24,256
Unrealized loss on investment	(5,618)	(9,787)
Partnership distributions	(422)	(844)
Investment in limited partnership, end of year	7,585	13,625

On June 26, 2014, the Company acquired a ten percent interest in an oil and gas limited partnership. The investment is recorded at fair value and any subsequent gains or losses recorded in net income or loss. At December 31, 2017, the investment is recorded at a fair value of $7.6 million which was $35.2 million less than the original cost of the investment. See Note 4 – "Determination of Fair Values" for additional information regarding the Company's Level 3 investment. The Company's key assumptions used in determining the fair value include reserves, discount rate, future commodity prices, operating costs and capital expenditures. Refer to Note 4 – "Determination of Fair Values" for a description of the methodology used in the determination of fair values.

a) Fair Value of Investment in Limited Partnership

The following table outlines the forecast benchmark commodity prices used in the fair value calculation of PP&E held by the limited partnership at December 31, 2017. The Company used after-tax discount rates of 10 percent. The decrease in fair value in 2017 was a result of lower forecast benchmark commodity prices at December 31, 2017 compared to December 31, 2016. The decrease in fair value in 2016 was a result of lower forecast benchmark commodity prices at December 31, 2016 compared to December 31, 2015.

	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027** (2)
Canadian Light Sweet Crude ($/bbl) (1)	70.10	71.30	74.90	80.50	82.80	84.40	86.10	87.80	89.60	91.40
AECO natural gas ($/MMBtu) (1)	2.25	2.65	3.05	3.40	3.60	3.65	3.75	3.80	3.90	3.95

Notes:

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

(2) Forecast benchmark commodity prices are assumed to increase by 2.0% in each year after 2027 to the end of the reserve life.

As at December 31, 2017, a one percent increase in the assumed after-tax discount rates would decrease earnings by $1.5 million, while a five percent decrease in the forecast operating cash flows would decrease earnings by $0.7 million. An increase in discount rate and decrease in forecast operating cash flows would decrease earnings by $2.1 million.

10. GOODWILL

At December 31, 2017, the Company had goodwill of $122.7 million (December 31, 2016 – $122.7 million). At December 31, 2017, the Company had total accumulated goodwill impairment charges of $126.4 million, which was recorded during the year ended December 31, 2015. The recoverable amount of goodwill is determined as the fair value less costs of disposal using a discounted cash flow method and is assessed at the corporate level. The Company's key assumptions used in determining the fair value less costs of disposal include reserves, discount rate, future commodity prices, operating costs and capital expenditures of the Company. The values of these assumptions have been assigned based on internal and external reserve and market price information. The fair value measurement of the Company's goodwill is designated Level 3 on the fair value hierarchy. Refer to Note 4 – "Determination of Fair Values" for a description of the methodology used in the determination of fair values.

a) Impairment Test of Goodwill

The impairment test of goodwill at December 31, 2017 concluded that the estimated recoverable amount exceeded the carrying amount. As such, no goodwill impairment existed. Refer to Note 7 – "Property, Plant and Equipment" for a description of the key input estimates and the methodology used in the determination of the estimated recoverable amount related to goodwill.

11. LONG-TERM DEBT

($000s)	December 31 2017	December 31 2016
Bank debt	689,762	773,395
Senior secured notes	594,470	-
Long-term debt	1,284,232	773,395

a) Bank Debt

As at December 31, 2017, the Company had a $1.105 billion credit facility with a syndicate of Canadian and American banks. The credit facility consists of a $1.030 billion revolving production facility and a $75 million revolving operating facility. At the end of the revolving period, being April 29, 2018, the revolving credit facility converts into a 366-day term loan if not renewed. The revolving facilities may be extended for a further 364-day revolving period upon the request of Whitecap, subject to approval by the banks. 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 fixed and 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.

The credit facility has two financial covenants, whereby the Company's ratio of Debt to EBITDA shall not exceed 4.00:1.00 and the ratio of EBITDA to interest expense shall not be less than 3.50:1.00. 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 December 31, 2017, the Company was compliant with all covenants provided for in the lending agreement. The next review is scheduled to be completed by April 29, 2018.

b) Senior Secured Notes

The Company has closed private placements of senior secured notes raising total gross proceeds of $595 million. The notes rank equally with Whitecap's obligations under its credit facility. The terms, rates, principal and carrying amounts of the Company's outstanding senior notes are detailed below:

($000s)

Issue Date	Maturity Date	Coupon Rate	Principal	Carrying Value	Fair Value
January 5, 2017	January 5, 2022	3.46%	200,000	199,769	200,000
May 31, 2017	May 31, 2024	3.54%	200,000	199,819	197,556
December 20, 2017	December 20, 2026	3.90%	195,000	194,882	194,121
Balance at December 31, 2017			595,000	594,470	591,677

The senior secured notes are subject to the same Debt to EBITDA ratio and EBITDA to interest expense ratio described under the credit facility. The Company is subject to a third financial covenant in the senior secured note agreements, whereby Whitecap's borrowing base may not be less than $750 million. As of December 31, 2017, the Company was compliant with all covenants provided for in the lending agreements.

12. DECOMMISSIONING LIABILITY

($000s)	
Balance at December 31, 2015	435,764
Liabilities incurred	6,224
Liabilities acquired	48,974
Liabilities settled	(1,236)
Liabilities disposed	(9,355)
Revaluation of liabilities acquired (1)	127,479
Change in discount rate	(12,388)
Accretion expense	14,267
Balance at December 31, 2016	609,729
Liabilities incurred	12,758
Liabilities acquired	10,425
Liabilities settled	(2,638)
Liabilities disposed	(4,482)
Revaluation of liabilities acquired (1)	36,989
Change in discount rate	5,901
Accretion expense	14,333
Balance at December 31, 2017	683,015

Note:

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

The Company's decommissioning liability results from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The key assumptions, on which the carrying amount of the decommissioning liability is based, include a risk-free rate of 2.3 percent (2.3 percent at December 31, 2016) and inflation rate of 2.0 percent (2.0 percent at December 31, 2016). The total undiscounted amount of the estimated cash flows required to settle the obligations was $1.2 billion (December 31, 2016 – $1.1 billion). The expected timing of payment of the cash flows required for settling the obligations extends up to 48 years.

13. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without nominal or par value.

b) Issued and outstanding

(000s)	Shares	$
Balance at December 31, 2015	300,613	2,881,762
Issued for cash through public prospectus offering (1) (2)	64,857	563,823
Share issue costs, net of deferred income tax	-	(19,670)
Issued on exercise of options	358	2,561
Issued on share award vesting	2,523	-
Contributed surplus adjustment on exercise of options	-	988
Contributed surplus adjustment on vesting of share awards	-	23,207
Balance at December 31, 2016	368,351	3,452,671
Issued for cash through public prospectus offering (3)	48,297	425,014
Share issue costs, net of deferred income tax	-	(9,928)
Issued on share award vesting	2,573	-
Common shares repurchased	(1,192)	(10,472)
Contributed surplus adjustment on vesting of share awards	-	31,970
Balance at December 31, 2017	418,029	3,889,255

Notes:

(1) On March 15, 2016, the Company closed a bought deal public financing by issuing approximately 13.8 million Whitecap common shares at a price of $6.90 per common share for gross proceeds of approximately $95 million.

(2) On May 30, 2016, the Company closed a bought deal public financing of approximately 51.1 million subscription receipts at a price of $9.20 per subscription receipt for gross proceeds of approximately $470 million which was used to partially fund the acquisition of certain petroleum and natural gas properties, interests and related assets located in southwest Saskatchewan. Each subscription receipt was converted to one common share on June 23, 2016 with the closing of the acquisition.

(3) On December 4, 2017, the Company closed a bought deal public financing and concurrent non-brokered private placement of subscription receipts. Through the bought deal public financing, the Company issued approximately 37.8 million subscription receipts at a price of $8.80 per subscription receipt for gross proceeds of approximately $332.5 million. Through the private placement, Whitecap issued approximately 10.5 million subscription receipts at a price of $8.80 per subscription receipt for gross proceeds of approximately $92.5 million. The gross proceeds were used to partially fund the acquisition of certain petroleum and natural gas properties, interests and related assets located in southeast Saskatchewan. Each subscription receipt was converted to one common share on December 14, 2017 with the closing of the acquisition.

c) Normal Course Issuer Bid ("NCIB")

On May 16, 2017, the Company announced the approval of its NCIB by the TSX. The NCIB allows the Company to purchase up to 18,457,076 common shares over a period of twelve months commencing on May 18, 2017. Purchases will be 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.

During the year ended December 31, 2017, the Company purchased for cancellation 1,191,711 common shares at an average cost of $8.79 per common share for total consideration of $10.5 million. The total cost paid, including commissions and fees, was first charged to share capital to the extent of the average carrying value of Whitecap's common shares and the excess was charged to contributed surplus.

d) Award Incentive Plan

The Company implemented an Award Incentive Plan effective April 30, 2013. The Award Incentive Plan has time-based awards and performance awards which may be granted to directors, officers, employees of the Company and other service providers. Effective January 1, 2017, independent outside directors will receive only time-based awards as the primary form of long-term compensation. 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 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 at vesting and is dependent on the performance of the Company relative to pre-defined corporate performance measures set by the Board of Directors for the associated period.

Based on the terms of the Award Incentive Plan, the fair value of share awards is equal to the underlying share price on grant date and, for performance awards, adjusted by an estimated payout multiplier. The amount of compensation expense is reduced by an estimated forfeiture rate on the grant date, which has been estimated at 4% of outstanding share awards. The forfeiture rate is adjusted to reflect the actual number of shares that vest. Fluctuations in compensation expense may occur due to changes in estimating the outcome of the performance conditions. Upon the vesting of the awards, the associated amount in contributed surplus is recorded as an increase to share capital.

The estimated weighted average fair value for share awards at the measurement date is $9.30 per award granted during the period ended December 31, 2017.

(000s)	Number of Time-based Awards	Number of Performance Awards[(1)]	Total Awards
Balance at December 31, 2015	1,137	2,749	3,886
Granted	365	1,167	1,532
Forfeited	(53)	(57)	(110)
Vested	(431)	(842)	(1,273)
Balance at December 31, 2016	1,018	3,017	4,035
Granted	740	1,925	2,665
Forfeited	(32)	(41)	(73)
Vested	(397)	(1,034)	(1,431)
Balance at December 31, 2017	1,329	3,867	5,196

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

e) Option-based Awards

Under the Stock Option Plan, the Board of Directors may grant to any director, officer, employee or consultant, options to acquire common shares of the Company. Stock options granted under the stock option plan have a term of four years to expiry. Vesting is determined by the Company's Board of Directors. Currently, all of the options granted vest equally over a three year period commencing on the first anniversary date of the grant. Each stock option granted permits the holder to purchase one common share of the Company at the stated exercise price.

Since the adoption of the new Award Incentive Plan in 2013, there have been no further stock options granted.

(000s except per share amounts)	Number of Options	Weighted Average Exercise Price ($/share)
Balance at December 31, 2015	385	7.31
Exercised	(358)	7.15
Expired	(27)	9.37
Balance at December 31, 2016	-	-
Balance at December 31, 2017	-	-

f) Contributed Surplus

($000s)	
Balance at December 31, 2015	39,971
Stock-based compensation	24,636
Option exercises	(988)
Share award vesting	(23,207)
Balance at December 31, 2016	40,412
Stock-based compensation	25,226
Share award vesting	(31,970)
Common shares repurchased	(6)
Balance at December 31, 2017	33,662

14. EXECUTIVE COMPENSATION

	Twelve months ended December 31	
($000s)	2017	2016
Salaries and bonuses	5,070	4,373
Stock-based compensation	12,837	11,422
	17,907	15,795

Executive compensation relates to amounts paid in salary and bonus expense and non-cash share-based compensation to the eight officers and eight directors of the Company.

15. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

($000s)	Twelve months ended December 31 2017	2016
Salaries and benefits	26,306	16,356
Professional services	4,968	2,557
Building leases	7,006	7,300
Other	6,645	4,993
Overhead recoveries	(10,494)	(4,992)
Capitalized salaries	(7,020)	(4,498)
Total general and administrative expenses	27,411	21,716

16. PER SHARE RESULTS

(000s except per share amounts)	Twelve months ended December 31 2017	2016
Per share income (loss) ($/share)		
Basic	($0.33)	$0.50
Diluted	($0.33)	$0.50
Weighted average shares outstanding		
Basic	371,848	339,735
Diluted (1)	371,848	341,893

Note:

(1) For the year ended December 31, 2017, 5.2 million share awards (December 31, 2016 – 1.5 million) were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

17. INCOME TAXES

Income taxes for the years ended December 31, 2017 and 2016 are as follows:

Deferred tax:

($000s)	2017	2016
Origination and reversal of timing differences	(36,655)	68,871
Income tax expense (recovery)	(36,655)	68,871

The tax on the Company's profit before tax differs from the amount that would arise using the weighted average tax rate applicable to profits of the entity as follows:

($000s)	Twelve months ended December 31 2017	2016
Profit (loss) before tax at statutory rate	(43,299)	64,584
Increase (decrease) resulting from		
Change in statutory rate	(57)	121
Return to provision true-up	2,018	(418)
Non-deductible stock-based compensation	4,659	4,526
Non-deductible transaction costs	27	94
Other	(3)	(36)
Deferred income tax expense (recovery)	(36,655)	68,871

The weighted average applicable tax rate was 27 percent (2016 – 27 percent).

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

($000s)	December 31 2017	December 31 2016
Deferred tax assets		
To be recovered after more than 12 months	(500,150)	(453,436)
Deferred tax liabilities		
To be recovered after more than 12 months	635,474	652,070
To be recovered within 12 months	(10,611)	(33,596)
Deferred tax liability (net)	124,713	165,038

Deferred tax liabilities / (assets)

($000s)	Capital assets in excess of tax value	Risk Management asset / (liability)	Decomm-issioning liability	Non-capital loss carry forward	Share issue costs	Investment in limited partnership	Total
At December 31, 2015	473,498	(12,998)	(117,705)	(234,620)	(8,987)	4,249	103,437
Charged / (credited) to the income statement	110,588	(20,561)	(3,605)	(18,962)	4,281	(2,870)	68,871
Charged / (credited) directly to equity	-	-	-	-	(7,274)	-	(7,274)
Change in estimate of decommissioning liabilities	44,054	-	(44,408)	-	-	-	(354)
Other	(401)	(37)	919	559	(682)	-	358
At December 31, 2016	627,739	(33,596)	(164,799)	(253,023)	(12,662)	1,379	165,038
Charged / (credited) to the income statement	(39,355)	22,953	(3,153)	(20,212)	4,743	(1,631)	(36,655)
Charged / (credited) directly to equity	-	-	-	-	(3,672)	-	(3,672)
Change in estimate of decommissioning liabilities	16,630	-	(16,630)	-	-	-	-
Other	416	34	(327)	321	(442)	-	2
At December 31, 2017	605,430	(10,609)	(184,909)	(272,914)	(12,033)	(252)	124,713

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

($000s)	December 31 2017	December 31 2016
Undepreciated capital cost	613,427	441,929
Canadian development expense	499,521	466,419
Canadian oil and gas property expense	1,951,708	1,449,498
Non-capital loss carry forward	1,007,769	932,444
Share issue costs	47,575	51,560
Total	4,120,000	3,341,850

At December 31, 2017, the Company has non-capital losses of $1 billion that expire between 2026 and 2036.

18. SUPPLEMENTAL CASH FLOW INFORMATION

a) Changes in Non-Cash Working Capital

Changes in non-cash working capital, excluding long-term debt and acquired working capital:

	Twelve months ended December 31	
($000s)	2017	2016
Accounts receivable	(37,444)	(25,385)
Deposits and prepaid expenses	(1,984)	(1,048)
Accounts payable and accrued liabilities	4,258	18,202
Dividend payable	1,659	(10,205)
Change in non-cash working capital	(33,511)	(18,436)
Related to:		
Operating activities	(19,508)	(19,587)
Financing activities	1,659	(10,205)
Investing activities	(15,662)	11,356

b) Reconciliation of Financing Liabilities Arising from Financing Activities

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

($000s)	Long-term debt	Dividend payable
Balance at December 31, 2016	773,395	8,583
Cash flows	509,010	-
Amortization of debt issuance costs	1,827	-
Change in dividends payable	-	1,659
Balance at December 31, 2017	1,284,232	10,242

19. COMMITMENTS

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

($000s)	2018	2019	2020	2021+	Total
Operating leases	14,913	15,638	15,629	93,688	139,868
Transportation agreements	19,393	14,708	12,988	26,651	73,740
Long-term debt (1)	21,605	710,837	21,605	671,625	1,425,672
Total	55,911	741,183	50,222	791,964	1,639,280

Note:

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

20. 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, 2017, the Company incurred $0.5 million for legal fees and disbursements ($0.6 million for the year ended December 31, 2016). 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, 2017 a payable balance of $0.3 million ($0.1 million – December 31, 2016) was outstanding.

21. INVESTMENTS IN SUBSIDIARIES

The Company has the following material subsidiaries, each owned 100% directly, at December 31, 2017:

Name of Subsidiary	**Jurisdiction of Incorporation or Formation**
Whitecap Energy Inc.	Canada
Whitecap Resources Partnership	Canada