March 6, 2017

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, 2016 and December 31, 2015 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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WHITECAP RESOURCES INC.
CONSOLIDATED BALANCE SHEET

As at (CAD $000s)	**December 31, 2016**	December 31, 2015
Assets		
Current Assets		
Accounts receivable	**102,168**	76,783
Deposits and prepaid expenses	**8,998**	7,950
Risk management contracts [Notes 4 & 5]	**28**	64,605
	111,194	149,338
Property, plant and equipment [Notes 6 & 7]	**4,699,548**	3,873,184
Exploration and evaluation [Notes 6 & 8]	**14,115**	13,625
Investment in limited partnership [Note 9]	**13,625**	24,256
Goodwill [Note 10]	**122,682**	122,682
Deferred income tax [Note 17]	**173,776**	-
	5,134,940	4,183,085
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**147,768**	129,566
Dividends payable	**8,583**	18,788
Risk management contracts [Notes 4 & 5]	**75,065**	17,568
	231,416	165,922
Risk management contracts [Notes 4 & 5]	**49,393**	95,180
Bank debt [Note 11]	**773,395**	876,166
Decommissioning liability [Note 12]	**609,729**	435,764
Deferred income tax [Note 17]	**338,814**	103,437
	2,002,747	1,676,469
Shareholders' Equity		
Share capital [Note 13]	**3,452,671**	2,881,762
Contributed surplus [Note 13]	**40,412**	39,971
Deficit	**(360,890)**	(415,117)
	3,132,193	2,506,616
	5,134,940	4,183,085

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 $000s, except per share amounts)	**2016**	2015
Revenue		
Petroleum and natural gas sales	**635,306**	622,280
Royalties	**(90,855)**	(82,707)
Petroleum and natural gas sales, net of royalties	**544,451**	539,573
Net loss on commodity and foreign exchange contracts [Note 5]	**(8,474)**	(57,985)
	535,977	481,588
Expenses		
Operating	**160,057**	146,621
Transportation	**14,903**	23,503
General and administrative [Note 15]	**21,716**	21,538
Stock-based compensation [Note 13(f)]	**16,793**	22,871
Transaction costs	**350**	364
Interest and financing	**29,277**	42,376
Accretion of decommissioning liabilities [Note 12]	**14,267**	8,288
Depletion, depreciation, amortization and impairment [Notes 7 & 10]	**20,743**	825,306
Exploration and evaluation [Note 8]	**4,925**	5,394
Unrealized loss on investment [Note 9]	**9,787**	7,109
Net loss (gain) on asset dispositions [Note 7]	**3,540**	(13,707)
	296,358	1,089,663
Income (loss) before income taxes	**239,619**	(608,075)
Taxes		
Deferred income tax expense (recovery) [Note 17]	**68,871**	(107,362)
Net income (loss) and other comprehensive income (loss)	**170,748**	(500,713)
Net Income (Loss) Per Share ($/share) [Note 16]		
Basic	**0.50**	(1.76)
Diluted	**0.50**	(1.76)

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)	**2016**	2015
Share Capital [Note 13(b)]		
Balance, beginning of year	**2,881,762**	2,213,607
Issued on the acquisition of a private company	**-**	536,572
Issued for cash through public prospectus offering	**563,823**	109,503
Share issue costs, net of deferred income tax	**(19,670)**	(3,473)
Issued on exercise of options/warrants	**2,561**	8,256
Contributed surplus adjustment on exercise of options/warrants	**988**	3,915
Contributed surplus adjustment on vesting of share awards	**23,207**	13,382
Balance, end of year	**3,452,671**	2,881,762
Contributed Surplus [Note 13(f)]		
Balance, beginning of year	**39,971**	21,978
Award incentive plan, option-based awards and warrants	**24,636**	35,290
Option/warrant exercises	**(988)**	(3,915)
Share award vesting	**(23,207)**	(13,382)
Balance, end of year	**40,412**	39,971
Retained Earnings (Deficit)		
Balance, beginning of year	**(415,117)**	298,494
Net income (loss) and other comprehensive income (loss)	**170,748**	(500,713)
Dividends	**(116,521)**	(212,898)
Balance, end of year	**(360,890)**	(415,117)

See accompanying notes to the consolidated financial statements

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

(CAD $000s)	**2016**	2015
Operating Activities		
Net income (loss) for the year	**170,748**	(500,713)
Items not affecting cash:		
Depletion, depreciation, amortization and impairment [Notes 7 & 10]	**20,743**	825,306
Exploration and evaluation [Note 8]	**4,925**	5,394
Deferred income tax expense (recovery) [Note 17]	**68,871**	(107,362)
Stock-based compensation [Note 13(f)]	**16,793**	22,871
Accretion of decommissioning liabilities [Note 12]	**14,267**	8,288
Unrealized loss on risk management contracts [Note 5]	**76,287**	235,136
Unrealized loss on investment [Note 9]	**9,787**	7,109
Net loss (gain) on asset dispositions [Note 7]	**3,540**	(13,707)
Settlement of decommissioning liabilities [Note 12]	**(1,236)**	(1,144)
Net change in non-cash working capital items [Note 18]	**(19,587)**	23,540
	365,138	504,718
Financing Activities		
Increase (decrease) in bank debt	**(102,771)**	119,602
Option/warrant exercises	**2,561**	8,256
Dividends	**(116,521)**	(212,898)
Issuance of share capital, net of share issue costs	**536,883**	104,739
Repayment of debt acquired	**-**	(65,316)
Net change in non-cash working capital items [Note 18]	**(10,205)**	2,946
	309,947	(42,671)
Investing Activities		
Expenditures on property, plant and equipment	**(174,358)**	(235,096)
Expenditures on property acquisitions	**(613,063)**	(240,003)
Cash from property dispositions	**100,136**	25,079
Expenditures on corporate acquisitions net of cash acquired	**-**	(15,724)
Partnership investment income received [Note 9]	**844**	1,017
Net change in non-cash working capital items [Note 18]	**11,356**	2,680
	(675,085)	(462,047)
Increase (decrease) in cash, during the year	**-**	-
Cash, beginning of year	**-**	-
Cash, end of year	**-**	-
Cash Interest Paid	**35,554**	33,172

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 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 (“IASB”) as at and for the year ended December 31, 2016, including 2015 comparative periods. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 6, 2017, 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, stock options and warrants, 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.

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.

iv) Accounts Payable, Accrued Liabilities and Bank 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. 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. 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, warrants 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 ("NGLs") 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, warrants and share awards granted to employees and directors. The number of shares included with respect to options, warrants 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. Whitecap is currently evaluating the impact of the standards on the Company's consolidated 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. Whitecap is currently evaluating the impact of the standard on the Company's consolidated financial statements.

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 has a fair value hierarchy of Level 2. The fair value measurement of PP&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, 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, Bank Debt, Dividends Payable, Accounts Payable and Accrued Liabilities

The fair value of deposits, accounts receivable, bank debt, 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, 2016 and December 31, 2015, the fair value of these balances approximated their carrying value.

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, Warrants and Share Awards

The fair values of stock options, warrants 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 cash, accounts receivable, prepaid expenses and deposits, risk management contracts, loan to parent, PP&E, accounts payable and accrued liabilities 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, 2016 and December 31, 2015:

	December 31, 2016			December 31, 2015		
($000s)	Asset	Liability	Net	Asset	Liability	Net
Gross amount	1,804	(126,234)	(124,430)	132,430	(180,573)	(48,143)
Amount offset	(1,776)	1,776	-	(67,825)	67,825	-
Net amount	28	(124,458)	(124,430)	64,605	(112,748)	(48,143)

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, 2016	December 31, 2015
Accounts receivable	102,168	76,783
Risk management contracts	28	64,605
	102,196	141,388

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, 2016 pertains to accrued revenue for December 2016 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, 2016, two commodity purchasers and marketing companies accounted for approximately 14 percent and 13 percent of the total accounts receivable balance and are not considered a credit risk.

Whitecap has not experienced any material credit loss in the collection of receivables during 2016.

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, 2016, there was $0.8 million (December 31, 2015 – $0.7 million) of receivables aged over 90 days. Subsequent to December 31, 2016, approximately $0.6 million (December 31, 2015 – $0.5 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, 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
Bank 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.

The following table details Whitecap's financial liabilities as at December 31, 2015:

($000s)	<1 year	1 to 2 years	2+ years	Total
Accounts payable and accrued liabilities	129,566	-	-	129,566
Dividends payable	18,788	-	-	18,788
Bank debt (1)	14,153	490,855	415,943	920,951
Risk management contracts (1)	17,568	51,829	43,351	112,748
Total financial liabilities	180,075	542,684	459,294	1,182,053

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, 2016	December 31, 2015
Current Assets		
Crude oil	-	61,380
Natural gas	-	3,225
Interest	28	-
Total current assets	28	64,605
Total fair value	**28**	**64,605**

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

($000s)	December 31, 2016	December 31, 2015
Current Liabilities		
Crude oil	51,702	1,725
Natural gas	3,443	258
Interest	5,023	5,754
Power	582	751
Foreign Exchange	14,315	9,080
Total current liabilities	75,065	17,568
Long-term Liabilities		
Crude oil	34,957	47,499
Interest	3,786	9,687
Power	370	244
Foreign Exchange	10,280	37,750
Total long-term liabilities	49,393	95,180
Total fair value	**124,458**	**112,748**

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

($000s)	December 31, 2016	December 31, 2015
Realized gain on commodity and foreign exchange contracts	74,464	170,264
Unrealized loss on commodity and foreign exchange contracts	(82,938)	(228,249)
Net loss on commodity and foreign exchange contracts	(8,474)	(57,985)
Realized loss on interest rate contracts [1]	(5,137)	(4,977)
Unrealized gain (loss) on interest rate contracts [1]	6,651	(6,887)
Net loss on risk management contracts	(6,960)	(69,849)

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 10 percent volatility is a reasonable measure. A 10 percent increase or decrease in commodity prices would have resulted in the following unrealized gains (losses) on risk management contracts and impacted net income before tax as follows:

($000s)		December 31, 2016
Impact to Net Income Before Tax	Increase 10%	Decrease 10%
Commodity Price		
Crude Oil	(57,932)	59,058
Natural Gas	(3,319)	3,319
Power	362	(362)
Differential		
Crude oil	6,143	(6,143)

At December 31, 2016, the following risk management contracts were outstanding with a liability fair market value of $91.1 million (December 31, 2015 – asset of $64.6 million and liability of $50.5 million):

1) WTI Crude Oil Derivative Contracts

Type	Term	Volume (bbls/d)	Sold Call Price ($/bbl) (1)	Sold Put Price ($/bbl)	Bought Put Price ($/bbl)	Swap Price ($/bbl) (1)
Swap	2017 Jan – Jun	5,000				C$69.18
Swap	2017 Jul – Dec	1,000				C$72.01
Swap	2017	3,000				C$69.07
Swap (2)	2017	10,450				US$50.40
Swap	2018	4,000				US$53.28
Collar	2017 Jul – Dec	1,000	C$82.83		C$60.00	
Sold put/call (3)	2017	3,000	US$85.83	US$60.00		
Sold put/call (3)	2018	3,000	US$85.83	US$60.00		

Notes:

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

(2) 1,500 bbls/d at US$48.00/bbl and 1,500 bbls/d at US$48.05/bbl are extendable through 2018 at the option of the counterparties.

(3) 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	2017 Jan – Jun	1,000	MSW	3.29 (4)
Swap	2017 Jul – Dec	1,000	MSW	3.85
Swap	2017	12,000	MSW	4.30 (4)
Swap	2017 Jan – Jun	1,000	WCS	19.33
Swap	2017	2,000	WCS	20.48 (4)

Notes:

(1) Mixed Sweet Blend (“MSW”).

(2) Western Canadian Select (“WCS”).

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

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

3) Natural Gas Derivative Contracts

Type	Term	Volume (GJ/d)	Swap Price ($/GJ) (1)
Swap	2017 Jan – Mar	7,500	3.14
Swap	2017 Jan – Jun	2,500	3.00
Swap	2017 Jul – Dec	3,000	3.32
Swap	2017	25,000	2.92

Note:

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

4) Power Derivative Contracts

Type	Term	Volume (MWh's)	Fixed Rate ($/MWh) [(1)]
Swap	2017	52,560	43.15
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, 2016

a) WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis [(1)(2)]	Swap Price (C$/bbl) [(3)]
Swap	2017 Feb – Dec	1,000	MSW	3.95
Swap	2017 Jul – Dec	1,000	MSW	3.80
Swap	2017 Feb – Dec	1,000	WCS	20.50
Swap	2017 Feb – Jun	1,000	WCS	19.55
Swap	2017 Jul – Dec	3,000	WCS	20.58

Notes:

(1) Mixed Sweet Blend (“MSW”).

(2) Western Canadian Select (“WCS”).

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

ii) Interest Rate Risk

The Company is exposed to interest rate risk on its credit facility. The credit facility consists of a $678 million revolving production facility, a $50 million revolving operating facility and a $372 million term loan 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.

If interest rates applicable to floating rate debt at December 31, 2016 were to have increased or decreased by 25 basis points it is estimated that the Company’s income before tax would change by approximately $1.0 million for the year ended December 31, 2016 ($1.2 million for the year ended December 31, 2015). 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, 2016.

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 unrealized gain (loss) on risk management contracts and impacted net income before tax as follows:

($000s)		December 31, 2016
Impact to Net Income Before Tax	Increase 0.25%	Decrease 0.25%
Interest rate swaps	2,108	(2,108)

At December 31, 2016 the following interest rate contracts were outstanding with an asset fair market value of $0.1 million and a liability fair market value of $8.8 million (December 31, 2015 – liability of $15.4 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
Swap	02-Mar-15	02-Mar-17	100,000	0.75	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 unrealized gain (loss) on risk management contracts and impacted net income before tax as follows:

($000s)		December 31, 2016
Impact to Net Income Before Tax	Increase 0.01	Decrease 0.01
Foreign exchange	(3,292)	3,292

At December 31, 2016, the following foreign exchange contracts were outstanding with a liability fair market value of $24.6 million (December 31, 2015 – liability of $46.8 million).

1) Foreign exchange contracts

Type	Term	Monthly Notional Amount	USD/CAD (1)
Monthly average rate forward	2017	US$5.0 million	1.2580
Monthly average rate forward	2018 Jan - Jun	US$6.0 million	1.2436
Monthly average rate forward	2018 Jul - Dec	US$5.0 million	1.2459

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	2017	US$11.0 million	1.2482	1.3188	1.2614
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$12.0 million	1.2500	1.4353	1.3065

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) 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, bank debt and working capital.

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

($000s)	December 31, 2016	December 31, 2015
Current assets (1)	(111,166)	(84,733)
Current liabilities (1)	156,351	148,354
Working capital deficiency	45,185	63,621
Bank debt	773,395	876,166
Net debt	818,580	939,787
Shareholders' equity	3,132,193	2,506,616
Total capitalization	3,950,773	3,446,403

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, 2016.

a) 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 Northwest Alberta and British Columbia (“NABC”) and West Central Alberta (”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**

b) 2015 Acquisitions

i) Karr and Gold Creek Property Acquisition
On January 6, 2015, Whitecap closed the acquisition of certain strategic light oil assets in Whitecap's Deep Basin core area. The property acquisition was accounted for as a business combination under IFRS 3.

The light oil assets acquired have contributed revenues of $9.2 million and operating income of $5.1 million since January 6, 2015. Had the acquisition closed on January 1, 2015, estimated contributed revenues would have been $9.3 million and estimated contributed operating income would have been $5.2 million for the year ended December 31, 2015.

Net assets acquired ($000s):	
Petroleum and natural gas properties	60,468
Decommissioning liability	(2,919)
	57,549

Cash consideration:	
Total consideration	**57,549**

ii) Beaumont Energy Inc. ("Beaumont") Acquisition
On May 1, 2015, the Company closed the acquisition of Beaumont by acquiring all of the issued and outstanding common shares of Beaumont for consideration consisting of $7.3 million in cash and 36.3 million common shares of Whitecap and also assumed Beaumont's debt. The corporate acquisition has been accounted for as a business combination under IFRS 3.

The results of operations from Beaumont have been included in the Company's statement of comprehensive income for the year ended December 31, 2015. Beaumont has contributed revenues of $48.0 million and operating income of $28.8 million since May 1, 2015. Had the acquisition closed on January 1, 2015, estimated contributed revenues would have been $80.9 million and estimated contributed operating income would have been $51.8 million for the year ended December 31, 2015.

Net assets acquired ($000s):	
Working capital	(1,179)
Risk management contracts	31,330
Petroleum and natural gas properties	578,251
Exploration and evaluation	1,655
Goodwill	92,509
Debt acquired	(65,316)
Decommissioning liability	(14,370)
Deferred income tax	(79,033)
	543,847

Consideration:	
Cash consideration	7,275
Share consideration **(1)**	536,572
Total consideration	**543,847**

(1) The share consideration was valued on May 1, 2015 at $14.79 per share.

The goodwill recognized on acquisition is attributed to the potential future cash flows derived from drilling and exploitation opportunities and the strategic benefit and synergies that an increased presence in west central Saskatchewan would bring to the Company.

iii) Boundary Lake and Wapiti Property Acquisition

On August 19, 2015, Whitecap closed the acquisition of certain strategic light oil assets in the Boundary Lake and Wapiti area. The property acquisition was accounted for as a business combination under IFRS 3.

The light oil assets acquired have contributed revenues of $1.7 million and operating income of $1.0 million since August 19, 2015. Had the acquisition closed on January 1, 2015, estimated contributed revenues would have been $4.7 million and estimated contributed operating income would have been $3.1 million for the year ended December 31, 2015.

Net assets acquired ($000s):	
Petroleum and natural gas properties	83,486
Decommissioning liability	(2,160)
	81,326

Cash consideration:	
Total consideration	**81,326**

iv) Boundary Lake Property Acquisition

On December 18, 2015, Whitecap closed the acquisition of certain strategic 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 $0.6 million and operating income of $0.3 million since December 18, 2015. Had the acquisition closed on January 1, 2015, estimated contributed revenues would have been $15.5 million and estimated contributed operating income would have been $8.4 million for the year ended December 31, 2015.

Net assets acquired ($000s):	
Petroleum and natural gas properties	96,977
Decommissioning liability	(3,620)
	93,357

Cash consideration:	
Total consideration	**93,357**

v) Asset Swaps and Other Property Acquisitions

In the twelve months ended December 31, 2015, the Company acquired strategic tuck-in properties and working interests that complement existing assets in west central Alberta and northwest Alberta. The property acquisitions were accounted for as business combinations under IFRS 3.

Net assets acquired ($000s): (1) (2) (3)	
Petroleum and natural gas properties	21,137
Cash received in asset swap	1,000
Decommissioning liability	(1,091)
	21,046

Consideration: (1) (2) (3)	
Cash consideration	7,771
Non-cash consideration	13,275
Total consideration	**21,046**

Notes:

(1) On March 24, 2015, the Company closed an asset swap transaction in which $2.4 million of PP&E assets and $1.0 million of cash were received in exchange for $3.4 million of the Company's E&E assets.

(2) On June 26, 2015, the Company closed an asset swap transaction in which $9.6 million of PP&E assets were received in exchange for properties in southwest Alberta. The net book value of the properties given up was $4.2 million.

(3) On November 18, 2015, the Company closed an asset swap transaction in which $0.5 million of E&E assets were received in exchange for $0.3 million of the Company's E&E properties in northwest Alberta and $0.2 million in cash.

7. PROPERTY, PLANT AND EQUIPMENT

Net book value ($000s)	December 31, 2016	December 31, 2015
Petroleum and natural gas properties	5,954,201	5,130,660
Other assets	2,163	1,798
Property, plant and equipment, at cost	5,956,364	5,132,458
Less: accumulated depletion, depreciation, amortization and impairment	(1,256,816)	(1,259,274)
Total net carrying amount	4,699,548	3,873,184

Cost ($000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2014	3,936,892	1,480	3,938,372
Additions	370,533	318	370,851
Property acquisitions	254,994	-	254,994
Corporate acquisition	578,251	-	578,251
Transfer from evaluation and exploration assets	13,449	-	13,449
Disposals	(23,459)	-	(23,459)
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

a) Non-Core Asset Dispositions

During the year ended December 31, 2016, the Company recognized a net loss of $3.5 million on the disposition of non-core assets ($13.7 million net gain for the year ended December 31, 2015). The loss was primarily attributable to the disposition of certain non-core producing properties in Saskatchewan for a loss of $10.8 million, partially offset by a $5.9 million gain from the disposition of certain production facilities, and a $2.7 million gain from the disposition of certain non-productive properties in northwest Alberta.

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, 2014	562,447	833	563,280
Depletion, depreciation and amortization	318,756	364	319,120
Impairment	379,820	-	379,820
Disposals	(2,946)	-	(2,946)
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

At December 31, 2016, $193.4 million of salvage value (December 31, 2015 – $118.0 million) was excluded from the depletion calculation. Future development costs of $1.9 billion (December 31, 2015 – $1.6 billion) were included in the depletion calculation. The Company capitalized $12.3 million (December 31, 2015 – $19.9 million) of administrative costs directly relating to development activities which includes $7.8 million (December 31, 2015 – $12.4 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, 2016. 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.

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026 (2)**
WTI crude oil (US$/bbl) (1)	55.00	58.70	62.40	69.00	75.80	77.30	78.80	80.40	82.00	83.70
AECO natural gas ($/MMBtu) (1)	3.40	3.15	3.30	3.60	3.90	3.95	4.10	4.25	4.30	4.40
Exchange Rate (CAD/USD)	0.75	0.78	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 2026 to the end of the reserve life. Forecast exchange rate is assumed to remain at 0.85 CAD/USD each year after 2026 to the end of the reserve life.

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 West Central Saskatchewan ("WCSK") CGU and the West Central Alberta CGU ("WCAB") 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.

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.

As at December 31, 2016, 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 (reversal) being recognized:

Impairment expense (reversal) ($000s)	WCSK CGU	WCAB CGU
1% increase in discount rate	42,751	(109,156)
5% decrease in cash flows	31,017	(142,368)
1% increase in discount rate and 5% decrease in cash flows	117,567	(21,505)

The increase in discount rate and decrease in forecast operating cash flows would not result in impairment in the Company's remaining CGUs. As at December 31, 2016, the maximum impairment reversal for the WCSK CGU and WCAB CGU was $56.6 million and $323.2 million respectively, net of related accumulated DD&A had the CGUs not been impaired.

As at December 31, 2015, the Company determined that the carrying amounts of the WCSK and WCAB CGUs of $1,240.2 million and $615.8 million, respectively exceeded their fair value less costs of disposal of $1,221.7 million and $610.4 million, respectively. The full amounts of the impairments were attributed to PP&E and, as a result, a total impairment loss of $23.9 million was recorded in depletion, depreciation, amortization and impairment expense. As at September 30, 2015, the Company determined that the carrying amounts of the WCAB and WCSK CGUs of $1,632.7 million and $1,261.3 million, respectively exceeded their fair value less costs of disposal of $1,314.9 million and $1,223.2 million, respectively. The full amounts of the impairment were attributed to PP&E and, as a result, a total impairment loss of $355.9 million was recorded in depletion, depreciation, amortization and impairment expense. The impairment expense in 2015 was a result of lower forecast benchmark commodity prices at December 31, 2015 and September 30, 2015, compared to December 31, 2014.

8. EXPLORATION AND EVALUATION

($000s)	December 31, 2016	December 31, 2015
Exploration and evaluation assets	40,172	34,757
Less: accumulated land expiries and write-offs	(26,057)	(21,132)
Total net carrying amount	14,115	13,625

($000s)	Undeveloped Land
Balance at December 31, 2014	45,006
Property acquisitions	7,074
Corporate acquisition	1,655
Disposals	(5,529)
Transfer to property, plant and equipment	(13,449)
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

Accumulated land expiries and write-offs ($000s)	Total
Balance at December 31, 2014	15,738
Land expiries and write-offs	5,394
Balance at December 31, 2015	21,132
Land expiries and write-offs	4,925
Balance at December 31, 2016	26,057

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

a) Impairment Test of Exploration and Evaluation

There were no indicators of impairment at December 31, 2016.

9. INVESTMENT IN LIMITED PARTNERSHIP

($000s)	December 31, 2016	December 31, 2015
Investment in limited partnership, beginning of year	24,256	32,382
Unrealized loss on investment	(9,787)	(7,109)
Partnership distributions	(844)	(1,017)
Investment in limited partnership, end of year	13,625	24,256

On June 26, 2014 the Company acquired a 10% 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. At December 31, 2016, the investment is recorded at a fair value of $13.6 million which was $29.2 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, 2016. The Company used after-tax discount rates of 10 percent. 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. The decrease in fair value in 2015 was a result of lower forecast benchmark commodity prices at December 31, 2015 compared to December 31, 2014.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 (2)
Canadian Light Sweet Crude ($/bbl) (1)	69.80	72.70	75.50	81.10	86.60	88.30	90.00	91.80	93.70	95.60
AECO natural gas ($/MMBtu) (1)	3.40	3.15	3.30	3.60	3.90	3.95	4.10	4.25	4.30	4.40

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 2026 to the end of the reserve life.

As at December 31, 2016, a one percent increase in the assumed after-tax discount rates would decrease earnings by $1.9 million, while a five percent decrease in the forecast operating cash flows would decrease earnings by $1.1 million. An increase in discount rate and decrease in forecast operating cash flows would decrease earnings by $2.9 million.

10. GOODWILL

At December 31, 2016 the Company had goodwill of $122.7 million (December 31, 2015 - $122.7 million). 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, 2016 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.

As at September 30, 2015, the Company determined that the corporate carrying amount of $3.5 billion exceeded the recoverable amount of $3.4 billion. The full amount of the impairment was attributed to goodwill and, as a result, an impairment loss of $126.4 million was recorded in depletion, depreciation, amortization and impairment expense. The impairment in 2015 was a result of lower forecast benchmark commodity prices at September 30, 2015 compared to December 31, 2014.

11. CREDIT FACILITIES

As at December 31, 2016, the Company had a $1.1 billion credit facility with a syndicate of Canadian banks. The credit facility consists of a $678 million revolving production facility, a $50 million revolving operating facility and a $372 million term loan facility. At the end of the revolving period, being April 30, 2017, 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. The first $188 million term loan facility matures on October 3, 2018 and has an effective interest rate of 5.3%. The second $184 million term loan facility matures on May 1, 2019 and has an effective interest rate of 4.7%.

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, 2016, the Company was compliant with all covenants provided for in the lending agreement. The next review is scheduled to be completed by April 30, 2017.

12. DECOMMISSIONING LIABILITY

($000s)	
Balance at December 31, 2014	283,519
Liabilities incurred	7,326
Liabilities acquired	24,160
Liabilities settled	(1,144)
Liabilities disposed	(2,395)
Revaluation of liabilities acquired [1]	105,008
Change in discount rate	11,002
Accretion expense	8,288
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

Note:

(1) Revaluation of liabilities acquired is the revaluation of acquired decommissioning liabilities at the end of the year 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 (2.2 percent at December 31, 2015) and inflation rate of 2.0 percent (2.0 percent at December 31, 2015). The total undiscounted amount of the estimated cash flows required to settle the obligations was $1.1 billion (December 31, 2015 – $750.6 million). The expected timing of payment of the cash flows required for settling the obligations extends up to 49 years.

13. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without nominal or par value.

b) Issued and outstanding

(000s)	Shares	$
Balance, December 31, 2014	253,476	2,213,607
Issued on the acquisition of a private company [(1)]	36,279	536,572
Issued for cash through public prospectus offering [(2)]	8,149	109,503
Share issue costs, net of deferred income tax	-	(3,473)
Issued on exercise of options/warrants	1,312	8,256
Issued on share award vesting	1,397	-
Contributed surplus adjustment on exercise of options/warrants	-	3,915
Contributed surplus adjustment on vesting of share awards	-	13,382
Balance at December 31, 2015	300,613	2,881,762
Issued for cash through public prospectus offering [(3)] [(4)]	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

Notes:

(1) On May 1, 2015, as part of the Beaumont acquisition, approximately 36.3 million Whitecap shares were issued to Beaumont's shareholders. The common shares issued were valued using the share price of Whitecap on May 1, 2015 of $14.79 per share.

(2) On April 9, 2015, the Company closed a bought deal public financing of approximately 8.1 million subscription receipts at a price of $13.50 per subscription receipt for gross proceeds of approximately $110 million which was used to partially fund the acquisition of Beaumont. Each subscription receipt was converted to one common share on May 1, 2015.

(3) 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.

(4) 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.

c) 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 the directors, officers and employees of the Company. 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. Performance awards issued to directors and officers of the Company vest in two tranches with one half of performance awards vesting February 1 of the third year following 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 4.0% 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 $10.17 per award granted during the year ended December 31, 2016.

(000s)	Number of Time-based Awards	Number of Performance Awards[1]	Total Awards
Balance, December 31, 2014	942	2,531	3,473
Granted	258	897	1,155
Forfeited	(54)	(72)	(126)
Vested	(9)	(607)	(616)
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

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

d) 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, December 31, 2014	1,563	6.97
Exercised	(1,153)	6.86
Expired	(25)	7.15
Balance at December 31, 2015	385	7.31
Exercised	(358)	7.15
Expired	(27)	9.37
Balance at December 31, 2016	-	-

e) Warrants

On June 25, 2010 the Company completed a $7.75 million non-brokered private placement of 1.6 million units at a price of $2.50 per unit, with each unit comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $2.50 for a period of five years and 1.5 million common shares at a price of $2.50 per common share. All performance warrants met their vesting requirements in 2010. Pursuant to the performance warrant agreement, each warrant is subject to adjustment when the Company issues dividends to common shareholders. As at December 31, 2016 and December 31, 2015, there were no outstanding warrants and no further warrants will be issued.

(000s except per share amounts)	Number of Warrants	Weighted Average Exercise Price ($/share)
Balance at December 31, 2014	163	2.24
Exercised	(159)	2.21
Expired	(4)	2.24
Balance at December 31, 2015	-	-
Balance at December 31, 2016	-	-

f) Contributed Surplus

($000s)	
Balance at December 31, 2014	21,978
Stock-based compensation	35,290
Option/warrant exercises	(3,915)
Share award vesting	(13,382)
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

14. EXECUTIVE COMPENSATION

($000s)	Twelve months ended December 31, 2016	2015
Salaries and bonuses	4,373	4,004
Stock-based compensation	11,422	18,500
	15,795	22,504

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

15. GENERAL AND ADMINISTRATIVE EXPENSES BY NATURE

($000s)	Twelve months ended December 31, 2016	2015
Salaries and benefits	16,356	18,957
Professional services	2,557	3,377
Building leases	7,300	6,391
Other	4,993	6,054
Overhead recoveries	(4,992)	(5,771)
Capitalized salaries	(4,498)	(7,470)
Total general and administrative expenses	21,716	21,538

16. PER SHARE RESULTS

(000s except per share amounts)	Twelve months ended December 31, 2016	2015
Per share income (loss) ($/share)		
Basic	$0.50	($1.76)
Diluted	$0.50	($1.76)
Weighted average shares outstanding		
Basic	339,735	283,889
Diluted [1]	341,893	283,889

Note:

[1] For the year ended December 31, 2016, 1.5 million share awards (December 31, 2015 – 3.9 million share awards and 0.4 million options) 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, 2016 and 2015 are as follows:

Deferred tax:

($000s)	2016	2015
Origination and reversal of timing differences	68,871	(107,362)
Income tax expense (recovery)	68,871	(107,362)

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, 2016	2015
Profit (loss) before tax at statutory rate	64,584	(158,868)
Increase (decrease) resulting from		
Change in statutory rate	121	10,811
Return to provision true-up	(418)	1,247
Non-deductible stock-based compensation	4,526	6,342
Non-deductible transaction costs	94	95
Impairment of goodwill	-	33,015
Other	(36)	(4)
Deferred income tax expense (recovery)	68,871	(107,362)

The weighted average applicable tax rate was 27.0 percent (2015 – 26.1 percent).

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

($000s)	December 31, 2016	December 31, 2015
Deferred tax assets		
To be recovered after more than 12 months	(453,436)	(376,331)
Deferred tax liabilities		
To be recovered after more than 12 months	652,070	492,766
To be recovered within 12 months	(33,596)	(12,998)
Deferred tax liability (net)	165,038	103,437

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, 2014	397,248	39,480	(71,907)	(213,850)	(15,283)	(2,632)	133,056
Charged / (credited) to the income statement	(39,430)	(61,432)	(1,866)	(18,473)	6,949	6,890	(107,362)
Charged / (credited) directly to equity	-	-	-	-	(1,286)	-	(1,286)
Corporate acquisition	80,669	8,459	(3,880)	(2,621)	855	-	83,482
Change in estimate of decommissioning liabilities	35,296	-	(39,176)	-	-	-	(3,880)
Other	(285)	495	(876)	324	(222)	(9)	(573)
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

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

($000s)	December 31, 2016	December 31, 2015
Undepreciated capital cost	441,929	460,897
Canadian development expense	466,419	523,905
Canadian oil and gas property expense	1,449,498	1,125,705
Non-capital loss carry forward	932,444	861,874
Share issue costs	51,560	40,498
Total	3,341,850	3,012,879

At December 31, 2016, the Company has non-capital losses of $932.4 million that expire between 2025 and 2036.

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Twelve months ended December 31,	
($000s)	2016	2015
Accounts receivable	(25,385)	24,073
Deposits and prepaid expenses	(1,048)	3,651
Accounts payable and accrued liabilities	18,202	(1,504)
Dividend payable	(10,205)	2,946
Change in non-cash working capital	(18,436)	29,166
Related to:		
Operating activities	(19,587)	23,540
Financing activities	(10,205)	2,946
Investing activities	11,356	2,680

19. COMMITMENTS

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

($000s)	2017	2018	2019	2020+	Total
Operating leases	14,204	15,404	16,136	112,943	158,687
Transportation agreements	19,669	12,845	10,109	18,573	61,196
Total	33,873	28,249	26,245	131,516	219,883

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, 2016, the Company incurred $0.6 million for legal fees and disbursements ($0.6 million for the year ended December 31, 2015). 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, 2016 a payable balance of $0.1 million ($0.1 million – December 31, 2015) was outstanding.

21. INVESTMENTS IN SUBSIDIARIES

The Company has the following material subsidiaries, each owned 100% directly, at December 31, 2016:

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

22. SUBSEQUENT EVENT

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 facilities. The proceeds of this private placement were used to repay indebtedness under the Company's credit facility.