WHITECAP RESOURCES INC.
CONSOLIDATED BALANCE SHEET

As at (CAD $000s)	**December 31, 2014**	December 31, 2013
Assets		
Current Assets		
Accounts receivable	**89,999**	55,167
Deposits and prepaid expenses	**10,462**	2,707
Assets held for sale [Note 23]	**-**	8,921
Risk management contracts [Notes 4 & 5]	**143,176**	-
	243,637	66,795
Property, plant and equipment [Notes 6 & 7]	**3,375,092**	1,854,329
Exploration and evaluation [Note 8]	**29,268**	33,635
Investment in limited partnership [Notes 6(a)(iii) & 9]	**32,382**	-
Goodwill [Note 10]	**156,539**	98,070
Risk management contracts [Notes 4 & 5]	**32,375**	-
	3,869,293	2,052,829
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**126,345**	68,698
Dividends payable	**15,842**	9,045
Risk management contracts [Notes 4 & 5]	**3,811**	28,700
Liabilities associated with assets held for sale [Notes 12 & 23]	**-**	7,330
	145,998	113,773
Risk management contracts [Notes 4 & 5]	**16,077**	6,400
Bank debt [Note 11]	**756,564**	382,899
Decommissioning liability [Note 12]	**283,519**	119,892
Deferred income tax [Note 17]	**133,056**	148,104
	1,335,214	771,068
Shareholders' Equity		
Share capital [Note 13]	**2,213,607**	1,253,127
Contributed surplus [Note 13]	**21,978**	13,687
Retained earnings	**298,494**	14,947
	2,534,079	1,281,761
	3,869,293	2,052,829

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board:

(signed) *"Stephen C. Nikiforuk"*

Stephen C. Nikiforuk
Director

(signed) *"Grant B. Fagerheim"*

Grant B. Fagerheim
Director

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

(CAD $000s, except per share amounts)	**2014**	2013 (Revised)
Revenue		
Petroleum and natural gas sales [Note 22]	**815,689**	459,110
Royalties	**(108,886)**	(59,758)
	706,803	399,352
Gain (loss) on risk management contracts [Note 5]	**170,834**	(54,396)
Gain on acquisition of private companies [Note 6(a)(iii)]	**162,267**	-
	1,039,904	344,956
Expenses		
Operating	**129,705**	71,887
Transportation [Note 22]	**17,378**	9,319
General and administrative	**17,705**	12,057
Stock-based compensation	**7,178**	5,362
Transaction costs	**2,015**	765
Interest and financing	**33,454**	18,812
Accretion of decommissioning liabilities [Note 12]	**5,553**	3,081
Depletion, depreciation and amortization [Note 7]	**258,141**	152,387
Exploration and evaluation [Note 8]	**10,709**	1,681
Unrealized loss on investment [Note 9]	**10,020**	-
Net loss (gain) on asset dispositions [Note 7]	**(3,254)**	5,394
	488,604	280,745
Termination fee received	**-**	1,200
Income before income taxes	**551,300**	65,411
Taxes		
Deferred income tax expense [Note 17]	**98,159**	24,983
Net income and other comprehensive income	**453,141**	40,428
Net Income Per Share ($/share) [Note 16]		
Basic	**1.95**	**0.27**
Diluted	**1.94**	**0.27**

See accompanying notes to the consolidated financial statements

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

(CAD $000s)	**2014**	2013
Share Capital [Note 13(b)]		
Balance, beginning of year	**1,253,127**	827,588
Issued on the acquisition of a private company [Note 6(a)(i)]	**346,106**	-
Issued for cash through public prospectus offering	**621,965**	335,819
Share issue costs, net of deferred income tax	**(20,867)**	(11,491)
Issued on exercise of options/warrants	**9,133**	23,404
Contributed surplus adjustment on exercise of options/ warrants	**4,143**	9,900
Issued on the acquisition of Invicta Energy Corp. (“Invicta”)	**-**	49,965
Flow-through shares issued	**-**	20,006
Flow-through shares liability	**-**	(1,819)
Shares cancelled	**-**	(245)
Balance, end of period	**2,213,607**	1,253,127
Contributed Surplus [Note 13(f)]		
Balance, beginning of year	**13,687**	15,004
Option-based awards	**12,434**	7,549
Option/warrant exercises	**(4,143)**	(9,900)
Shares cancelled	**-**	1,034
Balance, end of period	**21,978**	13,687
Retained Earnings		
Balance, beginning of year	**14,947**	67,497
Net income and other comprehensive income	**453,141**	40,428
Dividends	**(169,594)**	(92,978)
Balance, end of period	**298,494**	14,947

See accompanying notes to the consolidated financial statements

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

(CAD $000s)	**2014**	2013
Operating Activities		
Net income for the period	**453,141**	40,428
Items not affecting cash:		
Depletion, depreciation and amortization	**258,141**	152,387
Exploration and evaluation	**10,709**	1,681
Deferred income tax expense	**98,159**	24,983
Stock-based compensation	**7,178**	5,362
Accretion of decommissioning liabilities [Note 12]	**5,553**	3,081
Unrealized loss (gain) on risk management contracts [Note 5]	**(192,620)**	45,920
Unrealized loss on investment [Note 9]	**10,020**	-
Net loss (gain) on asset dispositions [Note 7]	**(3,254)**	5,394
Gain on acquisition of private companies [Note 6(a)(iii)]	**(162,267)**	-
Settlement of decommissioning liabilities [Note 12]	**(3,109)**	(484)
	481,651	278,752
Net change in non-cash working capital items [Note 18]	**(12,735)**	1,107
	468,916	279,859
Financing Activities		
Increase in bank debt	**373,691**	72,199
Option/warrant exercises	**9,133**	24,192
Dividends	**(169,594)**	(92,978)
Issuance of flow-through shares	**-**	20,006
Issuance of share capital, net of share issue costs	**594,009**	320,465
Net change in non-cash working capital items [Note 18]	**6,797**	9,045
	814,036	352,929
Investing Activities		
Expenditures on property, plant and equipment	**(324,426)**	(190,100)
Expenditures on property acquisitions	**(945,860)**	(407,422)
Cash from property dispositions	**251,911**	26,548
Expenditures on corporate acquisitions net of cash acquired	**(295,339)**	(20,741)
Partnership investment income received	**359**	-
Net change in non-cash working capital items [Note 18]	**30,403**	(41,085)
	(1,282,952)	(632,800)
Increase (decrease) in cash, during the period	**-**	(12)
Cash, beginning of period	**-**	12
Cash, end of period	**-**	-
Cash Interest Paid	**26,742**	14,210

See accompanying notes to the consolidated financial statements

1. NATURE OF BUSINESS

Whitecap Resources Inc. (also referred to herein as "Whitecap" or "the Company") is engaged in the acquisition, development, optimization and production of crude oil and natural gas in western Canada. The Company is 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. The Company's principal place of business is located at 500, 222 - 3rd Avenue SW, Calgary, Alberta, Canada, T2P 0B4.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") as at and for the year ended December 31, 2014, including 2013 comparative periods. The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 17, 2015, the date the Board of Directors approved the statements.

b) Basis of Measurement

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

c) Functional and Presentation Currency

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

d) Use of Estimates and Judgments

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

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

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

Management's determination of whether a transaction constitutes a business combination or asset acquisition is determined based on the criteria in IFRS 3. Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of 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. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill. Future net earnings can be affected as a result of changes in future DD&A, asset impairment or goodwill impairment.

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

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

Estimated depletion, depreciation and amortization charges are based on estimates of oil and gas reserves that the Company expects to recover in the future and the future development costs required to produce the reserves.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Jointly Controlled Operations

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

b) Financial Instruments

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

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

i) Cash, account receivable, loans and other receivables

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

A provision for impairment of account receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or significant delinquency in payments are considered indicators that a receivable is impaired.

ii) Investment in Limited Partnership

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

iii) Financial derivative instruments

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

iv) Accounts payable, accrued liabilities and bank debt

These financial instruments are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. The fair value of the bank debt is equal to its carrying amount as the bank debt bears interest at floating rates and credit spreads within the facility are indicative of market rates. These financial instruments are classified as financial liabilities at amortized cost and are reported at amortized cost.

v) Impairment of financial assets

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

1) Financial assets carried at amortized cost:

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

2) Financial assets carried at fair value through profit or loss:

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive income.

c) Oil and Gas Exploration and Evaluation Expenditures

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

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

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

d) Property, Plant and Equipment ("PP&E")

PP&E, which includes oil and natural gas development and production assets, represents costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves.

Future decommissioning costs, related to producing assets, are also capitalized to PP&E. PP&E is carried at cost, less accumulated depletion, depreciation and amortization and accumulated impairment losses.

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

i) **Depletion, Depreciation and Amortization ("DD&A")**

The net carrying value of the intangible oil and gas assets is depleted using the unit-of-production method based on estimated proven and probable oil and natural gas reserves, taking into account the future development costs required to produce the reserves.

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

e) Assets Held for Sale

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

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

f) Goodwill

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

g) Impairment

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

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

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

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

h) Business Combinations

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

i) Decommissioning Liability

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

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

Actual expenditures incurred are charged against the accumulated decommissioning liability.

j) Borrowing Costs

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

k) Share-based compensation

The Company's share-based compensation program consists of stock options and long-term Award Incentive Plan in the form of share awards, which are equity-settled transactions.

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

Time-based and performance share awards granted under the Award Incentive Plan are accounted for at fair value. Stock-based compensation expense is determined based on the estimated fair value of shares on the date of grant using the Black-Scholes option pricing model. Forfeitures are estimated at the grant date and are subsequently adjusted to reflect actual forfeitures. The expense is recognized on a straight–

line basis over the vesting period, with a corresponding increase to contributed surplus. The Company capitalizes the portion of stock-based compensation directly attributable to development activities, with a corresponding decrease to stock-based compensation expense.

Certain share awards are strictly time-based, with the full amount of the grant vesting after a period of three years from the grant date. Certain share awards have been granted with a performance multiplier. This multiplier, ranging from zero to two, will be applied at exercise and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period and the Board of Directors' discretion.

l) Flow-through shares

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

m) Income Tax

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

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

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

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

n) Revenue

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

o) Share Capital

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

p) Net Income/Loss Per Share

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

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

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

r) Changes in Accounting Policies
The Company made the following changes in accounting policy. There were no other changes that had a material effect on the reported income or net assets of the Company.

i) IFRS 9 Financial Instruments ("IFRS 9") (2010)
The Company has early adopted IFRS 9 (2010) with a date of initial application of January 1, 2014. IFRS 9 (2010) retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss ("P&L"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are required to be measured at fair value through P&L with the irrevocable option at inception to present changes in fair value through OCI.

For financial liabilities the only change to classification and measurement is that increases or decreases in fair value for liabilities designated at fair value through P&L attributable to a liability's credit risk will be recorded in OCI.

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

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

ii) IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
IFRS 15 was issued in May 2014 and replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard is required to be adopted either retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2017 with earlier adoption permitted. Whitecap is currently evaluating the impact of the standard on the Company's consolidated financial statements.

4. DETERMINATION OF FAIR VALUES

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

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

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

- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations for

commodity and interest contracts are based on inputs including quoted forward prices for commodities and forward interest rates, respectively, time value and volatility factors, which can be substantially observed or corroborated in the market place.

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

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

a) PP&E and E&E assets

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

b) Cash, deposits and prepaid expenses, accounts receivable, bank debt, dividends payable, accounts payable and accrued liabilities

The fair value of cash, deposits and prepaid expenses, accounts receivable, bank debt, dividends payable, accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2014 and December 31, 2013, the fair value of these balances approximated their carrying value.

c) Derivatives

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

d) Stock options, warrants and share awards

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

e) Investment in limited partnership

The fair value of the investment in limited partnership is based on the Company's share of the fair value of the limited partnership's PP&E and E&E assets as well as the limited partnership's cash, prepaid expenses, accounts receivable, accounts payable and accrued liabilities. The fair values are determined using the methods in the preceding paragraphs as applicable.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial Assets and Financial Liabilities Subject to Offsetting

Financial assets and liabilities are only offset if Whitecap has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. Whitecap offsets risk management assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same. The following table summarizes the gross asset and liability positions of the Company's financial derivatives by counterparty that are offset on the balance sheet as at December 31, 2014 and December 31, 2013:

	December 31, 2014			December 31, 2013		
($000s)	Asset	Liability	Net	Asset	Liability	Net
Gross amount	194,107	(38,444)	155,663	-	(35,100)	(35,100)
Amount offset	(18,556)	18,556	-	-	-	-
Net amount	175,551	(19,888)	155,663	-	(35,100)	(35,100)

b) Credit Risk

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

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

The maximum exposure to credit risk is as follows:

	December 31, 2014	December 31, 2013
Accounts receivable and other	89,999	55,167
Risk management contracts	175,551	-
	265,550	55,167

Joint interest receivables are typically collected within one to three months following production. The majority of the credit exposure on accounts receivable at December 31, 2014 pertains to accrued revenue for December 2014 production volumes. Whitecap transacts with a number of oil and natural gas marketing companies and commodity end users ("commodity purchasers"). Commodity purchasers and marketing companies typically remit amounts to Whitecap by the 25th day of the month following production. The Company monitors the exposure to any single counterparty along with its financial position. If it is deemed that a counterparty has become materially weaker, the Company will work to reduce the credit exposure to that counterparty. At December 31, 2014, one commodity purchaser and marketing company accounted for approximately 13 percent of the total accounts receivable balance and is not considered a credit risk.

Whitecap has not experienced any material credit loss in the collection of receivables during 2014.

When determining whether amounts that are past due are collectable, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Whitecap considers all amounts greater than 90 days to be past due. As at December 31, 2014, there was $1.1 million (December 31, 2013 – $1.6 million) of receivables aged over 90 days. Subsequent to December 31, 2014, approximately $0.7 million (December 31, 2013 – $0.5 million) has been collected and the remaining balance is not considered to be a credit risk.

c) Liquidity Risk

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

The following table details Whitecap's financial liabilities as at December 31, 2014:

($000s)	<1 year	1 to 2	2+ years	Total
Accounts payable and accrued liabilities	126,345	-	-	126,345
Dividends payable	15,842	-	-	15,842
Bank debt [(1)]	19,900	376,464	440,318	836,682
Risk management contracts	3,811	16,077	-	19,888
Total financial liabilities	165,898	392,541	440,318	998,757

Note:

(1) These amounts include the notional principal and interest payments pursuant to the interest rate swaps, which fix the interest payments on the Company's term loans.

The following table details Whitecap's financial liabilities as at December 31, 2013:

($000s)	<1 year	1 to 2	2+ years	Total
Accounts payable and accrued	68,698	-	-	68,698
Dividends payable	9,045	-	-	9,045
Liabilities associated with assets held	7,330	-	-	7,330
Bank debt [(1)]	10,470	193,369	228,828	432,667
Risk management contracts	28,700	6,400	-	35,100
Total financial liabilities	124,243	199,769	228,828	552,840

Note:

(1) These amounts include the notional principal and interest payments pursuant to the interest rate swaps, which fix the interest payments on the Company's term loans.

d) Market Risk

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

($000s)	December 31, 2014	December 31, 2013
Current Assets		-
Crude oil	136,244	-
Natural gas	6,932	-
Total current assets	143,176	-
Long-term Assets		
Crude oil	30,894	-
Natural gas	1,481	-
Total long-term assets	32,375	-
Total fair value	**175,551**	**-**

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

($000s)	December 31, 2014	December 31, 2013
Current Liabilities		
Crude oil	-	27,900
Natural gas	-	800
Power	318	-
Interest	3,493	-
Total current liabilities	3,811	28,700
Long-term Liabilities		
Crude oil	10,800	3,000
Natural gas	-	200
Power	221	-
Interest	5,056	3,200
Total long-term liabilities	16,077	6,400
Total fair value	**19,888**	**35,100**

i) Commodity Price Risk

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

Whitecap manages the risks associated with changes in commodity prices by entering into a variety of risk management contracts. Due to changes in the fair value of risk management contracts in place at December 31, 2014, the Company assesses the effects of movement in commodity prices on net income before tax. When assessing the potential impact of these commodity price changes, the Company believes 10 percent volatility is a reasonable measure. A 10 percent increase in commodity prices would result in a decrease of $30.9 million to the unrealized gain on risk management contracts. A 10 percent decrease in commodity prices would result in an increase of $29.4 million to the unrealized gain on risk management contracts.

At December 31, 2014 the following risk management contracts were outstanding with an asset fair market value of $175.6 million and a liability fair market value of $11.3 million:

1) Financial WTI Crude Oil Derivative Contracts – Canadian Dollar

Term	Contract	Volume (bbl/d)	Sold Put Price ($/bbl)[2]	Average Swap Price ($/bbl)[1]
2015 January - June	Swap	4,000	-	102.27
2015	Swap	10,000	-	97.15
2016	Swap	6,000	66.68	97.71

Note:

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

(2) Index is US$WTI

2) Financial WTI Crude Oil Collar Option Derivative Contracts – US Dollar

Term	Contract	Volume (bbl/d)	Bought Call ($/bbl)[1]	Sold Call ($/bbl)[1]
2015	Collar Option	6,000	78.00	87.32

Note:

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

3) Financial Natural Gas Derivative Contracts – Canadian Dollar

Term	Contract	Volume (GJ/d)	Average Swap Price ($/GJ)[1]
2015 January - March	Swap	3,000	4.26
2015 January - June	Swap	2,500	4.12
2015	Swap	15,000	3.72
2016	Swap	7,500	3.59

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

4) Financial Power Derivative Contracts – Canadian Dollar

Term	Contract	Volume (MWh's)	Fixed Rate ($/MWh)
2015	Swap	35,040	50.95
2016	Swap	30,744	52.41

5) Contracts entered into subsequent to December 31, 2014

a) Financial Power Derivative Contracts – Canadian Dollar

Term	Contract	Volume (MWh's)	Fixed Rate ($/MWh)
2015 February - December	Swap	8,016	42.50
2016	Swap	17,568	42.25
2017	Swap	26,280	46.25

b) Financial Natural Gas Derivative Contracts – Canadian Dollar

Term	Contract	Volume (GJ/d)	Average Swap Price ($/GJ)
2015 March – December	Swap	5,000	2.76
2015 April – September	Swap	5,000	2.79
2015 April – October	Swap	5,000	2.88
2015 October - December	Swap	5,000	3.03

c) Financial WTI Crude Oil Differential Derivative Contracts – Canadian Dollar

Term	Contract	Volume (bbl/d)	Basis	Average Swap Price ($/bbl)
2015 April - June	Swap	2,000	MSW	7.25

ii) Interest Rate Risk

The Company is exposed to fluctuations in interest rates on its bank debt. The credit facility consists of a $550 million revolving production facility, a $50 million revolving operating facility and a $400 million term loan facility. The revolving production and revolving operating facility bear interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. Changes in interest rates could result in an increase or decrease in the amount Whitecap pays to service the variable interest rate debt.

Interest rate risk is mitigated through short-term fixed rate borrowings using banker's acceptances and interest rate swaps. If interest rates applicable to floating rate debt at December 31, 2014 were to have increased or decreased by 25 basis points it is estimated that the Company's net income before tax would change by approximately $0.9 million for the year ended December 31, 2014 ($0.5 million for the year ended December 31, 2013). This assumes that the change in interest rate is effective from the beginning of the year and the amount of floating rate debt is as at December 31, 2014.

When assessing the potential impact of interest rate changes on the Company's interest rate swaps, the Company believes an interest rate volatility of 25 basis points is a reasonable measure. An increase of 25 basis points in interest rates would result in a decrease to the unrealized loss of $4.0 million. A decrease of 25 basis points in interest rates would result in an increase to the unrealized loss of $4.0 million. At December 31, 2014 the following interest rate contracts were outstanding with a mark-to-market liability value of $8.6 million (December 31, 2013 – $3.2 million).

1) Interest Rate Contracts

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

2) Contracts entered into subsequent to December 31, 2014

Term		Amount ($000s)	Fixed Rate (%)	Index
02-March-15	02-March-17	100,000	0.75	CDOR

iii) Foreign Exchange Risk

The Company is exposed to the risk of changes in the Canadian/U.S. dollar exchange rate on sales of commodities that are denominated in U.S. dollars or directly influenced by U.S. dollar benchmark prices. Foreign exchange risk is mitigated by entering into Canadian dollar denominated commodity risk management contracts.

1) Foreign exchange contracts entered into subsequent to December 31, 2014 [(1)]

Term	Contract	Amount per month	Cdn$/US$
2016	Monthly average rate forward	US$4.0 million	1.274
2017	Monthly average rate forward	US$2.0 million	1.250

Note:
(1) Bank of Canada monthly average noon day rate settlement.

e) Capital Management

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

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

($000s)	December 31, 2014	December 31, 2013
Current assets[(1)]	100,461	66,795
Current liabilities[(1)]	(142,187)	(85,073)
Working capital deficit	(41,726)	(18,278)
Bank debt	756,564	382,899
Shareholders' equity	2,534,079	1,281,761

Note:
(1) Excluding risk management contracts.

6. ACQUISITIONS

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

The below amounts are estimates, which were made by management at the time of the preparation of these consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized. The pro-forma information disclosed below is not necessarily indicative of the actual results that would have been achieved had the business combinations closed on January 1, 2014.

a) 2014 Acquisitions

i) Home Quarter Resources Ltd. (“Home Quarter”) acquisition

On January 6, 2014, the Company closed the acquisition of Home Quarter by acquiring 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 $3.0 million. The common shares issued were valued using the share price of Whitecap on January 6, 2014 of $12.57 per share. The corporate acquisition has been accounted for as a business combinations under IFRS 3.

The results of operations from Home Quarter have been included in the Company’s statement of comprehensive income for the period ended December 31, 2014. Home Quarter has contributed revenues of $108.9 million and operating income of $83.3 million since January 6, 2014. Had the acquisition closed on January 1, 2014, estimated contributed revenues would have been $110.5 million and estimated contributed operating income would have been $84.6 million for the year ended December 31, 2014.

Net assets acquired ($000s):	
Working capital	2,998
Risk management contracts	(1,857)
Petroleum and natural gas properties	377,621
Exploration and evaluation	19,860
Goodwill	34,465
Decommissioning liability	(5,189)
Deferred income tax	(81,792)
	346,106

Consideration:	
Share consideration	346,106
Total consideration	**346,106**

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

ii) Pembina Cardium / West Central property acquisition

On May 1, 2014 Whitecap closed 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. and the concurrent disposition of certain Nisku natural gas production and related facilities located in the Pembina area (“the Acquisition”). The property acquisition was accounted for as a business combination under IFRS 3. The purchase price allocation has been adjusted based on interim statements of adjustment related to the Acquisition. The petroleum and natural gas properties and consideration has been increased by $7.1M.

The light oil assets acquired have contributed revenues of $133.6 million and operating income of $86.4 million since May 1, 2014. Had the acquisition closed on January 1, 2014, estimated contributed revenues would have been $201.0 million and estimated contributed operating income would have been $129.8 million for the year ended December 31, 2014.

Net assets acquired ($000s):	
Working capital	67
Assets held for sale	115,135
Petroleum and natural gas properties	712,946
Deferred income tax	224
Liabilities associated with assets held for sale	(2,140)
Decommissioning liability	(30,207)
Net assets acquired before disposition of assets held for sale	796,025
Assets held for sale net of associated liabilities	(112,995)
	683,030

Consideration:	
Gross cash consideration	796,025
Proceeds on disposition	(112,995)
Net cash consideration	**683,030**

iii) Private companies acquisition

On June 26, 2014, the Company acquired all the issued and outstanding shares of two private companies with assets in north central Alberta for an aggregate purchase price of $107.1 million.

The results of operations from the two private companies have been included in the Company's statement of comprehensive income for the period ended December 31, 2014. The two private companies have contributed revenues and operating income of nil since June 26, 2014. Had the acquisition closed on January 1, 2014, estimated contributed revenues and operating income would have been nil for the year ended December 31, 2014.

Net assets acquired ($000s):	
Investment in limited partnership [Note 9]	42,761
Deferred income tax asset	226,653
Total identifiable net assets	269,414
Gain on acquisition of private companies	(162,267)
	107,147

Consideration:	
Cash consideration	**107,147**

A gain on acquisition arises when the cost of an acquisition is less than the Company's share of the fair value of the net assets acquired. This difference is recognized directly in net income.

iv) Forge Petroleum Corp. ("Forge") acquisition

On October 1, 2014, the Company closed the acquisition of Forge by acquiring all of the issued and outstanding common shares of Forge for a purchase price of $3.58 per Forge. The corporate acquisition has been accounted for as a business combinations under IFRS 3.

The results of operations from Forge have been included in the Company's statement of comprehensive income for the period ended December 31, 2014. Forge has contributed revenues of $6.3 million and operating income of $3.4 million since October 1, 2014. Had the acquisition closed on January 1, 2014, estimated contributed revenues would have been $39.2 million and estimated contributed operating income would have been $21.9 million for the year ended December 31, 2014.

Net assets acquired ($000s):	
Working capital	10,059
Petroleum and natural gas properties	164,298
Exploration and evaluation	790
Goodwill	15,110
Decommissioning liability	(1,428)
Deferred income tax	(30,013)
	158,816

Consideration:	
Cash consideration	**158,816**

v) Bashaw Oil Ltd. ("Bashaw") acquisition

On October 1, 2014, the Company closed the acquisition of Bashaw by acquiring all of the issued and outstanding common shares of Bashaw for a purchase price of $39.8 million. The corporate acquisition has been accounted for as a business combinations under IFRS 3.

The results of operations from Bashaw have been included in the Company's statement of comprehensive income for the period ended December 31, 2014. Bashaw has contributed revenues of $2.1 million and operating income of $1.1 million since October 1, 2014. Had the acquisition closed on January 1, 2014, estimated contributed revenues would have been $11.0 million and estimated contributed operating income would have been $6.4 million for the year ended December 31, 2014.

Net assets acquired ($000s):	
Working capital	(136)
Petroleum and natural gas properties	40,061
Exploration and evaluation	60
Goodwill	8,894
Decommissioning liability	(196)
Deferred income tax	(8,929)
	39,754

Consideration:	
Cash consideration	**39,754**

vi) Elnora property acquisitions

On October 1, 2014 Whitecap closed the acquisition of a controlling interest in a premier conventional Nisku light sweet oil pool at Elnora, Alberta. The property acquisition was accounted for as a business combination under IFRS 3.

The light oil assets acquired have contributed revenues of $2.5 million and operating income of $1.4 million since October 1, 2014. Had the acquisition closed on January 1, 2014, estimated contributed revenues would have been $13.0 million and estimated contributed operating income would have been $7.6 million for the year ended December 31, 2014.

Net assets acquired ($000s):	
Petroleum and natural gas properties	78,925
Decommissioning liability	(261)
	78,664

Consideration:	
Cash consideration	**78,664**

Subsequently, on October 17, 2014 Whitecap consolidated the remaining working interest in the premier conventional Nisku light sweet oil pool at Elnora, Alberta. The remaining working interest acquisition was accounted for as a business combination under IFRS 3.

The light oil assets acquired have contributed revenues of $2.8 million and operating income of $1.5 million since October 17, 2014. Had the acquisition closed on January 1, 2014, estimated contributed revenues would have been $15.5 million and estimated contributed operating income would have been $9.0 million for the year ended December 31, 2014.

Net assets acquired ($000s):	
Petroleum and natural gas properties	54,362
Decommissioning liability	(1,209)
	53,153

Consideration:	
Cash consideration	**53,153**

vii) Other property acquisitions
In the year ended December 31, 2014, the Company acquired strategic tuck-in properties and working interests that complement existing assets in North West Alberta and British Columbia. The property acquisitions were accounted for as business combinations under IFRS 3. The acquisitions have contributed revenues of $4.6 million and operating income of $2.8 million during the year ended December 31, 2014. Had the acquisitions closed on January 1, 2014, estimated contributed revenues would have been $9.2 million and estimated contributed operating income would have been $5.3 million for the year ended December 31, 2014.

Net assets acquired ($000s):	
Petroleum and natural gas properties	21,686
Decommissioning liability	(3,325)
	18,361

Consideration:	
Cash consideration	**18,361**

b) 2013 Acquisitions

i) Invicta Energy Corp. ("Invicta") acquisition
On April 30, 2013, Whitecap acquired all the issued and outstanding shares of Invicta for an aggregate purchase price of approximately $67.8 million which included $0.2 million payable in cash, assumed debt and working capital surplus of $17.6 million and 4.8 million common shares issued. The common shares issued were valued using the share price of Whitecap on April 30, 2013 of $10.34 per share. The goodwill recognized on acquisition is attributed to the potential future cash flows derived from drilling and exploitation opportunities and the strategic benefit and synergies that an increased presence in west central Saskatchewan would bring to the Company.

The results of operations from Invicta have been included in the Company's statement of comprehensive income for the period ended December 31, 2013. Invicta has contributed revenues of $9.5 million and operating income of $7.4 million since April 30, 2013. Had the acquisition closed on January 1, 2013, estimated contributed revenues would have been $14.1 million and estimated contributed operating income would have been $11.0 million for the year ended December 31, 2013.

Net assets acquired[1] ($000s):	
Working capital	1,413
Risk management contracts	102
Petroleum and natural gas properties	64,991
Exploration and evaluation	1,459
Goodwill	11,685
Bank debt	(19,000)
Decommissioning liability	(873)
Deferred income tax	(9,593)
	50,184

Consideration:	
Cash consideration	219
Share consideration	49,965
Total consideration	**50,184**

ii) Eagle Lake property acquisition

The Company acquired additional Viking light oil assets in the Dodsland area of west central Saskatchewan. The property acquisition was accounted for as a business combination under IFRS 3. The transaction closed on May 22, 2013.

The assets acquired have contributed revenues of $17.9 million and operating income of $12.6 million since May 22, 2013. Had the acquisition closed on January 1, 2013, estimated contributed revenues would have been $29.2 million and estimated contributed operating income would have been $20.5 million for the year ended December 31, 2013.

Net assets acquired ($000s):	
Petroleum and natural gas properties	110,000
Decommissioning liability	(10,743)
	99,257

Consideration:	
Cash consideration	**99,257**

iii) Valhalla and Garrington property acquisition

The Company acquired additional Montney light oil assets in the Valhalla area and Cardium light oil assets in the Garrington area of west central Alberta. The property acquisition was accounted for as a business combination under IFRS 3. The transaction closed on July 31, 2013.

The assets acquired have contributed revenues of $25.5 million and operating income of $13.3 million since July 31, 2013. Had the acquisition closed on January 1, 2013, estimated contributed revenues would have been $60.4 million and estimated contributed operating income would have been $31.7 million for the year ended December 31, 2013.

Net assets acquired ($000s):	
Petroleum and natural gas properties	173,600
Decommissioning liability	(6,911)
	166,689

Consideration:	
Cash consideration	**166,689**

iv) Garrington and Eagle Lake property acquisition

The Company acquired additional Cardium light oil assets in the Garrington area of west central Alberta and a working interest consolidation of its Eagle Lake Viking unit. The property acquisition was accounted for as a business combination under IFRS 3. The transaction closed on October 28, 2013.

The assets acquired have contributed revenues of $3.5 million and operating income of $2.6 million since October 28, 2013. Had the acquisition closed on January 1, 2013, estimated contributed revenues would have been $20.6 million and estimated contributed operating income would have been $14.4 million for the year ended December 31, 2013.

Net assets acquired ($000s):	
Petroleum and natural gas properties	90,000
Decommissioning liability	(3,107)
	86,893

Consideration:	
Cash consideration	**86,893**

v) Other property acquisitions

Over the course of 2013, the Company acquired strategic tuck-in properties and working interests that complement the existing assets in west central Alberta and west central Saskatchewan. The property acquisitions were accounted for as business combinations under IFRS 3.

The assets acquired have contributed revenues of $3.0 million and operating income of $0.7 million since their respective acquisition dates. Had the acquisitions closed on January 1, 2013, estimated contributed revenues would have been $6.0 million and estimated contributed operating income would have been $1.6 million for the year ended December 31, 2013.

Net assets acquired ($000s):	
Petroleum and natural gas properties	36,784
Decommissioning liability	(716)
	36,068

Consideration:	
Cash consideration	**36,068**

7. PROPERTY, PLANT AND EQUIPMENT

Net book value ($000s)	December 31, 2014	December 31, 2013
Petroleum and natural gas properties	3,936,892	2,174,866
Other assets	1,480	890
Property, plant and equipment, at cost	3,938,372	2,175,756
Less: accumulated depletion, depreciation, amortization and impairment	(563,280)	(321,427)
Total net carrying amount	3,375,092	1,854,329

Cost ($000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2012	1,466,861	783	1,467,644
Additions	261,468	107	261,575
Property acquisitions	375,379	-	375,379
Corporate acquisition	64,991	-	64,991
Transfer from evaluation and exploration assets	30,144	-	30,144
Transfer to assets held for sale	(12,578)	-	(12,578)
Disposals	(11,399)	-	(11,399)
Balance at December 31, 2013	2,174,866	890	2,175,756
Additions	451,037	590	451,627
Property acquisitions	983,152	-	983,152
Corporate acquisitions	581,980	-	581,980
Transfer from evaluation and exploration assets	16,467	-	16,467
Transfer from assets held for sale	2,683	-	2,683
Transfer to assets held for sale and disposed	(66,721)	-	(66,721)
Disposals	(206,572)	-	(206,572)
Balance at December 31, 2014	3,936,892	1,480	3,938,372

a) Non-Core Asset Dispositions

In the year ended December 31, 2014, the Company disposed of non-core assets for aggregate net proceeds of $138.2 million (2013 – $25.0 million) and an aggregate net gain of $3.3 million (2013 - $5.4 million loss) recorded on the statement of comprehensive income.

b) Depletion, Depreciation and Amortization

Depletion, depreciation and amortization ($000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2012	174,338	340	174,678
Depletion, depreciation and amortization	149,316	171	149,487
Transfer to assets held for sale	(1,979)	-	(1,979)
Impairment	2,900	-	2,900
Disposal	(3,659)	-	(3,659)
Balance at December 31, 2013	320,916	511	321,427
Depletion, depreciation and amortization	258,836	322	259,158
Transfer from assets held for sale	500	-	500
Transfer to assets held for sale and disposed	(12,819)	-	(12,819)
Disposals	(4,986)	-	(4,986)
Balance at December 31, 2014	562,447	833	563,280

At December 31, 2014, $72.0 million of salvage value (2013 – $43.7 million) was excluded from the depletion calculation. Future development costs of $1,252.9 million (2013 – $839.8 million) were included in the depletion calculation. The Company capitalized $10.7 million (2013 – $5.4 million) of administrative costs directly relating to development activities which includes $5.3 million (2013 – $2.2 million) of stock-based compensation.

c) Impairment test of property, plant and equipment

The recoverable amount of property, plant and equipment is determined as the fair value less costs of disposal using a discounted cash flow method and is assessed at the CGU level. The following table outlines the forecast benchmark commodity prices used in the impairment calculation of property, plant and equipment at December 31, 2014. Forecast benchmark commodity price assumptions tend to be stable because short-term increases or decreases in prices are not considered indicative of long-term price levels, but are nonetheless subject to change. The Company used after-tax discount rates of 8 to 10 percent. The exchange rate is forecasted at 0.86 $US/$CAN.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024[(2)]
WTI crude oil (US$/bbl)[(1)]	65.00	75.00	80.00	84.90	89.30	93.80	95.70	97.60	99.60	101.60
AECO natural gas ($/MMBtu)[(1)]	3.50	4.00	4.25	4.50	4.70	5.00	5.30	5.50	5.70	5.90

Notes:

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

(2) Forecast benchmark commodity prices are assumed to increase by 2% in each year after 2024 to the end of the reserve life.

The impairment test of property, plant and equipment at December 31, 2014 concluded that the estimated recoverable amount exceeded the carrying amount of the CGUs. As such, no property, plant and equipment impairment existed.

8. EXPLORATION AND EVALUATION

($000s)	December 31, 2014	December 31, 2013
Exploration and evaluation assets	45,006	39,719
Less: accumulated land expiries and write-offs	(15,738)	(6,084)
Total net carrying amount	29,268	33,635

($000s)	Undeveloped Land
Balance at December 31, 2012	37,503
Property acquisitions	32,043
Corporate acquisitions	1,459
Disposals	(1,142)
Transfers to property, plant and equipment	(30,144)
Balance at December 31, 2013	39,719
Property acquisitions	4,746
Corporate acquisition	20,710
Disposals	(1,467)
Transfer to assets held for sale and disposed	(2,235)
Transfer to property, plant and equipment	(16,467)
Balance at December 31, 2014	45,006

Accumulated land expiries and write-offs ($000s)	Total
Balance at December 31, 2012	4,403
Land expiries and write-offs	1,681
Balance at December 31, 2013	6,084
Land expiries and write-offs	10,709
Transfer to assets held for sale and disposed	(1,055)
Balance at December 31, 2014	15,738

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

9. INVESTMENT IN LIMITED PARTNERSHIP

($000s)	December 31, 2014	December 31, 2013
Investment in limited partnership, beginning of period	-	-
Purchase of limited partnership [Note 6(a)(iii)]	42,761	-
Partnership distributions	(359)	-
Unrealized loss on investment	(10,020)	-
Investment in limited partnership, end of period	32,382	-

On June 26, 2014 the Company acquired a 10% interest in an oil and gas limited partnership. The investment is recorded at fair value and any subsequent gains or losses recorded in net income. At December 31, 2014, the investments are recorded at a fair value of $32.4 million which was $10.4 million

less than the original cost of the investment. See Note 4 - "Determination of Fair Values" for additional information regarding the Company's Level 3 investment. The Company's key assumptions used in determining the fair value include a discount rate, future commodity prices, operating costs and capital expenditures. The following table outlines the forecast benchmark commodity prices used in the impairment calculation of property, plant and equipment held by the limited partnership at December 31, 2014. The Company used after-tax discount rates of 10 percent.

	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**[(2)]
Canadian Light Sweet Crude (US$/bbl)[(1)]	70.35	87.36	98.28	99.75	101.25	103.85	105.40	106.99	108.59	110.22
AECO natural gas ($/MMBtu)[(1)]	3.32	3.71	3.90	4.47	5.05	5.13	5.22	5.31	5.40	5.49

Notes:

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

(2) Forecast benchmark commodity prices are assumed to increase by 1.5% in each year after 2024 to the end of the reserve life.

A one percent increase in the assumed after-tax discount rates would impact earnings by $3.5 million, while a five percent decrease in forward commodity price estimates would impact earnings by $1.9 million.

10. GOODWILL

($000s)	Total
Balance at December 31, 2012	86,385
Invicta acquisition [Note 6(b)(i)]	11,685
Balance at December 31, 2013	98,070
Home Quarter acquisition [Note 6(a)(i)]	34,465
Forge acquisition [Note 6(a)(iv)]	15,110
Bashaw acquisition [Note 6(a)(v)]	8,894
Balance at December 31, 2014	156,539

a) Impairment test of goodwill

The recoverable amount of goodwill is determined as the fair value less costs of disposal using a discounted cash flow method and is assessed at the operating segment (corporate) level. Refer to Note 7 *Property, Plant and Equipment* for a description of the key input estimates and the methodology used in the determination of the estimated recoverable amount related to goodwill. The impairment test of goodwill at December 31, 2014 concluded that the estimated recoverable amount exceeded the carrying amount of the operating segment. As such, no goodwill impairment existed. There have been no changes to the valuation technique during the year. The fair value measurement of the Company's goodwill is designated Level 3 on the fair value hierarchy.

11. CREDIT FACILITIES

As at December 31, 2014, the Company had a $1 billion credit facility with a syndicate of Canadian banks. The credit facility consists of a $550 million revolving production facility, a $50 million revolving operating facility and a $400 million term loan facility. The revolving facilities may be extended for a further 364-day revolving period upon the request of Whitecap, subject to approval by the banks. At the end of the revolving period, being May 29, 2015, the extendible revolving credit facility converts into a 366-day term loan if not renewed. 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 banker's 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 and the ratio of EBITDA/interest expense shall not be less than 3.5:1.0. 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 shall include bank indebtedness, letters of credit, and distributions declared. As of December 31, 2014, the Company was compliant with all covenants provided for in the lending agreement. The next review is scheduled on or before May 29, 2015

12. DECOMMISSIONING LIABILITY

($000s)	
Balance, December 31, 2012	54,513
Liabilities incurred	4,926
Liabilities acquired	24,588
Liabilities settled	(484)
Liabilities disposed	(49)
Transfer to assets held for sale	(7,330)
Revaluation of liabilities acquired(1)	25,447
Revision in estimates	15,200
Accretion expense	3,081
Balance, December 31, 2013	119,892
Liabilities incurred	9,667
Liabilities acquired	43,856
Liabilities settled	(3,109)
Liabilities disposed	(8,024)
Transfer from assets held for sale	3,685
Revaluation of liabilities acquired(1)	100,522
Revision in estimates	11,477
Accretion expense	5,553
Balance at December 31, 2014	283,519

Note:

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

The Company's decommissioning liability results from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. Revision in estimates is mainly attributed to changes in future decommissioning costs and the period end risk-free discount rate. The key assumptions, on which the carrying amount of the decommissioning liability is based, include a risk-free rate of 2.3 percent (3.1 percent in 2013) and inflation rate of 2.0 percent (2.0 percent in 2013). The total undiscounted amount of the estimated cash flows required to settle the obligations was $534.6 million (December 31, 2013 – $174.6 million). The expected timing of payment of the cash flows required for settling the obligations extends up to 43 years.

13. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without nominal or par value.

b) Issued and outstanding

(000s)	Shares	$
Balance, December 31, 2012	127,900	827,588
Issued on the acquisition of Invicta[(1)]	4,832	49,965
Issued for cash through public prospectus offering[(2)]	32,982	335,819
Share issue costs, net of deferred income tax	-	(11,491)
Issued on exercise of options/warrants	4,739	23,404
Contributed surplus adjustment on exercise of options/warrants	-	9,900
Flow-through shares issued[(3)]	1,875	18,187
Shares cancelled[(4)]	(36)	(245)
Balance, December 31, 2013	172,292	1,253,127
Issued on the acquisition of Home Quarter[(5)]	27,534	346,106
Issued for cash through public prospectus offering[(6)] [(7)]	52,196	621,965
Share issue costs, net of deferred income tax	-	(20,867)
Issued on exercise of options/warrants	1,454	9,133
Contributed surplus adjustment on exercise of options/warrants	-	4,143
Balance at December 31, 2014	253,476	2,213,607

Note:

(1) On April 30, 2013, as part of the Invicta acquisition 4.8 million Whitecap shares were issued to Invicta shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on April 30, 2013 of $10.34 per share.

(2) On May 16, 2013, the Company completed a bought deal public financing of approximately 10.4 million Whitecap shares at a price of $9.70 per common share for gross proceeds of approximately $100.8 million. The gross proceeds from the bought deal financing were used to partially fund the purchase price of the Dodsland property acquisition. On July 18, 2013, the Company completed a bought deal public financing of approximately 17.2 million subscription receipts at a price of $9.90 per subscription receipt for gross proceeds of approximately $170.0 million to partially fund the acquisition of additional Montney light oil assets in the Valhalla area and Cardium light oil assets in the Garrington area of west central Alberta. Each subscription receipt converted to one common share on July 31, 2013. On November 13, 2013, the Company closed a bought deal public financing of approximately 5.4 million Whitecap shares at a price of $12.00 per common share for gross proceeds of approximately $65 million to partially fund the acquisition of additional Cardium light oil assets in the Garrington area of west central Alberta and a working interest consolidation of its Eagle Lake Viking unit.

(3) On May 16, 2013, the Company issued 1.9 million common shares on a CDE flow-through basis at a price of $10.67 per flow-through common share on a non-brokered, private placement basis for gross proceeds of approximately $20.0 million.

(4) The arrangement agreement between Spry Energy Ltd. ("Spry") and Golden Eagle Energy Inc. in 2007 included a "sunset clause" which provided that untendered shares and cash positions would be surrendered to the Company after four years from the closing date of the transaction. During the year, 35,628 common shares of the Company previously held in trust for untendered shareholders were cancelled and $0.8 million of cash was returned to Whitecap. The cancellation of the common shares was recorded as a reduction of capital stock and an increase in contributed surplus. The amount represents the cash portion which was returned and cancelled shares valued as of the transaction close with Spry on April 20, 2011.

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

(6) On April 8, 2014, as part of the Acquisition, 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.

(7) 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

c) Award Incentive Plan

The Company implemented an Award Incentive Plan effective April 30, 2013. The Award Incentive Plan has time-based awards and performance awards which may be granted to the directors, officers and employees of the Company. The maximum number of common shares issuable under the plan shall not at any time exceed 6.5 percent of the total common shares less the aggregate number of common shares reserved for issuance pursuant to the outstanding stock options. All share awards vest three years from date of grant.

Each time-based award entitles the holder to be issued the number of common shares designated in the time-based award (plus dividend equivalents) with such common shares to be issued three years from the date of grant. Certain awards have been granted with a performance multiplier. This multiplier, ranging from zero to two, will be applied at exercise 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.

The fair value of share awards is determined at the date of grant using the Black-Scholes option pricing model and, for performance awards, an estimated payout multiplier. The amount of compensation expense is reduced by an estimated forfeiture rate on the grant date, which has been estimated at 4.0% of outstanding share awards. The forfeiture rate is adjusted to reflect the actual number of shares that vest. Fluctuations in compensation expense may occur due to changes in estimating the outcome of the performance conditions. Upon the exercise of the awards, the associated amount in contributed surplus is recorded as an increase to share capital.

The estimated weighted average fair value for share awards at the measurement date is $14.61 per award granted during the year ended December 31, 2014.

(000s)	Number of Time-based Awards	Number of Performance Awards	Total Awards
Balance, December 31, 2012	-	-	-
Granted	534	1,537	2,071
Forfeited	(8)	(7)	(15)
Balance, December 31, 2013	526	1,530	2,056
Granted	433	1,014	1,447
Forfeited	(17)	(13)	(30)
Balance at December 31, 2014	942	2,531	3,473

d) Option-based awards

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

With the adoption of the new Award Incentive Plan there will be no further stock options granted and the remaining outstanding options will be either exercised or forfeited.

(000s except per share amounts)	Number of Options	Weighted Average Exercise Price ($)
Balance, December 31, 2012	5,150	5.76
Exercised	(2,124)	4.25
Forfeited	(105)	6.54
Balance, December 31, 2013	2,921	6.82
Exercised	(1,332)	6.63
Forfeited	(26)	7.40
Balance at December 31, 2014	1,563	6.97

Exercise Price ($)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($/share)	Number Exercisable	Weighted Average Exercise Price ($/share)
3.50 – 5.99	260	0.77	5.61	260	5.61
6.00 – 12.00	1,303	1.31	7.24	606	7.14
3.50 – 12.00	1,563	1.22	6.97	866	6.68

e) Warrants

On June 25, 2010, the Company completed a $7.75 million non-brokered private placement of 1.6 million units at a price of $2.50 per unit, with each unit comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $2.50 for a period of five years and 1.5 million common shares at a price of $2.50 per common share. All performance warrants met their vesting requirements in 2010. Pursuant to the performance warrant agreement, each warrant is subject to adjustment when the Company issues dividends to common shareholders. In 2014, the Company declared $0.73 cash dividends and the exercise price of the performance warrant has been adjusted to $2.24 to reflect the dividends declared.

(000s except per share amounts)	Number of Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2012	2,930	5.24
Exercised	(1,254)	2.45
Exercised[1]	(1,361)	8.33
Expired[1]	(18)	8.33
Balance, December 31, 2013	297	2.36
Exercised	(122)	2.32
Expired	(12)	2.36
Balance at December 31, 2014	163	2.24

Note:

(1) In connection with the acquisition of Midway, Whitecap entered into a supplemental warrant indenture whereby it assumed the obligations of Midway in respect of 3.0 million outstanding share purchase warrants that were issued in connection with a private placement completed in February 2012. As a result, each previously outstanding warrant to acquire a class A common share of Midway entitled the holder thereof to acquire 0.4802 of a Whitecap common share at a price of $4.00 per 0.4802 of a common share ($8.33 per whole Whitecap common share). In the first quarter of 2013, 2.8 million purchase warrants were exercised resulting in 1.4 million Whitecap common shares issued. The remaining purchase warrants expired on February 15, 2013.

Exercise Price ($)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($/share)	Number Exercisable	Weighted Average Exercise Price ($/share)
2.24	163	0.48	2.24	163	2.24

f) Contributed surplus

($000s)	
Balance, December 31, 2012	15,004
Stock-based compensation	7,549
Option/ warrant exercises[1]	(9,900)
Shares cancelled[2]	1,034
Balance, December 31, 2013	13,687
Stock-based compensation	12,434
Option/ warrant exercises	(4,143)
Balance at December 31, 2014	21,978

Notes:

(1) In connection with the acquisition of Midway, Whitecap entered into a supplemental warrant indenture whereby it assumed the obligations of Midway in respect of 3.0 million outstanding share purchase warrants that were issued in connection with a private placement completed in February 2012. As a result, each previously outstanding warrant to acquire a class A common share of Midway entitled the holder thereof to acquire 0.4802 of a Whitecap common share at a price of $4.00 per 0.4802 of a common share ($8.33 per whole Whitecap common share). In the first quarter of 2013, 2.8 million purchase warrants were exercised resulting in 1.4 million Whitecap common shares issued. The remaining purchase warrants expired on February 15, 2013.

(2) The arrangement agreement between Spry Energy Ltd. ("Spry") and Golden Eagle Energy Inc. in 2007 included a "sunset clause" which provided that untendered shares and cash positions would be surrendered to the Company after four years from the closing date of the transaction. During the year, 35,628 common shares of the Company previously held in trust for untendered shareholders were cancelled and $0.8 million of cash was returned to Whitecap. The cancellation of the common shares was recorded as a reduction of capital stock and an increase in contributed surplus. The amount represents the cash portion which was returned and cancelled shares valued as of the transaction close with Spry on April 20, 2011.

14. EXECUTIVE COMPENSATION

	Twelve months ended December 31,	
($000s)	2014	2013
Salaries and bonuses	4,785	3,499
Stock-based compensation	4,641	2,552
	9,426	6,051

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

15. EXPENSES BY NATURE

	Twelve months ended December 31,	
($000s)	2014	2013
Salaries and benefits	20,030	13,458
Professional services	3,094	2,262
Building leases	2,459	1,606
Other	4,171	3,078
Overhead recoveries	(6,608)	(5,113)
Capitalized salaries	(5,441)	(3,234)
Total general and administrative expenses	17,705	12,057

16. PER SHARE RESULTS

(000s except per share amounts)	Twelve months ended December 31, 2014	2013
Per share income		
Basic	$1.95	$0.27
Diluted	$1.94	$0.27
Weighted average shares outstanding		
Basic	231,879	150,189
Diluted(1)	234,130	151,914

Note:
(1) At December 31, 2014, 1.3 million share awards were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

17. INCOME TAXES

Income taxes for the years ended December 31, 2014 and 2013 are as follows:

Deferred tax:

($000s)	2014	2013
Origination and reversal of timing differences	98,159	21,800
Impact of flow through share renouncement	-	3,183
Income tax expense	98,159	24,983

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

($000s)	Twelve months ended December 31, 2014	2013
Profit before tax at statutory rate	139,805	16,637
Increase (decrease) resulting from		
Unrealized gain on acquisition	(41,154)	-
Change in effective rate	(2,982)	-
Return to provision true-up	185	3,385
Non-deductible stock-based compensation	1,821	1,351
Non-deductible transaction costs	511	193
Impact of flow through share renouncement	-	3,183
Other	(27)	234
Deferred income tax expense	98,159	24,983

The weighted average applicable tax rate was 25.4 percent (2013 – 25.1 percent).

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

($000s)	December 31, 2014	December 31, 2013
Deferred tax assets		
To be recovered after more than 12 months	(303,653)	(63,232)
To be recovered within 12 months	-	-
Deferred tax liabilities		
To be recovered after more than 12 months	397,793	211,336
To be recovered within 12 months	38,916	-
Deferred tax liability (net)	133,056	148,104

Deferred tax liabilities / (assets)

($000s)	Capital assets in excess of tax value	Risk Management asset / (liability)	Decomm-issioning liability	Non-capital loss carry forward	Share issue costs	Investment in limited partnership	Total
At December 31, 2012	152,587	2,691	(15,192)	(20,678)	(3,835)	-	115,573
Charged / (credited) to the income statement	30,224	(11,528)	(652)	4,810	2,129	-	24,983
Charged / (credited) directly to equity	-	-	-	-	(3,854)	-	(3,854)
Corporate acquisition	10,735	26	(219)	(911)	-	-	9,631
Change in estimate of decommissioning liabilities	16,749	-	(16,968)	-	-	-	(219)
Other	1,062	-	1,093	(153)	(12)	-	1,990
At December 31, 2013	211,357	(8,811)	(31,938)	(16,932)	(5,572)	-	148,104
Charged / (credited) to the income statement	25,084	48,853	(619)	22,456	5,017	(2,632)	98,159
Charged / (credited) directly to equity	-	-	-	-	(7,091)	-	(7,091)
Corporate acquisition	124,682	(471)	(1,728)	(219,374)	(7,279)	-	(104,170)
Change in estimate of decommissioning liabilities	36,541	-	(38,269)	-	-	-	(1,728)
Other	(416)	(91)	647	-	(358)	-	(218)
At December 31, 2014	397,248	39,480	(71,907)	(213,850)	(15,283)	(2,632)	133,056

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

($000s)	December 31, 2014	December 31, 2013
Undepreciated capital cost	310,254	179,530
Canadian development expense	467,336	353,438
Canadian exploration expense	-	4,649
Canadian oil and gas property expense	1,042,200	513,220
Non-capital loss carry forward	843,199	67,439
Share issue costs	60,246	22,179
Total	2,723,235	1,140,455

At December 31, 2014, the Company has non-capital losses of $843.2 million that expire between 2024 and 2032.

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

($000s)	Twelve months ended December 31, 2014	2013
Accounts receivable	(13,450)	(4,581)
Deposits and prepaid expenses	(4,110)	(1,044)
Accounts payable and accrued liabilities	35,228	(34,353)
Dividend payable	6,797	9,045
Change in non-cash working capital	24,465	(30,933)
Related to:		
Operating activities	(12,735)	1,107
Financing activities	6,797	9,045
Investing activities	30,403	(41,085)

19. COMMITMENTS

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

($000s)	2015	2016	2017	2018+	Total
Operating lease - office building	4,503	5,729	4,919	39,187	54,338
Transportation agreements	9,190	10,841	9,160	25,910	55,101
Total	13,693	16,570	14,079	65,097	109,439

20. RELATED PARTY TRANSACTIONS

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, 2014, the Company incurred $2.4 million for legal fees and disbursements ($0.9 million for the year ended December 31, 2013). 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, 2014 a payable balance of $0.2 million (nil – December 31, 2013).

21. INVESTMENTS IN SUBSIDIARIES

The Company has the following material subsidiaries, each owned 100% directly, at December 31, 2014.

Name of Subsidiary	**Jurisdiction of Incorporation or Formation**
Whitecap Energy Inc.	Canada
Whitecap Resources Partnership	Canada
1808039 Alberta Ltd.	Canada

22. PRIOR PERIOD COMPARATIVE AMOUNTS

During the fourth quarter of 2014, the Company completed a review of the presentation of petroleum and natural gas sales transactions and it was determined that certain transportation charges previously reported on a gross basis (sales are presented gross of transportation expense) are more appropriately reflected on a net basis (transportation expense is netted against petroleum and natural gas sales). Prior period comparative amounts have been reclassified to conform to the current period presentation. This reclassification has a nil impact on both net income and cash flow from operations.

The impact is as follows:

	Twelve months ended December 31,	
($000s)	2014	2013
Petroleum and natural gas sales	(15,850)	(7,985)
Transportation expense	(15,850)	(7,985)
Net income / Cash flow from operations	-	-

23. ASSETS HELD FOR SALE

At December 31, 2014, there were no assets or liabilities held for sale. $2.7 million of assets held for sale and $3.7 million of liabilities held for sale at December 31, 2013 were not sold during 2014. These assets and liabilities have been reclassified into the appropriate property, plant and equipment and decommissioning liabilities balances, respectively.

($000s)	2014	Twelve months ended December 31, 2013
Assets held for sale	-	8,921
Liabilities associated with assets held for sale	-	(7,330)

24. SUBSEQUENT EVENT

Subsequent to the year end, the Company’s credit facility was increased to $1.2 billion, which includes a $750 million revolving production facility, a $50 million revolving operating facility and a $400 million term loan facility. The next review is scheduled on or before April 30, 2016. See Note 11 - "Credit Facilities" for additional information regarding the Company's credit facility.