MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Whitecap Resources Inc. (the "Company" or "Whitecap") is dated March 6, 2017 and should be read in conjunction with the Company's audited annual consolidated financial statements and related notes for the year ended December 31, 2016 and our Annual Information Form for the year ended December 31, 2016. The audited annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual consolidated financial statements for the year ended December 31, 2016. The MD&A should also be read in conjunction with Whitecap's disclosure under "Non-GAAP Measures" and "Forward-Looking Information and Statements" below. Additional information respecting Whitecap, including our Annual Information Form, is available on SEDAR at www.sedar.com and on our website at www.wcap.ca.

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

DESCRIPTION OF BUSINESS

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

2016 ANNUAL FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Year ended December 31,	
	2016	2015
Crude oil (bbls/d)	32,398	27,958
NGLs (bbls/d)	3,168	2,974
Natural gas (Mcf/d)	61,651	60,128
Total (boe/d)	45,841	40,953
Production split (%)		
Crude oil and NGLs	78	76
Natural gas	22	24
Total	100	100

Average production volumes increased 12 percent to 45,841 boe/d in 2016 from 40,953 boe/d in 2015, while average production volumes increased 20 percent to 50,612 boe/d in the fourth quarter of 2016 from 42,067 boe/d for the same period in 2015. The increases are primarily attributed to the acquisition of high quality, low decline oil-weighted assets in southwest Saskatchewan (the "Southwest Saskatchewan Acquisition") that closed in the second quarter of 2016, as well as the Company's successful execution of its field capital program partially offset by natural declines.

Our crude oil and NGL weighting in 2016 has increased two percent compared to 2015. The increase is primarily attributed to the oil-weighted properties acquired through the Southwest Saskatchewan Acquisition.

Petroleum and Natural Gas Sales

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

	Year ended December 31,	
($000s)	2016	2015
Crude oil	564,161	547,895
NGLs	20,072	16,618
Natural gas	51,073	57,767
Petroleum and natural gas sales	635,306	622,280

Petroleum and natural gas sales in 2016 increased two percent to $635.3 million from $622.3 million in 2015. The increase of $13.0 million consists of $89.8 million attributed to higher production volumes partially offset by $76.8 million attributed to lower realized prices. Petroleum and natural gas sales in the fourth quarter of 2016 increased 41 percent to $209.1 million from $148.2 million in the same period in 2015. The increase of $60.9 million consists of $36.7 million attributed to higher production volumes and $24.2 million attributed to higher realized prices.

Benchmark and Realized Prices

Average benchmark and realized prices are as follows:

	Year ended December 31,	
	2016	2015
Benchmark prices		
WTI (US$/bbl) [(1)]	43.32	48.80
Exchange rate (USD/CAD)	1.32	1.28
WTI (C$/bbl)	57.28	62.15
Edmonton Par (C$/bbl)	52.90	57.11
Western Canadian Select (C$/bbl)	38.91	45.12
AECO natural gas ($/Mcf) [(2)]	2.16	2.69
Average realized prices [(3)]		
Crude oil ($/bbl)	47.58	53.69
NGLs ($/bbl)	17.31	15.31
Natural gas ($/Mcf)	2.26	2.63
Combined ($/boe)	37.87	41.63

Notes:

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

(2) Represents the AECO daily posting.

(3) Prior to the impact of hedging activities.

Whitecap's weighted average realized price prior to the impact of hedging activities decreased nine percent to $37.87 per boe for the year ended December 31, 2016 compared to $41.63 per boe for 2015. For the quarter ended December 31, 2016, Whitecap's weighted average realized price prior to the impact of hedging activities increased 17 percent to $44.92 per boe compared to $38.30 per boe in same period in 2015.

WTI prices averaged US$43.32 per barrel for the year ended December 31, 2016, a decrease of 11 percent compared to US$48.80 per barrel for 2015. While North American crude oil production declined slightly in 2016, non-North American supply from both OPEC and non-OPEC producers continued to grow in aggregate. North American crude oil and refined product inventories remained at high levels throughout 2016, ending the year approximately 21 percent above the five-year average, and relatively unchanged compared to the end of 2015. WTI prices averaged US$49.29 per barrel in the fourth quarter of 2016, an increase of 17 percent compared to US$42.18 per barrel for the same period in 2015. In November 2016, OPEC and certain non-OPEC producers agreed to reduce oil production effective January 1, 2017, strengthening crude oil prices at the end of 2016.

The Edmonton light sweet crude oil price differential to WTI decreased by 17 percent to average US$3.21 per barrel in 2016 compared to an average of US$3.89 per barrel in 2015, primarily due to refinery demand and adequate pipeline capacity. The Edmonton light sweet crude oil price differential to WTI increased by

26 percent to average US$3.11 per barrel in the fourth quarter of 2016 compared to an average of US$2.46 per barrel for the same period in 2015, as WTI prices and drilling activity increased implying more robust supply availability.

The Company's realized crude oil prices in southwest Saskatchewan are based on Fosterton oil prices, which received an average premium to Western Canadian Select ("WCS") of US$1.55 per barrel in 2016 compared to US$1.68 per barrel in 2015, a decrease of eight percent. Fosterton oil prices received an average premium to WCS of US$1.40 per barrel in the fourth quarter of 2016 compared to US$2.00 per barrel for the same period in 2015, a decrease of 30 percent. The WCS crude oil price differential to WTI increased by two percent to average US$13.83 per barrel in 2016 compared to an average of US$13.52 per barrel in 2015. Refinery utilization rates and adequate pipeline capacity held oil price differentials within a relatively narrow trading range through 2016. The WCS crude oil price differential to WTI decreased by one percent to average US$14.32 per barrel in the fourth quarter of 2016 compared to an average of US$14.49 per barrel for the same period in 2015.

The AECO daily spot price averaged $2.16 per Mcf in 2016 compared to an average of $2.69 per Mcf in 2015, a decrease of 20 percent. North American gas storage levels remained well above the 5 year average throughout most of 2016, keeping downward pressure on gas prices. Cold weather late in the year triggered large storage withdrawals and stronger gas prices. The AECO daily spot price averaged $3.09 per Mcf in the fourth quarter of 2016 compared to an average of $2.46 per Mcf for the same period in 2015, an increase of 26 percent, primarily due to stronger weather related demand.

Natural gas liquids component prices averaged slightly higher in 2016 compared to 2015, improving in the fourth quarter as high inventory levels, especially for propane, started to draw down. Butane and condensate prices improved towards year end in correlation with crude oil prices. Natural gas liquids sale prices were approximately 30 percent higher in the fourth quarter of 2016 compared to the same period in 2015 due to increased cold weather demand for propane, and stronger oil prices supporting butane and condensate prices.

Risk Management and Hedging Activities

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

The Company realized gains of $7.7 million and $74.5 million on its commodity and foreign exchange risk management contracts for the quarter and year ended December 31, 2016, respectively. The unrealized losses are a result of the non-cash change in the mark-to-market values period over period. The significant assumptions made in determining the fair value of financial instruments are disclosed in Note 4 to the Company's audited annual consolidated financial statements for the year ended December 31, 2016.

	Year ended December 31,	
Risk Management Contracts ($000s)	2016	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.

At December 31, 2016, the following risk management contracts were outstanding with a mark-to-market liability value of $124.4 million:

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.

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.

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.

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.

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").

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.

Contracts entered into subsequent to December 31, 2016

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.

Royalties

	Year ended December 31,	
($000s, except per boe amounts)	2016	2015
Royalties	90,855	82,707
As a % of petroleum and natural gas sales	14	13
$ per boe	5.42	5.53

Royalties as a percentage of sales in 2016 were 14 percent compared to 13 percent in 2015. Royalties as a percentage of sales for the fourth quarter of 2016 were 15 percent compared to 14 percent for the same period in 2015. The increases are primarily attributed to properties acquired in the Southwest Saskatchewan Acquisition, which have higher royalty rates than the Company average. The increase to royalties as a percentage of sales in 2016 was partially offset by decreases in royalties due to lower realized prices in 2016 compared to 2015. The increase to royalties as a percentage of sales in the fourth quarter was also attributed to higher realized prices in the fourth quarter of 2016 compared to the same period in 2015. Whitecap pays royalties to the provincial governments and mineral owners in Alberta, Saskatchewan and British Columbia. Each province has separate royalty regimes which impact Whitecap's overall corporate royalty rate.

Operating Expenses

	Year ended December 31,	
($000s, except per boe amounts)	2016	2015
Operating expenses	160,057	146,621
$ per boe	9.54	9.81

Operating expenses per boe in 2016 decreased three percent to $9.54 per boe compared to $9.81 per boe in 2015. Operating expenses per boe in the fourth quarter of 2016 increased seven percent to $10.18 per boe compared to $9.53 per boe for the same period in 2015. The decrease in operating expenses per boe in 2016 is primarily attributed to one-time favourable cost adjustments on acquired properties and lower than estimated thirteenth month adjustments partially offset by the properties acquired in the Southwest Saskatchewan Acquisition which have higher operating expenses per boe than the Company average. The increase in operating expenses per boe, in the fourth quarter, is primarily attributed to the properties acquired in the Southwest Saskatchewan Acquisition which have higher operating expenses per boe than the Company average.

Transportation Expenses

	Year ended December 31,	
($000s, except per boe amounts)	2016	2015
Transportation expenses	14,903	23,503
$ per boe	0.89	1.57

Transportation expenses in 2016 decreased 44 percent to $0.89 per boe compared to $1.57 per boe in 2015. Transportation expenses in the fourth quarter of 2016 decreased 36 percent to $1.00 per boe compared to $1.57 per boe for the same period in 2015. The decreases in transportation expenses on a per boe basis are primarily attributed to increased pipeline connectivity in west central Saskatchewan and Deep Basin as well as properties acquired in the Southwest Saskatchewan Acquisition, which had lower per boe transportation costs than the Company average. The decreases were partially offset by increased transportation expenses at Boundary Lake due to pipeline restrictions primarily in the second half of 2016.

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

General and Administrative ("G&A") Expenses

	Year ended December 31,	
($000s, except per boe amounts)	2016	2015
Gross G&A	26,214	29,008
Capitalized G&A	(4,498)	(7,470)
G&A expenses	21,716	21,538
$ per boe	1.29	1.44

G&A expenses per boe in 2016 decreased 10 percent to $1.29 per boe compared to $1.44 per boe in 2015. G&A expenses per boe in the fourth quarter of 2016 decreased 17 percent to $1.15 per boe compared to $1.38 per boe for the same period in 2015. The decreases on a per boe basis were primarily attributed to higher production volumes, as G&A expenses were consistent with the same periods in 2015. The decrease in gross G&A is primarily attributed to lower bonus amounts in 2016 compared to 2015. The decrease in capitalized G&A in 2016 is primarily attributed to lower field capital expenditures in 2016 compared to 2015.

Share-based and Option-based Awards

	Year ended December 31,	
($000s, except per boe amounts)	2016	2015
Stock-based compensation	24,636	35,291
Capitalized stock-based compensation	(7,843)	(12,420)
Stock-based compensation expenses	16,793	22,871
$ per boe	1.00	1.53

In the quarter and year ended December 31, 2016, the Company recorded stock-based compensation of $1.7 million and $24.6 million respectively, with the offsetting amounts recorded in contributed surplus. Stock-based compensation will fluctuate with changes to the expected payout multipliers associated with the performance awards and additional grants under the Award Incentive Plan.

Award Incentive Plan

The Company implemented an Award Incentive Plan effective April 30, 2013. The Award Incentive Plan has time-based awards and performance awards which may be granted to the directors, officers and employees of the Company. As at December 31, 2016, 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 on vesting and is dependent on the performance of the Company relative to pre-defined corporate performance measures set by the Board of Directors for the associated period.

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

As at December 31, 2016, the Company had 4.0 million awards outstanding.

Stock Options

As at December 31, 2016, the Company had no further stock options outstanding. Since the adoption of the new Award Incentive Plan in 2013, there have been no stock options granted.

Transaction Costs

	Year ended December 31,	
($000s)	2016	2015
Total transaction costs	350	364
$ per boe	0.02	0.02

Transaction costs are the incremental costs incurred related to an acquisition, such as finder's fees, advisory, legal and other professional fees. Transaction costs incurred in 2016 are mainly attributable to costs incurred for the Southwest Saskatchewan Acquisition in the second quarter of 2016.

Interest and Financing Expenses

	Year ended December 31,	
($000s, except per boe amounts)	2016	2015
Interest and financing expenses	29,277	42,376
Unrealized gain (loss) on interest rate contracts	6,651	(6,887)
Interest and finance expenses excluding unrealized gain (loss) on interest rate contracts	35,928	35,489
$ per boe	2.14	2.37

Interest and finance expenses excluding unrealized gain (loss) on interest rate contracts decreased 10 percent to $2.14 per boe in 2016 compared to $2.37 per boe in 2015. Interest and finance expenses excluding unrealized gain (loss) on interest rate contracts for the fourth quarter of 2016 decreased 19 percent to $1.91 per boe compared to $2.37 per boe for the same period in 2015. The decreases on a per boe basis were mainly attributed to higher production volumes, as the interest and finance expenses excluding unrealized gain (loss) on interest rate contracts were consistent with the same periods in 2015.

Netbacks

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

	Year ended December 31,	
Netbacks ($/boe)	2016	2015
Petroleum and natural gas sales	37.87	41.63
Realized hedging gain	4.44	11.39
Royalties	(5.42)	(5.53)
Operating expenses	(9.54)	(9.81)
Transportation expenses	(0.89)	(1.57)
Operating netbacks (1)	26.46	36.11
G&A expenses	(1.29)	(1.44)
Interest and financing expenses	(2.14)	(2.37)
Transaction costs	(0.02)	(0.02)
Settlement of decommissioning liabilities (2)	(0.07)	(0.08)
Funds flow netbacks (1)	22.94	32.20

Note:

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

(2) Decommissioning liabilities settled in 2016 were $1.2 million compared to $1.1 million in 2015.

Operating netbacks in 2016 decreased 27 percent to $26.46 per boe compared to $36.11 per boe in 2015. The decrease on a per boe basis was primarily due to lower average realized pricing, lower realized hedging gains partially offset by lower royalties, operating expenses and transportation expenses. Operating netbacks in the fourth quarter of 2016 decreased 13 percent to $28.50 per boe compared to $32.68 per boe for the same period in 2015. The decrease on a per boe basis was due to lower realized hedging gains and higher royalties and operating expenses partially offset by higher average realized pricing and lower transportation expenses.

Funds flow netbacks in 2016 decreased 29 percent to $22.94 per boe compared to $32.20 per boe in 2015. Funds flow netbacks in the fourth quarter of 2016 decreased 12 percent to $25.30 per boe compared to $28.82 per boe for the same period in 2015. The decrease on a per boe basis was primarily due to lower operating netbacks partially offset by lower G&A expenses and lower interest and financing expenses excluding unrealized gain (loss) on interest rate contracts.

Depletion, Depreciation, Amortization and Impairment

	Year ended December 31,	
($000s, except per boe amounts)	2016	2015
Depletion, Depreciation, Amortization and Impairment	20,743	825,306
Impairment (expense) reversal	284,785	(506,186)
Depletion, Depreciation, & Amortization ("DD&A")	305,528	319,120
$ per boe, before impairment	18.21	21.35

Depletion, Depreciation and Amortization ("DD&A") per boe, before impairment, in 2016 decreased 15 percent to $18.21 per boe compared to $21.35 per boe in 2015. DD&A per boe, before impairment, in the fourth quarter of 2016 decreased 12 percent to $17.21 per boe compared to $19.49 per boe for the same period in 2015. The decreases on a per boe basis are mainly attributed to lower depletion rates, higher production volumes and reductions in Property, Plant and Equipment ("PP&E") due to impairment expenses recorded in the second half of 2015. DD&A per boe will fluctuate from one period to the next depending on the amount and type of capital spending, the amount of reserves added and production volumes. The depletion rates are calculated on proved and probable oil and natural gas reserves, taking into account the future development costs to produce the reserves.

As a result of the decrease in forward benchmark commodity prices at December 31, 2016 compared to December 31, 2015, an impairment test on the Company's PP&E assets was performed. The impairment test of PP&E at December 31, 2016 concluded that the estimated recoverable amount of all CGUs exceeded their carrying amount. And because prior period impairments were booked, the Company recognized an impairment reversal in the West Central Saskatchewan CGU and the West Central Alberta CGU of $48.4 million and $236.4 million, respectively. The full amounts of the reversals were recorded in net depletion, depreciation, amortization and impairment expense.

The impairment 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. In the fourth quarter of 2015, the Company recognized a total impairment expense of $23.9 million. The full amount of the impairment was attributed to PP&E and was recorded in depletion, depreciation, amortization and impairment expense. In the third quarter of 2015, the Company recognized impairment expenses of $355.9 million and $126.4 million, which were attributed to PP&E and goodwill, respectively. The full amounts of the impairments were recorded in depletion, depreciation, amortization and impairment expense.

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

During the quarter and year ended December 31, 2016, the Company recognized costs associated with expired mineral leases of $0.3 million and $4.9 million as expenses respectively, compared to $1.8 million and $5.4 million in the same periods in 2015, respectively. During the quarter and year ended December 31, 2016, the Company added $0.8 million and $11.7 million of undeveloped land respectively, as a result of property acquisitions completed in the periods.

Net Loss on Asset Dispositions

During the quarter and year ended December 31, 2016, the Company recognized a gain of $2.7 million and a net loss of $3.5 million, respectively, on the disposition of non-core assets. The gain and net loss are equal to the difference between the consideration received and the net book value of the assets disposed of by Whitecap during those periods.

Taxes

During the quarter and year ended December 31, 2016, the Company recognized a deferred income tax expense of $70.8 million and $68.9 million respectively compared to a deferred income tax expense of $15.6 million and a deferred income tax recovery of $107.4 million respectively for the same periods in 2015. The deferred income tax expense in the year ended December 31, 2016 was primarily due to the $284.8 million reversal of PP&E impairment in the fourth quarter. The deferred income tax recovery in the year ended December 31, 2015 was primarily due to a $102.5 million deferred income tax recovery recognized as a result of the $379.8 million impairment of PP&E during the year.

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

Net Income (Loss)

For the year ended December 31, 2016, the Company recognized net income of $170.7 million compared to a net loss of $500.7 million for the same period in 2015. The change of $671.4 million is primarily attributed to $804.6 million lower DD&A and impairment expenses, a $49.5 million change in gains and losses on risk management contracts, $13.1 million lower interest and financing charges and $13.0 million higher petroleum and natural gas sales. The change was partially offset by a $176.2 million change in deferred income taxes, a $17.2 million change in net gains and losses on asset dispositions, $13.4 million higher operating expenses and $2.0 million in other net changes. The factors causing these changes are discussed in the preceding sections.

In the fourth quarter of 2016, the Company recognized net income of $191.1 million compared to a net loss of $87.1 million for the same period in 2015. The change of $278.2 million is primarily attributed to $304.0 million lower DD&A and impairment expenses, $60.9 million higher petroleum and natural gas sales and $5.8 million in other net changes. The change was partially offset by a $55.3 million change in deferred income taxes, $15.4 million change in gains and losses on risk management contracts, $11.3 million higher royalties and $10.5 million higher operating expenses. The factors causing these changes are discussed in the preceding sections.

Funds Flow and Payout Ratios

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

	Year ended December 31,	
($000s)	2016	2015
Cash flow from operating activities	365,138	504,718
Changes in non-cash working capital	19,587	(23,540)
Funds flow [(1)]	384,725	481,178
Cash dividends declared	116,521	212,898
Field capital [(1)]	173,993	234,778
Free funds flow [(1)]	94,211	33,502
Basic payout ratio (%) [(1)]	30	44
Total payout ratio (%) [(1)]	76	93
Funds flow per share, basic [(1)]	1.13	1.69
Funds flow per share, diluted [(1)]	1.13	1.68
Cash dividends declared per share [(1)]	0.35	0.75

Note:

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

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

Cash flow from operating activities, for the quarter and year ended December 31, 2016, was $98.8 million and $365.1 million respectively compared to $114.5 million and $504.7 million respectively for the same periods in 2015. The decreases in cash flow from operating activities are primarily attributed to decreases in funds flow partially offset by increases in cash inflows due to changes in non-cash working capital.

Funds flow, for the quarter and year ended December 31, 2016, was $117.8 million and $384.7 million respectively compared to $111.5 million and $481.2 million respectively for the same periods in 2015. The increases in funds flow for the quarter are primarily attributed to higher production volumes partially offset by lower operating netbacks. The decreases in funds flow year over year are primarily attributed to lower operating netbacks partially offset by higher production volumes.

Capital Expenditures

	Year ended December 31,	
($000s)	2016	2015
Land and geological	1,104	1,054
Drilling and completions	148,071	178,530
Investment in facilities	20,320	47,724
Capitalized administration	4,498	7,470
Field capital [1]	173,993	234,778
Corporate and other assets	365	318
Property acquisitions	630,565	252,278
Property dispositions	(144,379)	(26,592)
Corporate acquisitions	-	579,906
Total capital expenditures	660,544	1,040,688

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

For the year ended December 31, 2016, field capital totaled $174.0 million with 97 percent spent on drilling, completions and facilities.

Whitecap drilled 104 (94.1 net) wells in 2016 with a 100 percent success rate, including 18 (17.9 net) horizontal Cardium wells and 1 (1.0 net) horizontal Nisku well in west central Alberta, 57 (51.8 net) horizontal Viking oil wells in west central Saskatchewan, 3 (2.5 net) Dunvegan wells and 6 (6.0 net) Cardium wells in northwest Alberta, 6 (5.7 net) Boundary Lake (Triassic) wells in British Columbia and 13 (9.2 net) wells in southwest Saskatchewan.

Net Property Acquisitions

In the second quarter of 2016, the Company closed the Southwest Saskatchewan Acquisition for cash consideration of $597.1 million, taking into consideration customary closing adjustments. The Company also disposed of non-core assets in Saskatchewan for total cash consideration of $25.1 million.

In the first quarter of 2016, the Company disposed of certain production facilities to a third party for $70 million. Pursuant to the agreement, Whitecap will operate the facilities and will pay the purchaser an annual tariff fee for the life of the agreement and will retain all third party processing revenues generated. Whitecap has the option to repurchase the facilities at any time. The Company also 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.

Decommissioning Liability

At December 31, 2016, the Company recorded decommissioning liabilities of $609.7 million for future abandonment and reclamation of the Company’s properties. Estimates are based on both operational knowledge of the properties and updated industry guidance provided by the Alberta Energy Regulator and the Saskatchewan Ministry of the Economy. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined.

Capital Resources and Liquidity

Credit Facilities

As at December 31, 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 (1.75:1.00 as at December 31, 2016) and the ratio of EBITDA to interest expense shall not be less than 3.50:1.00 (12.43:1.00 as at December 31, 2016). 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.

Equity

On May 30, 2016, the Company closed a bought deal public financing of approximately 51.1 million subscription receipts at a price of $9.20 per subscription receipt for gross proceeds of approximately $470 million which was used to partially fund the Southwest Saskatchewan Acquisition. Each subscription receipt was converted to one common share on June 23, 2016.

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

On May 1, 2015, as part of the consideration to acquire the issued and outstanding shares of Beaumont Energy Inc. ("Beaumont"), 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.

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 fund the cash portion of the consideration paid to Beaumont shareholders pursuant to the acquisition of Beaumont and assume Beaumont's debt. Each subscription receipt was converted to one common share on May 1, 2015.

The Company is authorized to issue an unlimited number of common shares. As at March 6, 2017, there were 369.0 million common shares and 3.7 million share awards outstanding.

Liquidity

The Company generally relies on funds flow, equity issuances and its credit facility to fund its capital requirements, dividend payments and provide liquidity. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds flow, existing credit facilities and the ability to access debt and equity markets. All repayments on the revolving production and operating facilities are due at the term maturity date. Repayment on the term loan facility is due on the term loan maturity date. As none of the facilities mature within the next year, the liabilities are considered to be non-current. The Company generates positive funds flow. At December 31, 2016, the Company had $326.6 million of unutilized credit to cover any working capital deficiencies. The Company believes that it is well positioned to take advantage of its internally developed opportunities funded through available credit facilities combined with anticipated funds flow. Present sources of capital are currently anticipated to be sufficient to satisfy the Company's previously disclosed 2017 capital program of $300 million and dividend payments for the 2017 fiscal year.

Contractual Obligations

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

($000s)	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
Bank debt (1)	414,917	200,658	186,499	-	802,074
Total	448,790	228,907	212,744	131,516	1,021,957

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

Related Party Transactions

The Company has retained the law firm of Burnet, Duckworth & Palmer LLP ("BD&P") to provide Whitecap with legal services. A director of Whitecap is a partner of this firm. During the year ended December 31, 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.

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.

Changes in Accounting Policies Including Initial Adoption

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

Standards Issued but not yet Effective

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

IFRS 9 Financial Instruments ("IFRS 9") (2013 & 2014)
IFRS 9 (2013) significantly revises the existing hedge accounting guidance in IAS 39 *Financial Instruments: Recognition and Measurement* and is intended to align hedging with an entity's risk management strategies. IFRS 9 (2014) incorporates a further amendment to classification categories for financial assets, and includes a new impairment model. IFRS 9 (2013 & 2014) are effective for annual periods beginning on or after January 1, 2018. Whitecap is currently evaluating the impact of the standards on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
IFRS 15 was issued in May 2014 and replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The standard is required to be adopted either retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. Whitecap is currently evaluating the impact of the standard on the Company's consolidated financial statements.

IFRS 16 Leases ("IFRS 16")
IFRS 16 was issued in January 2016 and replaces IAS 17 *Leases* and related interpretations. The standard is required to be adopted either retrospectively or by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has also been adopted. Whitecap is currently evaluating the impact of the standard on the Company's consolidated financial statements.

Off Balance Sheet Arrangements

The Company does not have any special purpose entities nor is it party to any arrangements that would be excluded from the balance sheet other than commitments disclosed in Note 19 to the Company's audited annual consolidated financial statements for the year ended December 31, 2016.

Critical Accounting Estimates

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

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

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

Business Risks

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

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

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

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

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

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

Environmental Risks

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

Selected Annual information

($000s, except as noted)	2016	2015	2014
Financial			
Petroleum and natural gas sales	635,306	622,280	815,689
Funds flow [(1)]	384,725	481,178	481,651
Basic ($/share) [(1)]	1.13	1.69	2.08
Diluted ($/share) [(1)]	1.13	1.68	2.06
Net income (loss)	170,748	(500,713)	453,141
Basic ($/share)	0.50	(1.76)	1.95
Diluted ($/share)	0.50	(1.76)	1.94
Field capital [(1)]	173,993	234,778	323,836
Property acquisitions	630,565	252,278	950,856
Property dispositions	(144,379)	(26,592)	(273,547)
Corporate acquisitions	-	579,906	602,691
Total assets	5,134,940	4,183,085	3,869,293
Net debt [(1)]	818,580	939,787	798,290
Common shares outstanding (000s)	368,351	300,613	253,476
Cash dividends declared per share [(1)]	0.35	0.75	0.73
Operational			
Average daily production			
Crude oil (bbls/d)	32,398	27,958	20,796
NGLs (bbls/d)	3,168	2,974	2,596
Natural gas (Mcf/d)	61,651	60,128	54,395
Total (boe/d)	45,841	40,953	32,458

Note:

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

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

Summary of Quarterly Results

	2016				2015			
($000s, except as noted)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial								
Petroleum and natural gas sales	209,149	178,498	135,553	112,106	148,225	155,238	186,178	132,639
Funds flow (1)	117,792	106,326	92,928	67,679	111,537	115,694	144,364	109,583
Basic ($/share) (1)	0.32	0.29	0.29	0.22	0.37	0.39	0.51	0.43
Diluted ($/share) (1)	0.32	0.29	0.29	0.22	0.37	0.38	0.50	0.43
Net income (loss)	191,104	6,350	(28,311)	1,605	(87,087)	(375,640)	(8,583)	(29,403)
Basic ($/share)	0.52	0.02	(0.09)	0.01	(0.29)	(1.26)	(0.03)	(0.12)
Diluted ($/share)	0.51	0.02	(0.09)	0.01	(0.29)	(1.26)	(0.03)	(0.12)
Field capital (1)	79,651	32,945	16,159	45,238	62,322	50,573	45,868	76,015
Property acquisitions	12,043	987	596,244	21,291	94,397	86,474	13,077	58,330
Property dispositions	35	(281)	(42,498)	(101,635)	(268)	(12,856)	(10,805)	(2,663)
Corporate acquisitions	-	-	-	-	-	-	579,906	-
Total assets	5,134,940	4,798,265	4,827,244	4,091,011	4,183,085	4,146,874	4,580,146	3,894,916
Net debt (1)	818,580	821,731	869,231	800,302	939,787	842,234	774,825	867,148
Common shares outstanding (000s)	368,351	367,655	367,574	314,403	300,613	298,866	298,599	253,595
Cash dividends declared per share (1)	0.07	0.07	0.07	0.14	0.19	0.19	0.19	0.19
Operational								
Average daily production								
Crude oil (bbls/d)	37,072	36,094	26,771	29,561	29,092	28,653	28,416	25,623
NGLs (bbls/d)	3,247	2,991	3,231	3,205	3,130	3,204	2,865	2,689
Natural gas (Mcf/d)	61,756	60,994	62,315	61,547	59,069	59,781	61,441	60,237
Total (boe/d)	50,612	49,251	40,388	43,024	42,067	41,821	41,521	38,351

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

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

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

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

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

In the first quarter of 2016, the Company closed a bought deal public financing by issuing approximately 13.8 million Whitecap common shares at a price of $6.90 per common share for gross proceeds of approximately $95 million. Additionally, the Company disposed of certain production facilities to a third party for cash consideration of $70 million.

In the fourth quarter of 2015, the Company increased its working interest in strategic light oil assets located in its Boundary Lake core area for total consideration of $93.4 million. Additionally, as a result of lower forecast benchmark commodity prices at December 31, 2015 compared to December 31, 2014, the Company recognized an impairment of $23.9 million attributed to PP&E.

In the third quarter of 2015, the Company acquired strategic light oil assets located in its Boundary Lake and Wapiti area for total consideration of $81.3 million and disposed of non-core assets in Willesden Green for total consideration of $8.0 million. Additionally, as a result of lower forecast benchmark commodity prices at September 30, 2015 compared to December 31, 2014, the Company recognized impairments of $482.3 million, of which $355.9 million and $126.4 million were attributed to PP&E and goodwill respectively.

In the second quarter of 2015, the Company closed the acquisition of Beaumont by acquiring all of the issued and outstanding common shares of Beaumont for $7.3 million in cash, the issuance of 36.3 million Whitecap common shares and the assumption of Beaumont's debt. Through the acquisition, Whitecap acquired high netback, light oil-weighted Viking properties located in the Kerrobert area of west central Saskatchewan. The purchase price was partially funded through the issuance of approximately 8.1 million subscription receipts at a price of $13.50 per subscription receipt for gross proceeds of approximately $109.5 million in the second quarter of 2015. Each subscription receipt was converted to one common share on closing of the acquisition.

In the first quarter of 2015, the Company acquired strategic light oil assets located in its Deep Basin core area for total consideration of $57.5 million. In addition, the Company's credit facility was increased to $1.2 billion from the previous $1.0 billion.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer of Whitecap evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Whitecap's DC&P were effective as at December 31, 2016.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining ICFR for Whitecap. They have, as at the financial year ended December 31, 2016, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") issued an updated Internal Control-Integrated Framework ("2013 Framework") replacing the Internal Control - Integrated Framework (1992). The control framework Whitecap's officers used to design the Company's ICFR is the 2013 Framework.

Under the supervision of the Chief Executive Officer and the Chief Financial Officer, Whitecap conducted an evaluation of the effectiveness of the Company's ICFR as at December 31, 2016 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2016, Whitecap maintained effective ICFR.

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

There were no changes in Whitecap's ICFR during the year ended December 31, 2016 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

NON-GAAP MEASURES

This MD&A includes non-GAAP measures as further described herein. These non-GAAP measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS or, alternatively, "GAAP") and therefore may not be comparable with the calculation of similar measures by other companies.

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

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

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

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

	Year ended December 31,	
($000s)	2016	2015
Expenditures on PP&E	174,358	235,096
Expenditures on corporate and other assets	(365)	(318)
Field capital	173,993	234,778

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

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

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

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

“Net debt” is calculated as bank debt plus working capital surplus or deficit adjusted for risk management contracts.

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

($000s)	December 31, 2016	December 31, 2015
Bank debt	773,395	876,166
Current liabilities	231,416	165,922
Current assets	(111,194)	(149,338)
Risk management contracts	(75,037)	47,037
Net debt	818,580	939,787

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

“Total payout ratio” is calculated as cash dividends declared plus field capital, divided by funds flow.

BOE PRESENTATION

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

FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

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

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

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