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 1, 2016 and should be read in conjunction with the Company's audited annual consolidated financial statements and related notes for the year ended December 31, 2015 and our Annual Information Form for the year ended December 31, 2015. The 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, 2015. 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 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 engaged in the acquisition, development, optimization and production of crude oil and natural gas in western Canada. We are focused on providing sustainable monthly dividends and per share growth through a combination of accretive oil-based acquisitions and organic growth on existing and acquired assets.

2015 ANNUAL FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Year ended December 31, 2015	2014
Crude oil (bbls/d)	27,958	20,796
NGLs (bbls/d)	2,974	2,596
Natural gas (Mcf/d)	60,128	54,395
Total (boe/d)	40,953	32,458
Production split (%)		
Crude oil and NGLs	76	72
Natural gas	24	28
Total	100	100

Average production volumes increased 26 percent to 40,953 boe/d in 2015 from 32,458 boe/d in 2014, while average production volumes increased 12 percent to 42,067 boe/d in the fourth quarter of 2015 compared to 37,661 boe/d in the same period in 2014. The 2015 increase is mainly attributed to a full year of production from strategic property and corporate acquisitions completed in 2014, the acquisition of Beaumont Energy Inc. ("Beaumont") in the second quarter of 2015 and the Company's successful execution of our development capital program partially offset by natural declines. Our crude oil and NGL weighting in 2015 has increased 4 percent to 76 percent compared to 72 percent in 2014.

Petroleum and Natural Gas Sales

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

($000s)	Year ended December 31, 2015	2014
Crude oil	547,895	679,684
NGLs	16,618	44,275
Natural gas	57,767	91,730
Petroleum and natural gas sales	622,280	815,689

Petroleum and natural gas sales in 2015 decreased 24 percent to $622.3 million from $815.7 million in 2014. The decrease of $193.4 million consists of $443.6 million attributed to lower realized prices partially offset by $250.2 million due to higher production volumes. Petroleum and natural gas sales in the fourth quarter of 2015 decreased 24 percent to $148.2 million from $195.0 million in the fourth quarter of 2014. The decrease of $46.8 million consists of $76.0 million attributed to lower realized prices partially offset by $29.2 million due to higher production volumes.

Benchmark and Realized Prices

Average benchmark and realized prices are as follows:

	Year ended December 31, 2015	2014
Benchmark prices		
WTI (US$/bbl) [(1)]	48.80	93.00
USD/CAD foreign exchange rate	1.28	1.10
WTI (C$/bbl)	62.15	102.49
Edmonton Par (C$/bbl)	57.11	94.44
AECO natural gas ($/Mcf) [(2)]	2.69	4.51
Average realized prices [(3)]		
Crude oil ($/bbl)	53.69	89.54
NGLs ($/bbl)	15.31	46.73
Natural gas ($/Mcf)	2.63	4.62
Combined ($/boe)	41.63	68.85

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 was $41.63 per boe for the year ended December 31, 2015, a 40 percent decrease compared to $68.85 per boe for 2014. For the quarter ended December 31, 2015 Whitecap's weighted average realized price prior to the impact of hedging activities was $38.30 per boe, a 32 percent decrease compared to $56.28 per boe for the same period in 2014.

US$ WTI prices averaged $48.80 per barrel for the year ended December 31, 2015, a decrease of 48 percent compared to $93.00 per barrel for 2014. Global oil production continued to increase through 2015, outpacing demand growth and resulting in unprecedented growth in US and global storage inventories. US crude oil and refined product inventories were approximately 22 percent above the five-year average at the end of 2015.

The Edmonton light sweet crude price differential to WTI averaged US$3.89 per barrel for the year ended December 31, 2015, a decrease of 46 percent compared to US$7.17 per barrel for the same period in 2014. A declining WTI oil price, strong refinery utilization rates, and reduced synthetic crude oil supply in the second half of the year supported stronger light oil differentials at Edmonton.

The AECO daily spot price averaged $2.69 per Mcf in 2015 compared to $4.51 per Mcf in 2014, a decrease of 40 percent as North America natural gas supply growth outpaced demand. Moderate weather patterns through North America and small expansions to LNG export capacity were not enough to reduce the pace of gas storage injections resulting in year end North American gas storage levels approximately 15 percent above the five year average.

Natural gas liquids supply growth outpaced demand in 2015, causing significant increases to North American storage inventories, especially for propane. Edmonton NGL market prices continued to decline through the majority of 2015. In particular, Edmonton propane prices have declined over 97 percent compared to 2014 as a result of increased inventory levels and ongoing transportation bottlenecks. Butane and condensate prices declined in correlation with crude oil 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 3 years and up to 75 percent of its most recent quarter's average daily production, net of royalties.

The Company realized a gain of $41.9 and $170.3 million on its commodity risk management contracts in the quarter and year ended December 31, 2015 respectively. The unrealized loss is a result of the non-cash change in the mark-to-market values period over period.

	Year ended December 31,	
Risk Management Contracts ($000s)	2015	2014
Realized gain (loss) on commodity contracts	170,264	(27,135)
Unrealized gain (loss) on commodity contracts	(228,249)	197,969
Total gain (loss) on commodity contracts	(57,985)	170,834
Loss on interest rate contracts [1]	(11,864)	(8,727)
Total gain (loss) on risk management contracts	(69,849)	162,107

Note:

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

At December 31, 2015 the following risk management contracts were outstanding with a mark-to-market asset value of $64.6 million and a mark-to-market liability value of $112.7 million:

WTI Crude Oil Derivative Contracts [1]

Type	Term	Volume (bbls/d)	Sold Call Price (US$/bbl)	Sold Put Price (US$/bbl)	Average Swap Price (C$/bbl)
Swap	2016 Jan – Jun	3,500			97.89
Swap [2]	2016 Jul – Dec	3,500			75.00
Swap	2016	500			97.06
Sold put [3]	2016	6,000		50.00	
Sold put/call [3]	2017	3,000	85.83	60.00	
Sold put/call [3]	2018	3,000	85.83	60.00	

Notes

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

(2) 3,500 bbls/d of 2016 Jul – Dec oil hedges with an average swap price of $97.89 were repriced at $75.00. The proceeds $14.5 million will be received over the first half of 2016.

(3) 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 Derivative Contracts With Locked In Premium

Type	Term	Volume (bbls/d)	Average Swap Price (C$/bbl) [1]
Swap	2016	3,500	98.61 [2]
Swap	2016	(3,500)	70.18 [2]

Notes:

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

(2) The offsetting positions result in a locked in premium of $28.43 on 3,500 bbls/d in 2016.

WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis	Average Swap Price (C$/bbl) [1]
Swap	2016 Jan – Jun	3,100	MSW	5.23 [2]
Swap	2016 Jul – Dec	1,050	MSW	4.60
Swap	2016	10,050	MSW	5.79 [2]

Notes:

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

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

Natural Gas Derivative Contracts

Type	Term	Volume (GJ/d)	Average Swap Price ($/GJ) (1)
Swap	2016 Jan – Jun	8,000	2.23
Swap	2016 Jul – Dec	5,000	2.40
Swap	2016	15,500	2.99

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	2016	57,096	46.84
Swap	2017	43,800	44.61
Swap	2018	17,520	54.25

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

Interest Rate Contracts

Type	Term		Amount ($000s)	Fixed Rate (%)	Index
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

Foreign exchange contracts

Type	Term	Monthly Notional Amount ($000s)	USD/CAD (1)
Monthly average rate forward	2016 Jul - Dec	US$5.0 million	1.2690
Monthly average rate forward	2016	US$1.0 million	1.2820
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) Bank of Canada monthly average noon day rate settlement.

Type	Term	Monthly Notional Amount ($000s)	Floor	Ceiling	Conditional Ceiling (1) (2)
Average rate variable collar	2016 Jul - Dec	US$8.0 million	1.2475	1.3111	1.2622
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) Bank of Canada monthly average noon day rate settlement.
(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, 2015

WTI Crude Oil Derivative Contracts (1)

Type	Term	Volume (bbls/d)	Average Swap Price (US$/bbl)
Swap (2)	2017	3,000	48.03

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.

WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis	Average Swap Price (C$/bbl) (1)
Swap	2016 Apr-Jun	1,000	MSW	4.60
Swap	2016 Jul-Sep	1,000	MSW	4.50

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

Natural Gas Derivative Contracts

Type	Term	Volume (GJ/d)	Average Swap Price ($/GJ) (1)
Swap	2016	9,500	2.44

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	2018	8,760	43.10

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

Royalties

	Year ended December 31,	
($000s, except per boe amounts)	2015	2014
Royalties	82,707	108,886
As a % of petroleum and natural gas sales	13	13
$ per boe	5.53	9.19

Royalties as a percentage of sales in the quarter and year ended December 31, 2015 were consistent with the same periods in 2014. Whitecap's royalty rate in 2015 was lower due to lower realized crude oil and natural gas prices and the Beaumont acquisition of Saskatchewan Viking properties which have lower royalty rates than the company average. The decrease in 2015 royalty rates was offset by the high netback Nisku production at Elnora which has a higher royalty rate than the company average and existing wells coming off royalty holiday. Whitecap pays royalties to the provincial governments and landowners 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)	2015	2014
Operating expenses	146,621	129,705
$ per boe	9.81	10.95

Operating expenses in 2015 decreased 10 percent to $9.81 per boe compared to $10.95 per boe in 2014. Operating expenses in the fourth quarter of 2015 decreased 12 percent to $9.53 per boe compared to $10.79 per boe in the same period in 2014. The decrease in operating expenses per boe is primarily attributed to increased production volumes at Elnora which has lower per boe operating costs than the Company average and also due to cost reduction initiatives across all core operating areas.

Transportation Expenses

($000s, except per boe amounts)	Year ended December 31, 2015	2014
Transportation expenses	23,503	17,378
$ per boe	1.57	1.47

Transportation expenses in 2015 increased seven percent to $1.57 per boe compared to $1.47 per boe in 2014. Transportation expenses in the fourth quarter of 2015 increased 25 percent to $1.57 per boe compared to $1.25 per boe in the same period in 2014. The increase in transportation expenses on a per boe basis is primarily attributed to increased production volumes at Elnora and Deep Basin as well as the Beaumont acquisition of Saskatchewan Viking properties which have higher per boe transportation costs than the Company average.

Operating Netbacks

The components of operating netbacks are shown below:

Netbacks ($/boe)	Year ended December 31, 2015	2014
Petroleum and natural gas sales	41.63	68.85
Royalties	(5.53)	(9.19)
Operating expenses	(9.81)	(10.95)
Transportation expenses	(1.57)	(1.47)
Operating netbacks prior to hedging	24.72	47.24
Realized hedging gain (loss)	11.39	(2.29)
Operating netbacks(1)	36.11	44.95

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

The operating netback in 2015 decreased 20 percent to $36.11 per boe compared to $44.95 per boe in 2014. The operating netback in the fourth quarter of 2015 decreased 26 percent to $32.68 per boe compared to $44.11 per boe in the same period in 2014. The decrease on a per boe basis was due to lower average realized pricing and higher transportation expenses partially offset by lower royalties, operating expenses and realized hedging.

General and Administrative (“G&A”) Expenses

($000s, except per boe amounts)	Year ended December 31, 2015	2014
G&A	29,008	23,146
Capitalized	(7,470)	(5,441)
G&A expense	21,538	17,705
$ per boe	1.44	1.49

G&A expenses in 2015 decreased three percent to $1.44 per boe compared to $1.49 per boe in 2014. G&A expenses in the fourth quarter of 2015 decreased seven percent to $1.38 per boe compared to $1.48 per boe in the same period in 2014. The decrease on a per boe basis was mainly attributed to higher production volumes, which more than offset the absolute increase in G&A expenses.

Share-based and Option-based Awards

($000s, except per boe amounts)	Year ended December 31, 2015	2014
Stock-based compensation	35,291	12,434
Capitalized stock-based compensation	(12,420)	(5,256)
Stock-based compensation expense	22,871	7,178
$ per boe	1.53	0.61

In the quarter and year ended December 31, 2015, the Company recorded stock-based compensation of $7.5 million and $35.3 million respectively, with the offsetting amounts recorded in contributed surplus. The 2015 increase compared to the same periods in 2014 is due to an increase in the expected payout multiplier associated with the performance awards as well as additional grants under the Award Incentive Plan, partially offset by the decrease in expense associated with the stock option 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. The maximum number of common shares issuable under the plan shall not at any time exceed 6.5 percent of the total common shares outstanding less the aggregate number of common shares reserved for issuance pursuant to outstanding stock options. 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 settlement 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 shares 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 exercise of the awards, the associated amount in contributed surplus is recorded as an increase to share capital.

As at December 31, 2015, the Company had 3.9 million awards outstanding.

Stock Options

As at December 31, 2015, the Company had 0.4 million stock options outstanding. The stock options have a weighted average exercise price of $7.31 per option. Stock-based compensation expense is the amortization over the vesting period of the fair value of stock options granted to employees, consultants and directors of the Company. Stock options granted under the stock option plan have a term of four years to expiry.

Since the adoption of the new Award Incentive Plan in 2013 there have been no further stock options granted and the remaining outstanding options will be either exercised or forfeited in 2016.

Transaction Costs

	Year ended December 31,	
($000s)	2015	2014
Total transaction costs	364	2,015

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 2015 are mainly attributable to costs incurred for the acquisition of Beaumont.

Interest and Financing Expenses

	Year ended December 31,	
($000s, except per boe amounts)	2015	2014
Interest and financing expense	42,376	33,454
Unrealized loss on interest rate contracts	(6,887)	(5,349)
	35,489	28,105
$ per boe	2.37	2.37

During the quarter and year ended December 31, 2015, interest and finance expense excluding the unrealized amounts increased six percent and 26 percent respectively compared to the same periods in 2014. The increase is primarily due to higher levels of bank debt from our development capital program and acquisitions, the cost of which exceeded funds flow, partially offset by lower interest rates in 2015. On a per boe basis, interest and financing expenses excluding the unrealized amounts for the quarter and year ended December 31, 2015 are consistent with the same periods in 2014.

Depletion, Depreciation, Amortization and Impairment

	Year ended December 31,	
($000s, except per boe amounts)	2015	2014
Depletion, Depreciation, Amortization and Impairment	825,306	258,141
Impairment	506,186	-
Depletion, Depreciation and Amortization ("DD&A")	319,120	258,141
$ per boe, before impairment	21.35	21.79

The DD&A rate will fluctuate from one period to the next depending on the amount and type of capital spending and the amount of reserves added. The depletion rate is calculated on proved and probable oil and natural gas reserves, taking into account the future development costs to produce the reserves.

As at December 31, 2015, the Company determined that the carrying amounts of the Saskatchewan and Pembina 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 Southwest Alberta ("SWAB"), Pembina and Saskatchewan CGUs of $967.0 million, $665.7 million and $1,261.3 million, respectively exceeded their fair value less costs of disposal of $692.4 million, $622.5 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. In addition, the Company determined that the corporate carrying amount of $3,498.5 million exceeded the recoverable amount of $3,372.1 million. 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 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.

Exploration and Evaluation Asset Expiries

During the quarter and year ended December 31, 2015, $1.8 million and $5.4 million of costs associated with expired mineral leases were recognized as an expense respectively compared to $1.7 million and $10.7 million during the same periods in 2014. The Company added $7.1 million of undeveloped land in the year ended December 31, 2015, as a result of property acquisitions completed in the periods. The Company also added $1.7 million of undeveloped land in the year ended December 31, 2015 as part of the Beaumont acquisition.

Taxes

During the quarter and year ended December 31, 2015, the Company recognized a deferred income tax expense of $15.6 million and a deferred income tax recovery of $107.4 million respectively compared to deferred income tax expenses of $56.0 million and $98.2 million for the same periods in 2014. The deferred income tax recovery recognized in 2015 is 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. Effective July 1, 2015, the Alberta corporate income tax rate was increased from 10 percent to 12 percent. As a result of the rate change, Whitecap recognized $10.8 million in deferred income tax expense in the consolidated statement of comprehensive income for the year ended December 31, 2015.

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

($000s)	December 31, 2015	December 31, 2014
Undepreciated capital cost	460,897	310,254
Canadian development expense	523,905	467,336
Canadian oil and gas property expense	1,125,705	1,042,200
Non-capital loss carry forward	861,874	843,199
Share issue costs	40,498	60,246
Total	3,012,879	2,723,235

Net Gain on Asset Dispositions

During the year ended December 31, 2015, the Company recognized a net gain of $13.7 million on the disposition of non-core assets. The net gain is equal to the difference between the consideration received and the net book value of the assets disposed of by Whitecap.

Gain on Acquisition of Private Companies

As part of the acquisition of two private companies, the Company recognized a gain of $162.3 million for the year ended December 31, 2014. The gain represents the excess of the $269.4 million total identifiable net assets acquired over the $107.1 million cash consideration paid.

Net Income (Loss)

For 2015, the net loss was $500.7 million compared to net income of $453.1 million for 2014. The decrease of $953.8 million is primarily due to $567.2 million higher depletion, depreciation, amortization and impairment, which included a $506.2 million impairment of PP&E and goodwill, $228.8 million related to risk management contracts, $193.4 million lower petroleum and natural gas sales, a $162.3 million gain on acquisition of private companies recognized in 2014 and $7.6 million in other net changes. The decrease was partially offset by a $205.5 million change in deferred income taxes. The factors causing these changes are discussed in the preceding sections.

For the fourth quarter of 2015, net loss was $87.1 million compared to net income of $166.1 million for same period in 2014. The decrease of $253.2 million is primarily due to $224.8 million related to risk management contracts, $46.8 million lower petroleum and natural gas sales and $25.1 million higher depletion, depreciation, amortization and impairment, which included a $23.9 million impairment of PP&E. The decrease was partially offset by a $40.4 million change in deferred income taxes and $3.1 million in other net changes.

Funds Flow and Payout Ratios

Funds flow, development capital, basic payout ratio and total payout ratio are non-GAAP measures. Funds flow represents cash flow from operating activities adjusted for changes in non-cash working capital, transaction costs and settlement of decommissioning liabilities. Development capital represents expenditures on property, plant and equipment excluding corporate and other assets. Basic payout ratio is calculated as cash dividends declared divided by funds flow. Total payout ratio is calculated as cash dividends declared plus development capital, divided by funds flow. The Company considers these to be key measures of performance and indicators of sustainability.

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

($000s)	Year ended December 31, 2015	2014
Cash flow from operating activities	504,718	468,916
Changes in non-cash working capital	(23,540)	12,735
Settlement of decommissioning liabilities	1,144	3,109
Transaction costs	364	2,015
Funds flow	482,686	486,775
Cash dividends declared	212,898	169,594
Expenditures on property, plant and equipment	235,096	324,426
Expenditures on corporate and other assets	(318)	(590)
Development capital	234,778	323,836
Basic payout ratio (%)	44	35
Total payout ratio (%)	93	101
Funds flow per share, basic [1]	1.70	2.10
Funds flow per share, diluted [1]	1.68	2.08
Cash dividends declared per share [1]	0.75	0.73

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

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

Cash flow from operating activities for the quarter and year ended December 31, 2015 were $114.5 million and $504.7 million respectively compared to $157.5 million and $468.9 million respectively for the same periods in 2014. The increase in cash flow from operations in 2015 compared to 2014 is primarily attributed to an increase in cash inflows related to changes in non-cash working capital items partially offset by a decrease in funds flow. The decrease in cash flow from operations in the fourth quarter of 2015 compared to the same period in 2014 is primarily attributed to a decrease in funds flow and a decrease in cash inflows related to changes in non-cash working capital.

Funds flow for the quarter and year ended December 31, 2015 were $112.0 million and $482.7 million respectively compared to $139.1 million and $486.8 million respectively for the same periods in 2014. The decrease in funds flow is primarily attributed to a lower operating netback, partially offset by the Company's growth in production volumes.

Capital Expenditures

($000s)	Year ended December 31, 2015	2014
Land and lease	692	1,950
Geological and geophysical	362	690
Drilling and completions	178,530	269,583
Investment in facilities	47,724	46,172
Capitalized administration	7,470	5,441
Development capital	234,778	323,836
Office and other	318	590
Property acquisitions	252,278	950,856
Property dispositions	(26,592)	(273,547)
Corporate acquisitions	579,906	602,691
Total capital expenditures	1,040,688	1,604,426

For the year ended December 31, 2015, development capital totaled $234.8 with 96 percent spent on drilling, completions and facilities.

Whitecap drilled 125 (115.2 net) wells in 2015 with a 100% success rate, including 93 (87.0 net) horizontal Viking oil wells in west central Saskatchewan, 18 (14.7 net) horizontal Cardium oil wells in Pembina, 3 (2.5 net) horizontal Cardium wells in southwest Alberta, 8 (8.0 net) Dunvegan wells in northwest Alberta and 3 (3.0) Boundary Lake (Triassic) wells in British Columbia.

Net Property Acquisitions

In the fourth quarter of 2015, the Company closed the acquisition of certain strategic light oil assets located primarily in Whitecap's Boundary Lake core area. Taking into consideration customary closing adjustments, Whitecap paid $93.4 million on closing of the acquisition.

In the third quarter of 2015, the Company closed the acquisition of certain strategic light oil assets located primarily in Whitecap's Boundary Lake core area. Taking into consideration customary closing adjustments, Whitecap paid $81.3 million on closing of the acquisition. The Company also disposed of non-core assets in Willesden Green for total consideration of $8.0 million.

In the second quarter of 2015, the Company disposed of non-core assets in Ferrier and Willesden Green for total consideration of $26.7 million. The Company also acquired an increased working interest in certain Pembina assets for total consideration of $9.6 million.

On January 6, 2015, the Company closed the acquisition of certain strategic light oil assets in Whitecap's Deep Basin core area. Taking into consideration customary closing adjustments, Whitecap paid $57.5 million on closing of the acquisition.

Corporate 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 $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.

Decommissioning Liability

At December 31, 2015, the Company recorded decommissioning liabilities of $435.8 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 ("AER") 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 Facility

As at December 31, 2015, the Company had a $1.2 billion credit facility with a syndicate of Canadian banks. The credit facility consists of a $750 million revolving production facility, a $50 million revolving operating facility and a $400 million term loan facility. At the end of the revolving period, being April 30, 2016, the extendible 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 $200 million term loan facility matures on October 3, 2018 and has an effective interest rate of 5.3%. The second $200 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 4.0:1.0 (1.7:1.0 as at December 31, 2015) and the ratio of EBITDA to interest expense shall not be less than 3.5:1.0 (15.2:1.0 as at December 31, 2015). 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, 2015, the Company was compliant with all covenants provided for in the lending agreement. The next review is scheduled on or before April 30, 2016.

Equity

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.

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.

On September 11, 2014 the Company closed a bought deal public financing of approximately 7.6 million subscription receipts at a price of $16.55 per subscription receipt for gross proceeds of approximately $125 million which was used to partially fund the acquisition of a controlling interest in a premier conventional Nisku light sweet oil pool at Elnora, Alberta. Each subscription receipt was converted to one common share on October 1, 2014.

On April 8, 2014, the Company closed a bought deal public financing of approximately 44.6 million subscription receipts at a price of $11.20 per subscription receipt for gross proceeds of approximately $500 million to partially fund the acquisition of certain strategic light oil assets focused primarily in Whitecap's Pembina Cardium / West Central core area, as well as at Boundary Lake in northeast B.C. Each subscription receipt was converted into one common share on May 1, 2014.

On January 6, 2014, as part of the acquisition of Home Quarter Resources Ltd. ("Home Quarter"), approximately 27.5 million Whitecap shares were issued to Home Quarter's shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on January 6, 2014 of $12.57 per share.

The Company is authorized to issue an unlimited number of common shares. As at March 1, 2016 there were 300.6 million common shares, 0.3 million stock options and 3.9 million share awards outstanding.

Liquidity

The Company generally relies on operating cash flows, 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 operating cash flow. At December 31, 2015, the Company had $323.8 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 capital program and dividend payments for the 2016 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)	2016	2017	2018	2019+	Total
Operating lease - office building	7,978	7,385	6,278	58,724	80,365
Transportation agreements	24,044	20,251	12,667	25,303	82,265
Bank debt (1)	14,153	490,855	213,368	202,575	920,951
Total	46,175	518,491	232,313	286,602	1,083,581

Note:

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

Related Party Transactions

In July 2015, the Company advanced $1.4 million as loans to officers to finance the purchase of Whitecap common shares through the facilities of the Toronto Stock Exchange. The loans were non-interest bearing and repayable on or before December 31, 2016. All loans were paid in 2015 and there were no loan amounts outstanding at December 31, 2015.

The Company has retained the law firm of Burnet, Duckworth and Palmer LLP ("BDP") to provide Whitecap with legal services. A director of Whitecap is a partner of this firm. During the year ended December 31, 2015, the Company incurred $0.6 million for legal fees and disbursements ($2.4 million for the year ended December 31, 2014). 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 BDP from time to time. As of December 31, 2015 a payable balance of $0.1 million ($0.2 million – December 31, 2014) was outstanding.

Subsequent Events

Facility Disposition

Subsequent to December 31, 2015, the Company disposed of certain production facilities to a third party (the "Purchaser") 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.

Financing

Subsequent to December 31, 2015, the Company entered into a bought deal financing agreement of approximately 13.8 million common shares at a price of $6.90 per common share for gross proceeds of $95.0 million. Closing of the financing is expected to be on or about March 15, 2016.

Changes in Accounting Policies Including Initial Adoption

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

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 loss or net assets of the Company.

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

IFRS 9 (2013) significantly revises the existing hedge accounting guidance in IAS 39 *Financial Instruments: Recognition and Measurement* and is intended to align hedging with an entity's risk management strategies. IFRS 9 (2014) incorporates a further amendment to classification categories for financial assets, and includes a new impairment model. IFRS 9 (2013 & 2014) are effective for annual periods beginning on or after January 1, 2018. 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, 2015.

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 fluctuate 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

($000s, except as noted)	2015	2014	2013
Petroleum and natural gas sales	622,280	815,689	459,110
Funds flow [(1)]	482,686	486,775	278,801
Basic ($/share)	1.70	2.10	1.86
Diluted ($/share)	1.68	2.08	1.84
Net income (loss)	(500,713)	453,141	40,428
Basic ($/share)	(1.76)	1.95	0.27
Diluted ($/share)	(1.76)	1.94	0.27
Total assets	4,183,085	3,869,293	2,052,829
Net debt[(1)]	939,787	798,290	401,177
Weighted average shares – basic (000s)	283,889	231,879	150,189
Weighted average shares – diluted (000s)	287,011	234,130	151,914
Dividends declared or paid	212,898	169,594	92,978
Dividends declared or paid per share (basic)	0.75	0.73	0.61

Note:
(1) Funds flow and net debt do not have a standardized meaning under GAAP. Refer to non-GAAP measures in 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 and unrealized derivative gains and losses which fluctuate with the changes in forward commodity prices.

Summary of Quarterly Results

	2015				2014			
($000s, except as noted)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial								
Petroleum and natural gas sales	148,225	155,238	186,178	132,639	194,994	226,728	215,850	178,117
Funds flow (1)	111,970	116,080	144,703	109,933	139,089	129,350	117,429	100,907
Basic ($/share)	0.37	0.39	0.51	0.43	0.55	0.53	0.51	0.51
Diluted ($/share)	0.37	0.38	0.50	0.43	0.54	0.52	0.51	0.50
Net income (loss)	(87,087)	(375,640)	(8,583)	(29,403)	166,116	87,440	195,045	4,540
Basic ($/share)	(0.29)	(1.26)	(0.03)	(0.12)	0.66	0.36	0.85	0.02
Diluted ($/share)	(0.29)	(1.26)	(0.03)	(0.12)	0.65	0.35	0.84	0.02
Development capital expenditures	62,322	50,573	45,868	76,015	48,144	93,347	51,764	130,581
Property acquisitions	94,397	86,474	13,077	58,330	135,787	14,673	791,087	9,309
Property dispositions	(268)	(12,856)	(10,805)	(2,663)	(104,256)	(51,059)	(113,031)	(5,201)
Corporate acquisitions	-	-	579,906	-	205,209	-	-	397,482
Total assets	4,183,085	4,146,874	4,580,146	3,894,916	3,869,293	3,565,076	3,434,995	2,657,471
Net debt (1)	939,787	842,234	774,825	867,148	798,290	676,000	752,882	470,794
Common shares outstanding (000s)	300,613	298,866	298,599	253,595	253,476	245,751	245,316	199,970
Dividends declared or paid per share (basic)	0.19	0.19	0.19	0.19	0.19	0.19	0.18	0.17
Operational								
Average daily production								
Crude oil (bbls/d)	29,092	28,653	28,416	25,623	24,752	22,160	19,516	16,653
NGLs (bbls/d)	3,130	3,204	2,865	2,689	2,979	2,863	2,328	2,203
Natural gas (Mcf/d)	59,069	59,781	61,441	60,237	59,580	59,498	52,384	45,913
Total (boe/d)	42,067	41,821	41,521	38,351	37,661	34,940	30,574	26,508

Note:
(1) Funds flow and net debt do not have a standardized meaning under GAAP. Refer to non-GAAP measures in this MD&A.

In the past eight consecutive quarters, 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 past eight quarters, 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 and unrealized derivative gains and losses which fluctuate with the changes in forward commodity prices. Capital expenditures have fluctuated over time as a result of the timing of acquisitions and our development capital expenditures.

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

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 $110 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.

In the fourth quarter of 2014, the Company acquired a controlling interest in a conventional Nisku light sweet oil pool at Elnora, Alberta for total consideration of $277.2 million. The purchase price was partially funded through the issuance of approximately 7.6 million subscription receipts at a price of $16.55 per subscription receipt for gross proceeds of approximately $125 million in the third quarter of 2014. Each subscription receipt was converted to one common share on closing of the acquisition.

In the second quarter of 2014, the Company acquired strategic light oil assets in northwest Alberta and British Columbia for cash consideration of $683.0 million. Concurrent with the closing of the acquisition, the Company's credit facility was increased to $1.0 billion from the previous $600 million.

In the first quarter of 2014, the Company closed the acquisition of Home Quarter, a private company with assets primarily focused in the Viking formation in Saskatchewan for consideration of approximately $346.1 million. The Company acquired all of the issued and outstanding common shares of Home Quarter through the issuance of 27.5 million Whitecap common shares and the assumption of Home Quarter's working capital surplus of approximately $3.0 million.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures ("DC&P"), as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, are designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings, interim filings or other reports filed, or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified under securities legislation and include controls and procedures designed to ensure that information required to be so disclosed is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Chief Financial Officer of Whitecap evaluated the effectiveness of the design and operation of the Company's DC&P. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that Whitecap's DC&P were effective as at December 31, 2015.

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, 2015, 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, 2015 based on the COSO Framework. Based on this evaluation, the officers concluded that as of December 31, 2015, 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, 2015 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.

"Development capital" represents expenditures on property, plant and equipment excluding corporate and other assets.

"Funds flow" represents cash flow from operating activities adjusted for changes in non-cash working capital, transaction costs and settlement of decommissioning liabilities.

"**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, fund decommissioning liabilities 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.

"Operating netbacks" are determined by deducting royalties, production expenses and transportation and selling expenses from oil and gas revenue. Operating netbacks are per boe measures used in operational and capital allocation decisions.

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

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

"Total payout ratio" is calculated as cash dividends declared plus development capital, divided by 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, 2015	December 31, 2014
Bank debt	876,166	756,564
Current liabilities	165,922	145,998
Current assets	(149,338)	(243,637)
Risk management contracts	47,037	139,365
Net debt	939,787	798,290

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; future oil and natural gas prices and differentials; 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 costs, expenses and royalty rates; and 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, unfavorable 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.