## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Whitecap Resources Inc. (the "Company" or "Whitecap") is dated February 27, 2018 and should be read in conjunction with the Company's audited annual consolidated financial statements and related notes for the year ended December 31, 2017 and our Annual Information Form for the year ended December 31, 2017. The audited annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual consolidated financial statements for the year ended December 31, 2017. The MD&A should also be read in conjunction with Whitecap's disclosure under "Non-GAAP Measures" and "Forward-Looking Information and Statements" below. Additional information respecting Whitecap, is available on SEDAR at www.sedar.com and on our website at www.wcap.ca.

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

### DESCRIPTION OF BUSINESS

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

### 2017 ANNUAL FINANCIAL AND OPERATIONAL RESULTS

#### Production

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

| | Year ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| Crude oil (bbls/d) | 43,589 | 32,398 |
| NGLs (bbls/d) | 3,415 | 3,168 |
| Natural gas (Mcf/d) | 62,676 | 61,651 |
| Total (boe/d) | 57,450 | 45,841 |
| Production split (%) | | |
| Crude oil and NGLs | 82 | 78 |
| Natural gas | 18 | 22 |
| Total | 100 | 100 |

Average production volumes increased 25 percent to 57,450 boe/d in 2017 from 45,841 boe/d in 2016. The increase is primarily attributed to a full year of production in 2017 from the acquisition of oil-weighted assets in southwest Saskatchewan (the "Southwest Saskatchewan Acquisition") that closed in June 2016, as well as the Company's successful execution of its development capital program partially offset by natural declines. Average production volumes increased 18 percent to 59,707 boe/d in the fourth quarter of 2017 from 50,612 boe/d in the fourth quarter of 2016. The increase is primarily attributed to the Company's successful execution of its development capital program and the acquisition of oil-weighted assets in southeast Saskatchewan (the "Southeast Saskatchewan Acquisition") that closed on December 14, 2017, partially offset by natural declines.

Our crude oil and NGLs weighting in 2017 has increased four percent compared to 2016. The increase is primarily attributed to a full year of production in 2017 from the assets acquired in the Southwest Saskatchewan Acquisition and organic growth in 2017 on properties with a higher oil-weighting than the Company average.

**Petroleum and Natural Gas Sales**

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

| | Year ended December 31 | |
|---|---|---|
| ($000s) | 2017 | 2016 |
| Crude oil | 911,368 | 564,161 |
| NGLs | 37,946 | 20,072 |
| Natural gas | 52,029 | 51,073 |
| Petroleum and natural gas sales | 1,001,343 | 635,306 |

Petroleum and natural gas sales in 2017 increased 58 percent to $1.0 billion from $635.3 million in 2016. The increase of $366.0 million consists of $196.7 million attributed to higher production volumes and $169.3 million attributed to higher realized prices. Petroleum and natural gas sales in the fourth quarter of 2017 increased 36 percent to $285.0 million from $209.1 million in the fourth quarter of 2016. The increase of $75.9 million consists of $40.6 million attributed to higher production volumes and $35.3 million attributed to higher realized prices.

**Benchmark and Realized Prices**

Average benchmark and realized prices are as follows:

| | Year ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| **Benchmark prices** | | |
| WTI (US$/bbl) (1) | 50.95 | 43.32 |
| Exchange rate (US$/C$) | 1.30 | 1.32 |
| WTI (C$/bbl) | 66.11 | 57.28 |
| Edmonton Par (C$/bbl) | 62.82 | 52.90 |
| Western Canadian Select (C$/bbl) | 50.54 | 38.91 |
| AECO natural gas ($/Mcf) (2) | 2.16 | 2.16 |
| **Average realized prices (3)** | | |
| Crude oil ($/bbl) | 57.28 | 47.58 |
| NGLs ($/bbl) | 30.44 | 17.31 |
| Natural gas ($/Mcf) | 2.27 | 2.26 |
| Combined ($/boe) | 47.75 | 37.87 |

Notes:

(1) WTI represents posting prices of West Texas Intermediate oil.

(2) AECO represents the Alberta Energy Company daily posting price.

(3) Prior to the impact of hedging activities.

Whitecap's weighted average realized price prior to the impact of hedging activities increased 26 percent to $47.75 per boe for the year ended December 31, 2017 compared to $37.87 per boe for 2016. Whitecap's weighted average realized price prior to the impact of hedging activities increased 16 percent to $51.89 per boe in the fourth quarter of 2017 compared to $44.92 per boe in the fourth quarter of 2016.

The US$ WTI price increased by 18 percent to average US$50.95 per barrel for the year ended December 31, 2017 compared to US$43.32 per barrel for the same period in 2016. The US$ WTI price increased 12 percent to average US$55.40 per barrel in the fourth quarter of 2017 compared to US$49.29 per barrel in the fourth quarter of 2016. The increases are primarily due to sustained production cuts by the Organization of the Petroleum Exporting Countries ("OPEC") and certain non-OPEC countries throughout 2017, strong North American refinery utilization rates, robust demand growth and declining US crude oil inventories.

The Edmonton light sweet crude oil price differential to WTI decreased by 23 percent to average US$2.46 per barrel in 2017 compared to an average of US$3.21 per barrel in 2016. The decrease was primarily due to increased refinery and export demand for light oil and strong refinery margins. The Edmonton light sweet crude oil price differential to WTI decreased by 63 percent to average US$1.14 per barrel in the fourth quarter of 2017 compared to an average of US$3.11 per barrel in the fourth quarter of 2016. The decrease was primarily due to increased refinery demand as a result of synthetic crude oil supply curtailments during the fourth quarter of 2017 and declining North American oil inventories.

The Company's realized crude oil prices in southwest Saskatchewan are based on Fosterton oil prices, which receive a premium to Western Canadian Select ("WCS"). The Fosterton premium decreased by nine percent to average US$1.41 in 2017 compared to US$1.55 in 2016. The decrease was primarily due to downstream competition with other lower priced conventional heavy crude streams and reduced demand due to planned maintenance at key refineries in the first half of 2017. The Fosterton premium increased 11 percent to average US$1.55 for the fourth quarter of 2017 compared to US$1.40 for the fourth quarter of 2016. The increase was primarily due higher refinery demand and improved refinery margins.

The WCS crude oil price differential to WTI decreased 13 percent to average US$11.98 per barrel in 2017 compared to US$13.83 per barrel in 2016. The decrease is primarily attributed to strong refinery demand and no significant increases to supply in 2017. The WCS crude oil price differential to WTI decreased 14 percent to average US$12.26 per barrel in the fourth quarter of 2017 compared to an average of US$14.32 per barrel in the fourth quarter of 2016. The decrease is primarily attributed to delays in supply increases and decreased pipeline capacity.

The AECO daily spot price remained consistent at an average of $2.16 per Mcf in 2017 compared to $2.16 per Mcf in 2016. Natural gas prices increased in the first half of 2017 due to increased cold weather demand and pipeline maintenance restricting supply availability. The increase was offset by supply increases and pipeline developments in the US, reducing demand for Canadian natural gas in the second half of 2017. The AECO daily spot price decreased 45 percent to average $1.69 per Mcf in the fourth quarter of 2017 compared to an average of $3.09 per Mcf in the fourth quarter of 2016. The decrease was primarily due to increased North American natural gas supply, export pipeline capacity constraints and a lack of support from cold weather demand until late in the quarter.

The natural gas liquids realized price increased 76 percent to average $30.44 per barrel in 2017 compared to $17.31 per barrel in 2016. The natural gas liquids realized price increased 58 percent to average $37.22 per barrel in the fourth quarter of 2017 compared to $23.60 per barrel in the fourth quarter of 2016. The increases were primarily attributed to lower North American propane inventories, and higher crude oil prices supporting improved butane and condensate prices.

### Risk Management and Hedging Activities

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

The Company realized losses of $12.1 million and $24.2 million on its commodity and foreign exchange ("FX") risk management contracts for the quarter and year ended December 31, 2017, respectively. The unrealized gains and losses are a result of the non-cash change in the mark-to-market values period over period. The significant assumptions made in determining the fair value of financial instruments are disclosed in Note 4 to the Company's audited annual consolidated financial statements for the year ended December 31, 2017.

| | Year ended December 31 | |
|---|---|---|
| **Risk Management Contracts ($000s)** | 2017 | 2016 |
| Realized gain (loss) on commodity and FX contracts | (24,174) | 74,464 |
| Unrealized gain (loss) on commodity and FX contracts | 77,634 | (82,938) |
| Net gain (loss) on commodity and FX 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.

At December 31, 2017, the following risk management contracts were outstanding with an asset fair market value of $11.3 million and a liability fair market value of $50.6 million:

*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.

*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.

*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.

*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.

*Interest Rate Contracts*

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

Note:

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

*Foreign exchange contracts*

| Type | Term | Monthly Notional Amount | 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.

*Contracts entered into subsequent to December 31, 2017*

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 |

Note:

(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.

***Physical Purchase and Sale Contracts***

WTI Crude Oil Differential Derivative Contracts

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

Notes:

(1) Mixed Sweet Blend (“MSW”).

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

**Royalties**

| | Year ended December 31 | |
|---|---|---|
| ($000s, except per boe amounts) | 2017 | 2016 |
| Royalties | 144,563 | 90,855 |
| As a % of petroleum and natural gas sales | 14 | 14 |
| $ per boe | 6.89 | 5.42 |

Royalties as a percentage of sales of 14 percent in 2017 were consistent with 2016. Royalties as a percentage of sales for the fourth quarter of 2017 decreased one percent to 14 percent compared to 15 percent for the same period in 2016. The decrease in the fourth quarter is primarily attributed to new wells coming on production which are subject to royalty holiday and an increased proportion of production volumes in regions with lower royalty rates than the company average. Whitecap pays royalties to the provincial governments and mineral owners in Alberta, Saskatchewan and British Columbia. Each province has separate royalty regimes which impact Whitecap's overall corporate royalty rate.

**Operating Expenses**

| | Year ended December 31 | |
|---|---|---|
| ($000s, except per boe amounts) | 2017 | 2016 |
| Operating expenses | 222,437 | 160,057 |
| $ per boe | 10.61 | 9.54 |

Operating expenses per boe in 2017 increased 11 percent to $10.61 per boe compared to $9.54 per boe in 2016. The increase is primarily attributed to a full year of production in 2017 from the assets acquired in the Southwest Saskatchewan Acquisition, which had higher per boe operating expenses than the Company average as well as the one-time favourable cost adjustments recorded in the third quarter of 2016. Operating expenses per boe in the fourth quarter of 2017 increased seven percent to $10.88 per boe compared to $10.18 per boe for the same period in 2016. The increase is primarily attributed to one-time favourable cost adjustments on acquired properties recorded in the fourth quarter of 2016, partially offset by successful cost reduction initiatives on properties acquired in the Southwest Saskatchewan Acquisition.

**Transportation Expenses**

| | Year ended December 31 | |
|---|---|---|
| ($000s, except per boe amounts) | 2017 | 2016 |
| Transportation expenses | 34,257 | 14,903 |
| $ per boe | 1.63 | 0.89 |

Transportation expenses in 2017 increased 83 percent to $1.63 per boe compared to $0.89 per boe in 2016. Transportation expenses in the fourth quarter of 2017 increased 93 percent to $1.93 per boe compared to $1.00 per boe for the same period in 2016. The increases in transportation expenses per boe are primarily attributed to increased shipper status across Whitecap's core areas, which resulted in an increase in transportation expenses with a corresponding decrease in tariffs netted against petroleum and natural gas sales. On a combined basis, transportation expenses plus tariffs in 2017 increased 4 percent to $3.06 per boe compared to $2.94 per boe in 2016. On a combined basis, transportation expenses plus tariffs in the fourth quarter of 2017 increased 7 percent to $3.08 per boe compared to $2.89 per boe for the same period in 2016. Tariffs is a non-GAAP measure, which is defined under the Non-GAAP Measures section of this MD&A.

Transportation expenses and tariffs per boe will fluctuate quarterly based on pipeline connectivity or downtime, weather, shipper status and pipeline shipping arrangements.

**General and Administrative ("G&A") Expenses**

| | Year ended December 31 | |
|---|---|---|
| ($000s, except per boe amounts) | 2017 | 2016 |
| G&A costs net of recoveries | 34,431 | 26,214 |
| Capitalized G&A | (7,020) | (4,498) |
| G&A expenses | 27,411 | 21,716 |
| $ per boe | 1.31 | 1.29 |

G&A expenses per boe in 2017 increased two percent to $1.31 per boe compared to $1.29 per boe in 2016. The increase on a per boe basis is primarily attributed to the absolute increase in G&A expenses, which was partially offset by higher production volumes. The increase in G&A costs net of recoveries is primarily attributed to higher salaries and benefits with new staff additions in 2017 as a result of the Southwest Saskatchewan Acquisition, partially offset by increased recoveries from higher development capital spending. The increase in capitalized G&A in 2017 is primarily attributed to higher development capital spending in 2017.

G&A expenses per boe in the fourth quarter of 2017 increased 12 percent to $1.29 per boe compared to $1.15 per boe for the same period in 2016. The increase on a per boe basis is primarily attributed to the absolute increase in G&A expenses, which was partially offset by higher production volumes.

**Share-based and Option-based Awards**

| | Year ended December 31 | |
|---|---|---|
| ($000s, except per boe amounts) | 2017 | 2016 |
| Stock-based compensation | 25,226 | 24,636 |
| Capitalized stock-based compensation | (7,946) | (7,843) |
| Stock-based compensation expenses | 17,280 | 16,793 |
| $ per boe | 0.82 | 1.00 |

In the quarter and year ended December 31, 2017, the Company recorded stock-based compensation of $5.7 million and $25.2 million, respectively, with the offsetting amounts recorded in contributed surplus. Stock-based compensation will fluctuate with changes to the expected payout multipliers associated with the performance awards, vesting of existing grants and additional grants under the Award Incentive Plan.

***Award Incentive Plan***

The Company implemented an Award Incentive Plan effective April 30, 2013. The Award Incentive Plan has time-based awards and performance awards which may be granted to directors, officers, employees of the Company and other service providers. Effective January 1, 2017, independent outside directors will receive only time-based awards as the primary form of long-term compensation. As at December 31, 2017, 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 on 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.

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

As at December 31, 2017, the Company had 5.2 million awards outstanding.

**Transaction Costs**

| | Year ended December 31 | |
|---|---|---|
| ($000s, except per boe amounts) | 2017 | 2016 |
| Total transaction costs | 99 | 350 |
| $ per boe | - | 0.02 |

Transaction costs are the incremental costs incurred related to an acquisition, such as finder's fees, advisory, legal and other professional fees. Transaction costs incurred in 2017 are mainly attributable to costs incurred for the Southeast Saskatchewan Acquisition which closed on December 14, 2017.

**Interest and Financing Expenses**

| | Year ended December 31 | |
|---|---|---|
| ($000s, except per boe amounts) | 2017 | 2016 |
| Interest and financing expenses | 29,635 | 29,277 |
| Add back unrealized gain on interest rate contracts | 7,502 | 6,651 |
| Interest and finance expenses excluding unrealized gain on interest rate contracts | 37,137 | 35,928 |
| $ per boe | 1.77 | 2.14 |

Interest and finance expenses excluding the unrealized gain on interest rate contracts decreased 17 percent to $1.77 per boe in 2017 compared to $2.14 per boe in 2016. Interest and finance expenses excluding the unrealized gain on interest rate contracts decreased two percent to $1.87 per boe in the fourth quarter of 2017 compared to $1.91 per boe in the fourth quarter of 2016. The decreases on a per boe basis were mainly attributed to higher production volumes compared to the same periods in 2016, which more than offset the increases in total interest and finance expenses excluding unrealized gain on interest rate contracts.

**Netbacks**

The components of operating and funds flow netbacks are shown below:

| | Year ended December 31 | |
|---|---|---|
| Netbacks ($/boe) | 2017 | 2016 |
| Petroleum and natural gas sales before tariffs (1) | 49.18 | 39.92 |
| Tariffs (1) | (1.43) | (2.05) |
| Realized hedging gain (loss) | (1.15) | 4.44 |
| Royalties | (6.89) | (5.42) |
| Operating expenses | (10.61) | (9.54) |
| Transportation expenses | (1.63) | (0.89) |
| Operating netbacks (1) | 27.47 | 26.46 |
| G&A expenses | (1.31) | (1.29) |
| Interest and financing expenses | (1.77) | (2.14) |
| Transaction costs | - | (0.02) |
| Settlement of decommissioning liabilities (2) | (0.13) | (0.07) |
| Funds flow netbacks (1) | 24.26 | 22.94 |

Notes:

(1) Petroleum and natural gas sales before tariffs, tariffs, operating netbacks and funds flow netbacks are non-GAAP measures, which are defined under the Non-GAAP Measures section of this MD&A.

(2) Decommissioning liabilities settled in 2017 were $2.6 million compared to $1.2 million in 2016.

Operating netbacks in 2017 increased four percent to $27.47 per boe compared to $26.46 per boe in 2016. The increase was primarily due to higher petroleum and natural gas sales before tariffs and lower tariffs partially offset by realized hedging losses and higher royalties, operating expenses and transportation expenses. Operating netbacks in the fourth quarter of 2017 increased three percent to $29.48 per boe compared to $28.50 per boe for the same period in 2016. The increase on a per boe basis was primarily due to higher petroleum and natural gas sales before tariffs and lower tariffs partially offset by realized hedging losses and higher royalties, operating expenses and transportation expenses.

Funds flow netbacks in 2017 increased six percent to $24.26 per boe compared to $22.94 per boe in 2016. The increase on a per boe basis was primarily due to higher operating netbacks, lower interest and financing expenses excluding the unrealized gain on interest rate contracts offset partially by higher G&A expenses and a higher settlement of decommissioning liabilities. Funds flow netbacks in the fourth quarter of 2017 increased three percent to $26.14 per boe compared to $25.30 per boe for the same period in 2016. The increase on a per boe basis was primarily due to higher operating netbacks, lower interest and financing expenses excluding the unrealized gain on interest rate contracts offset partially by higher G&A expenses and a higher settlement of decommissioning liabilities.

**Depletion, Depreciation, Amortization and Impairment**

| | Year ended December 31 | |
|---|---|---|
| ($000s, except per boe amounts) | 2017 | 2016 |
| Depletion, Depreciation, Amortization and Impairment | 733,347 | 20,743 |
| Impairment (expense) reversal | (347,429) | 284,785 |
| Depletion, Depreciation and Amortization ("DD&A") | 385,918 | 305,528 |
| $ per boe, before impairment | 18.40 | 18.21 |

DD&A per boe, before impairment, in 2017 increased one percent to $18.40 per boe compared to $18.21 per boe in 2016. The increase on a per boe basis is mainly attributed to higher production volumes in west central Saskatchewan, which has a higher depletion rate than the Company average offset partially by a full year of production in southwest Saskatchewan, which has a lower depletion rate than the Company average. DD&A per boe, before impairment, in the fourth quarter of 2017 increased seven percent to $18.45 per boe compared to $17.21 per boe for the same period in 2016. The increase on a per boe basis is mainly attributed to higher production volumes in west central Saskatchewan which has a higher depletion rate than the Company average. DD&A per boe will fluctuate from one period to the next depending on the amount and type of capital spending, the amount of reserves added and production volumes. The depletion rates are calculated on proved and probable oil and natural gas reserves, taking into account the future development costs to produce the reserves.

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

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

During the quarter and year ended December 31, 2017, the Company recognized costs associated with expired mineral leases of $0.2 million and $2.1 million as expenses, respectively, compared to $0.3 million and $4.9 million for the same periods in 2016, respectively. During the quarter and year ended December 31, 2017, the Company added $1.8 million and $4.7 million of undeveloped land, respectively, as a result of property acquisitions completed in the period.

### Net Gain on Asset Dispositions

During the year ended December 31, 2017, the Company recognized a net gain of $15.7 million, ($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. The gain and net loss are equal to the difference between the consideration received and the net book value of the assets disposed of by Whitecap during the year.

### Taxes

During the quarter and year ended December 31, 2017, the Company recognized a deferred income tax recovery of $79.3 million and $36.7 million, respectively, compared to a deferred income tax expense of $70.8 million and $68.9 million, respectively, for the same periods in 2016.The deferred income tax recovery in the year ended December 31, 2017 was primarily due to the $347.4 million impairment of PP&E in the fourth quarter. The deferred income tax expense in the year ended December 31, 2016 was primarily due to the $284.8 million reversal of PP&E impairment in the fourth quarter.

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 |

### Net Income

For the year ended December 31, 2017, the Company recognized a net loss of $124.0 million compared to net income of $170.7 million for the same period in 2016. For the quarter ended December 31, 2017, the Company recognized a net loss of $231.7 million compared to net income of $191.1 million for the same period in 2016. The following changes impacted net income:

| ($000s) | Quarter ended December 31 | Year Ended December 31 |
|---|---|---|
| 2016 | 191,104 | 170,748 |
| Increased depletion, depreciation, amortization and impairment | (653,451) | (712,604) |
| Increased operating expenses | (12,345) | (62,380) |
| Increased royalties | (8,613) | (53,708) |
| Increased transportation expenses | (5,925) | (19,354) |
| Increased petroleum and natural gas sales | 75,860 | 366,037 |
| Change in deferred income tax expense (recovery) | 150,198 | 105,526 |
| Change in gain (loss) on risk management contracts | 21,259 | 61,934 |
| Change in gain net (gain) loss on asset dispositions | 12,036 | 19,220 |
| Other net changes | (1,852) | 613 |
| 2017 | (231,729) | (123,968) |

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

**Funds Flow and Payout Ratios**

The following table reconciles cash flow from operating activities (a GAAP measure) to funds flow (a non-GAAP measure) and free funds flow (a non-GAAP measure):

| ($000s) | Year ended December 31 2017 | 2016 |
|---|---|---|
| Cash flow from operating activities | 489,119 | 365,138 |
| Changes in non-cash working capital | 19,508 | 19,587 |
| Funds flow [(1)] | 508,627 | 384,725 |
| Cash dividends declared | 104,926 | 116,521 |
| Development capital [(1)] | 338,780 | 173,993 |
| Free funds flow [(1)] | 64,921 | 94,211 |
| Basic payout ratio (%) [(1)] | 21 | 30 |
| Total payout ratio (%) [(1)] | 87 | 76 |
| Funds flow per share, basic [(1)] | 1.37 | 1.13 |
| Funds flow per share, diluted [(1)] | 1.36 | 1.13 |
| Cash dividends declared per share [(1)] | 0.28 | 0.35 |

Note:

(1) Funds flow, development capital, free funds flow, basic payout ratio, total payout ratio, funds flow per share and cash dividends declared per share are non-GAAP measures, which are defined under the Non-GAAP Measures section of this MD&A.

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

Cash flow from operating activities for the quarter and year ended December 31, 2017 was $127.2 million and $489.1 million, respectively, compared to $98.8 million and $365.1 million, respectively, for the same periods in 2016. The increases in cash flow from operating activities are primarily attributed to increases in funds flow partially offset by the impact of changes in non-cash working capital.

Funds flow, for the quarter and year ended December 31, 2017, was $143.5 million and $508.6 million, respectively, compared to $117.8 million and $384.7 million, respectively, for the same periods in 2016. The increases in funds flow are primarily attributed to higher production volumes and higher operating netbacks.

**Capital Expenditures**

| ($000s) | Year ended December 31 2017 | 2016 |
|---|---|---|
| Land and geological | 1,384 | 1,104 |
| Drilling and completions | 301,163 | 148,071 |
| Investment in facilities | 29,213 | 20,320 |
| Capitalized administration | 7,020 | 4,498 |
| Development capital [(1)] | 338,780 | 173,993 |
| Corporate and other assets | 981 | 365 |
| Property acquisitions | 970,883 | 630,565 |
| Property dispositions | (14,598) | (144,379) |
| Total capital expenditures | 1,296,046 | 660,544 |

Note:

(1) Development capital is a non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A.

For the year ended December 31, 2017, development capital totaled $338.8 million with 98 percent spent on drilling, completions and facilities.

Whitecap drilled 227 (193.6 net) wells in 2017, including 125 (115.2 net) horizontal Viking oil wells in west central Saskatchewan, 32 (28.6 net) horizontal Cardium wells in west central Alberta, 38 (24.4 net) wells in southwest Saskatchewan, 17 (12.6 net) Cardium wells in northwest Alberta, 6 (5.7 net) Boundary Lake wells in northwest Alberta, 6 (4.1 net) Dunvegan wells in northwest Alberta and 3 (3.0 net) horizontal Nisku wells in west central Alberta.

### *Net Property Acquisitions*

In the fourth quarter of 2017, the Company closed the Southeast Saskatchewan Acquisition for cash consideration of $938.2 million, taking into consideration customary closing adjustments. The Company also disposed of non-core producing properties in southwest Saskatchewan for total cash consideration of $22.1 million.

## Decommissioning Liability

At December 31, 2017, the Company's decommissioning liability balance was $683.0 million ($609.7 million as at December 31, 2016) for future abandonment and reclamation of the Company's properties. The increase compared to the prior year is primarily attributed to the liabilities associated with properties acquired in the Southeast Saskatchewan Acquisition. Estimates are based on both operational knowledge of the properties and updated industry guidance provided by the Alberta Energy Regulator and the Saskatchewan Ministry of the Economy. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined.

## Capital Resources and Liquidity

### *Credit Facilities*

As at December 31, 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 (1.87:1.00 as at December 31, 2017) and the ratio of EBITDA to interest expense shall not be less than 3.50:1.00 (18.66:1.00 as at December 31, 2017). 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.

### *Senior Secured Notes*

On December 20, 2017, the Company closed an issuance of $195 million senior secured notes which have an annual coupon rate of 3.90% and mature on December 20, 2026. The notes were issued by way of a private placement, pursuant to a note purchase agreement and rank equally with Whitecap's obligations under its credit facility.

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

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

The senior secured notes are subject to the same debt to EBITDA ratio and EBITDA to interest expense ratio described above 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.

### *Equity*

On May 16, 2017, the Company announced the approval of its normal course issuer bid ("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.

For 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. For the quarter ended December 31, 2017, the Company purchased for cancellation 753,100 common shares at an average cost of $8.62 per common share for total consideration of $6.5 million. The total cost paid, including commissions and fees, was charged to share capital.

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

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 Southwest Saskatchewan Acquisition. Each subscription receipt was converted to one common share on June 23, 2016.

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.

The Company is authorized to issue an unlimited number of common shares. As at February 27, 2018, there were 417.3 million common shares and 5.0 million share awards outstanding.

### *Liquidity*

The Company generally relies on funds flow, equity issuances and its credit facility to fund its capital requirements, dividend payments and provide liquidity. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds flow, existing credit facilities and the ability to access debt and equity markets. All repayments on the revolving production and operating facilities are due at the term maturity date. As none of the facilities mature within the next year, the liabilities are considered to be non-current. The Company generates positive funds flow. At December 31, 2017, the Company had $415.2 million of unutilized credit to cover any working capital deficiencies. The Company believes that available credit facilities combined with anticipated funds flow will be sufficient to satisfy Whitecap's 2018 development capital program of $430-450 million and dividend payments for the 2018 fiscal year.

## Contractual Obligations

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

| ($000s) | 2018 | 2019 | 2020 | 2021+ | Total |
|---|---|---|---|---|---|
| Operating leases | 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.

## 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.

## Changes in Accounting Policies Including Initial Adoption

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

### *Standards Issued but not yet Effective*

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

*IFRS 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.

*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.

*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.

### Off Balance Sheet Arrangements

The Company does not have any special purpose entities nor is it party to any arrangements that would be excluded from the balance sheet other than commitments disclosed in Note 19 to the Company's audited annual consolidated financial statements for the year ended December 31, 2017.

### Critical Accounting Estimates

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

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

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

### Business Risks

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

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

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

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

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

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

**Environmental Risks**

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

### Selected Annual information

| ($000s, except as noted) | 2017 | 2016 | 2015 |
|---|---|---|---|
| **Financial** | | | |
| Petroleum and natural gas sales | 1,001,343 | 635,306 | 622,280 |
| Funds flow [1] | 508,627 | 384,725 | 481,178 |
| Basic ($/share) [1] | 1.37 | 1.13 | 1.69 |
| Diluted ($/share) [1] | 1.36 | 1.13 | 1.68 |
| Net income (loss) | (123,968) | 170,748 | (500,713) |
| Basic ($/share) | (0.33) | 0.50 | (1.76) |
| Diluted ($/share) | (0.33) | 0.50 | (1.76) |
| Development capital [1] | 338,780 | 173,993 | 234,778 |
| Property acquisitions | 970,883 | 630,565 | 252,278 |
| Property dispositions | (14,598) | (144,379) | (26,592) |
| Corporate acquisitions | - | - | 579,906 |
| Total assets | 5,961,347 | 5,134,940 | 4,183,085 |
| Net debt [1] | 1,295,906 | 818,580 | 939,787 |
| Common shares outstanding (000s) | 418,029 | 368,351 | 300,613 |
| Cash dividends declared per share [1] | 0.28 | 0.35 | 0.75 |
| **Operational** | | | |
| Average daily production | | | |
| Crude oil (bbls/d) | 43,589 | 32,398 | 27,958 |
| NGLs (bbls/d) | 3,415 | 3,168 | 2,974 |
| Natural gas (Mcf/d) | 62,676 | 61,651 | 60,128 |
| Total (boe/d) | 57,450 | 45,841 | 40,953 |

Note:
(1) Funds flow, funds flow per share, development capital, net debt and cash dividends declared per share are non-GAAP measures, which are defined under the Non-GAAP Measures section of this MD&A.

In the past three years, Whitecap has been able to consistently increase its production volumes through the efficient execution of its capital program as well as completing strategic acquisitions. Over the three years, while production volumes have consistently increased, fluctuations in realized commodity prices have impacted the Company's petroleum and natural gas sales and funds flow. Net income (loss) has fluctuated due to changes in funds flow, impairment expense (reversal) and unrealized derivative gains and losses which fluctuate with the changes in forward commodity prices.

### Summary of Quarterly Results

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| ($000s, except as noted) | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| **Financial** | | | | | | | | |
| Petroleum and natural gas sales | 285,009 | 232,882 | 243,277 | 240,175 | 209,149 | 178,498 | 135,553 | 112,106 |
| Funds flow [(1)] | 143,543 | 118,979 | 121,870 | 124,235 | 117,792 | 106,326 | 92,928 | 67,679 |
| Basic ($/share) [(1)] | 0.38 | 0.32 | 0.33 | 0.34 | 0.32 | 0.29 | 0.29 | 0.22 |
| Diluted ($/share) [(1)] | 0.38 | 0.32 | 0.33 | 0.33 | 0.32 | 0.29 | 0.29 | 0.22 |
| Net income (loss) | (231,729) | 3,689 | 44,541 | 59,531 | 191,104 | 6,350 | (28,311) | 1,605 |
| Basic ($/share) | (0.61) | 0.01 | 0.12 | 0.16 | 0.52 | 0.02 | (0.09) | 0.01 |
| Diluted ($/share) | (0.61) | 0.01 | 0.12 | 0.16 | 0.51 | 0.02 | (0.09) | 0.01 |
| Development capital [(1)] | 57,162 | 89,903 | 67,654 | 124,061 | 79,651 | 32,945 | 16,159 | 45,238 |
| Property acquisitions | 939,015 | 24,962 | (923) | 7,829 | 12,043 | 987 | 596,244 | 21,291 |
| Property dispositions | (8,777) | - | (2,498) | (3,323) | 35 | (281) | (42,498) | (101,635) |
| Total assets | 5,961,347 | 5,194,875 | 5,194,640 | 5,204,068 | 5,134,940 | 4,798,265 | 4,827,244 | 4,091,011 |
| Net debt [(1)] | 1,295,906 | 842,897 | 820,295 | 848,228 | 818,580 | 821,731 | 869,231 | 800,302 |
| Common shares outstanding (000s) | 418,029 | 369,818 | 369,797 | 369,045 | 368,351 | 367,655 | 367,574 | 314,403 |
| Cash dividends declared per share [(1)] | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | 0.14 |
| **Operational** | | | | | | | | |
| Average daily production | | | | | | | | |
| Crude oil (bbls/d) | 44,699 | 44,001 | 43,204 | 42,425 | 37,072 | 36,094 | 26,771 | 29,561 |
| NGLs (bbls/d) | 3,634 | 3,503 | 3,333 | 3,185 | 3,247 | 2,991 | 3,231 | 3,205 |
| Natural gas (Mcf/d) | 68,244 | 62,362 | 58,373 | 61,657 | 61,756 | 60,994 | 62,315 | 61,547 |
| Total (boe/d) | 59,707 | 57,898 | 56,266 | 55,886 | 50,612 | 49,251 | 40,388 | 43,024 |

Note:

(1) Funds flow, funds flow per share, development capital, net debt and cash dividends declared per share are non-GAAP measures, which are defined under the Non-GAAP Measures section of this MD&A.

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

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

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

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

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

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

In the second quarter of 2016, the Company closed the Southwest Saskatchewan Acquisition for cash consideration of $597.1 million taking into consideration customary closing adjustments. The purchase price was partially funded through the issuance of approximately 51.1 million subscription receipts at a price of $9.20 per subscription receipt for gross proceeds of approximately $470 million. Each subscription receipt was converted to one common share on June 23, 2016.

In the first quarter of 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. Additionally, the Company disposed of certain production facilities to a third party for cash consideration of $70 million.

## DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer of Whitecap evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Whitecap's DC&P were effective as at December 31, 2017.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining ICFR for Whitecap. They have, as at the financial year ended December 31, 2017, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued an updated Internal Control-Integrated Framework ("2013 Framework") replacing the Internal Control - Integrated Framework (1992). The control framework Whitecap's officers used to design the Company's ICFR is the 2013 Framework.

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, Whitecap conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2017 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2017, Whitecap maintained effective ICFR.

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

There were no changes in Whitecap's ICFR during the year ended December 31, 2017 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

## NON-GAAP MEASURES

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

**"Basic payout ratio"** is calculated as cash dividends declared divided by funds flow.

**"Cash dividends declared per share"** represents cash dividends declared or paid per share by Whitecap.

**"Development capital"** represents expenditures on PP&E excluding corporate and other assets.

The following table reconciles expenditures on PP&E (a GAAP measure) to development capital (a non-GAAP measure):

| | Year ended December 31 | |
|---|---|---|
| ($000s) | 2017 | 2016 |
| Expenditures on PP&E | 339,761 | 174,358 |
| Expenditures on corporate and other assets | (981) | (365) |
| Development capital | 338,780 | 173,993 |

**"Free funds flow"** represents funds flow less cash dividends declared and development capital.

**"Funds flow"** represents cash flow from operating activities adjusted for changes in non-cash working capital.

**"Funds flow netbacks"** are determined by deducting cash general and administrative expenses, interest and financing expenses, transaction costs and settlement of decommissioning liabilities from operating netbacks.

"**Funds flow per share**" represents funds flow divided by the basic or diluted weighted average shares outstanding in the period. Management considers funds flow and funds flow per share to be key measures as they demonstrate Whitecap's ability to generate the cash necessary to pay dividends, repay debt, make capital investments and/or to repurchase common shares under the Company's NCIB. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds flow provides a useful measure of Whitecap's ability to generate cash that is not subject to short-term movements in non-cash operating working capital. Refer to the "Funds Flow and Payout Ratios" section of this report for the reconciliation of cash flow from operating activities to funds flow.

**"Net debt"** is calculated as long-term debt plus working capital surplus or deficit adjusted for risk management contracts.

The following table reconciles long-term debt (a GAAP measure) to net debt (a non-GAAP measure):

| ($000s) | December 31 2017 | December 31 2016 |
|---|---|---|
| Long-term debt | 1,284,232 | 773,395 |
| Current liabilities | 211,285 | 231,416 |
| Current assets | (161,650) | (111,194) |
| Risk management contracts | (37,961) | (75,037) |
| Net debt | 1,295,906 | 818,580 |

**"Operating netbacks"** are determined by deducting realized hedging losses or adding realized hedging gains and deducting royalties, operating expenses and transportation expenses from petroleum and natural gas sales. Operating netbacks are per boe measures used in operational and capital allocation decisions.

**"Petroleum and natural gas sales before tariffs"** are determined by adding back tariffs netted against petroleum and natural gas sales. Management believes that petroleum and natural gas sales before tariffs provides a useful measure of Whitecap's realized commodity prices before the impact of transporting products to market.

The following table reconciles petroleum and natural gas sales (a GAAP measure) to petroleum and natural gas sales before tariffs (a non-GAAP measure):

| | Year ended December 31 | |
|---|---|---|
| ($000s) | 2017 | 2016 |
| Petroleum and natural gas sales | 1,001,343 | 635,306 |
| Tariffs | 29,897 | 34,447 |
| Petroleum and natural gas sales before tariffs | 1,031,240 | 669,753 |

**"Tariffs"** represent pipeline tariffs incurred by commodity purchasers and marketing companies subsequent to the delivery of the Company's product, which have been charged back to Whitecap. Under IFRS, tariffs are reflected on a net basis (tariffs are netted against petroleum and natural gas sales). Tariffs will fluctuate quarterly based on pipeline connectivity or downtime, weather, shipper status and pipeline shipping arrangements. As the amount of tariffs recognized decreases, there is an offsetting increase in transportation expense. Management believes that presenting tariffs separately provides a useful measure of the total costs of transporting a product to market as, on a combined basis, tariffs plus transportation expenses are generally consistent with prior periods.

**"Total payout ratio"** is calculated as cash dividends declared plus development capital, divided by funds flow.

**BOE PRESENTATION**

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

## FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

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

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

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