MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Whitecap Resources Inc. (the "Company" or "Whitecap") is dated August 6, 2013 and should be read in conjunction with the Company's unaudited interim financial statements and related notes for the period ended June 30, 2013, as well as the audited annual financial statements and related notes for the year ended December 31, 2012.

The annual financial statements of Whitecap have been prepared by management and approved by the Company's Board of Directors. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual financial statements for the year ended December 31, 2012.

The MD&A contains certain measures that do not have any standardized meaning as prescribed by IFRS and therefore are considered non-GAAP measures. Readers are cautioned that the MD&A should be read in conjunction with Whitecap's disclosure under "Non-GAAP Measures" and "Forward-Looking Statements" included at the end of this MD&A.

DESCRIPTION OF BUSINESS

Whitecap is engaged in the acquisition, development, optimization and production of crude oil and natural gas in western Canada. We are focused on providing sustainable monthly dividends and per share growth through a combination of accretive oil-based acquisitions and organic growth on existing and acquired assets.

2013 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Crude oil (bbls/d)	10,912	8,057	10,998	7,112
NGLs (bbls/d)	1,500	1,073	1,410	765
Natural gas (mcf/d)	32,983	26,573	32,059	22,766
Total (boe/d)	17,909	13,559	17,752	11,672
Production split (%)				
Crude oil and NGL	69	67	70	67
Natural gas	31	33	30	33
Total	100	100	100	100

Production volumes averaged 17,909 boe/d in the second quarter of 2013 compared to 13,559 boe/d in 2012, an increase of 32 percent. Year to date, production volumes increased 52 percent to 17,752 boe/d in 2013 from 11,672 boe/d in 2012. The increases in production are primarily due to the corporate acquisitions completed in 2012, the acquisition of Invicta Energy Corp. ("Invicta") and west central Saskatchewan properties in the second quarter of 2013, and the Company's successful drilling and completion programs, partially offset by natural declines. Our crude oil and NGL weighting has also increased two percent to 69 percent compared to 67 percent in the second quarter of 2012.

Revenue

A breakdown of revenue is as follows:

($000s)	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Crude oil	88,319	59,548	172,958	109,819
NGLs	5,623	4,929	20,840	8,874
Natural gas	11,378	5,088	11,762	7,854
Petroleum and natural gas sales	105,320	69,565	205,560	126,547

Total revenues for the second quarter of 2013 increased 51 percent to $105.3 million from $69.6 million in the second quarter of 2012. The increase of $35.7 million consists of $24.4 million attributed to higher production volumes and $11.3 million attributed to higher average realized prices. Total revenues year to date increased 62 percent to $205.6 million from $126.6 million in 2012. The increase of $79.0 million consists of $70.4 million attributed to higher production volumes and $8.6 million attributed to higher realized prices.

Average benchmark and realized prices are as follows:

	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Benchmark prices				
WTI (US$/bbl)[1]	94.22	93.49	94.30	98.21
US$/C$ foreign exchange rate	1.02	1.01	1.02	1.01
WTI (C$/bbl)	96.43	94.44	95.82	98.77
Edmonton Par (C$/bbl)	92.48	88.32	90.40	88.34
AECO natural gas ($/mcf)[2]	3.53	1.90	3.36	2.02
Average realized prices[3]				
Crude oil ($/bbl)	88.87	80.88	86.81	84.35
NGLs ($/bbl)	41.13	52.07	45.94	56.36
Natural gas ($/mcf)	3.79	2.04	3.59	2.14
Combined ($/boe)	64.62	56.31	63.98	59.38

Notes:

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

(2) Represents the AECO daily posting.

(3) Prior to the impact of hedging activities.

In the second quarter of 2013, Whitecap's weighted average realized price was $64.62 per boe compared to the prior period of $56.31 per boe. Stronger light sweet oil differentials to WTI and significantly higher natural gas prices contributed to the 15 percent increase in realized price.

US$ WTI prices averaged $94.22 per barrel in the second quarter of 2013, a slight increase over $93.49 per barrel in the comparable period, and relatively flat to $94.37 per barrel in the first quarter of 2013. Daily WTI oil prices settled as low as $87.73 per barrel in April 2013 and as high as $98.44 per barrel in June 2013, and continue to trade higher based on strong refinery demand, a reduction of crude oil inventories at the major US storage and pipeline hub in Cushing, Oklahoma, geo-political risks in northern Africa and Syria, and US foreign exchange volatility.

Light sweet oil price differentials to WTI averaged a discount of $3.67 US/barrel in the second quarter of 2013, compared to a discount of $9.99 US per barrel in the second quarter of 2012. The strengthening differentials can be attributed to Canadian oil supply disruptions resulting from prolonged spring break-up in April and May of 2013. Differentials will remain sensitive to supply and pipeline disruptions and the movement of crude oil via rail versus pipeline due to the dynamic relationship between Brent and WTI oil prices.

The AECO daily spot price averaged $3.53 per mcf in the second quarter of 2013, compared to $1.90 per mcf in 2012, an increase of 86 percent. US natural gas storage withdrawals were strong early in the quarter, but waned with gas demand as winter transitioned to spring. North American natural gas supply remains robust and sustained demand increases and continued lowering of natural gas storage injections are required to strengthen natural gas prices. The Company's natural gas realizes a modest premium to the Alberta natural gas spot benchmark price due to its higher heat content.

Risk Management and Hedging Activities

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

The Company realized a gain of $0.6 million on its risk management contracts in the second quarter of 2013. The unrealized loss is a result of the non-cash change in the mark-to-market values period over period.

Risk Management Contracts ($000s)	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Realized gain on risk management contracts	617	2,562	2,533	1,259
Unrealized gain (loss) on risk management	(1,087)	29,232	(23,920)	29,395
Total gain (loss) on risk management contracts	(470)	31,794	(21,387)	30,654

At June 30, 2013 the following risk management contracts were outstanding with a mark-to-market liability value of $13.1 million:

Financial WTI Crude Oil Derivative Contracts – Canadian Dollar[(1)]

Term	Volume (bbl/d)	Average Swap Price ($/bbl)	Average Collar Sold Call Price ($/bbl)	Average Collar Bought Put Price ($/bbl)	Average Bought Put Price ($/bbl)	Average Put Premium ($/bbl)
2013 July-December[(2)(3)]	8,900	97.20	-	-	-	-
2013 July-December	250	-	100.80	90.00		
2014	8,000	93.65	-	-	-	-
2014 January - February	250	-	100.80	90.00		
2015	2,000	90.52	-	-	-	-

Notes:

(1) Volumes and prices reported are the weighted average volumes and prices for the period.

(2) Concurrent with entering into a 400 bbl/d swap at $103.10, the Company sold a put at $74.60 WTI for 400 bbls/d in 2013.

(3) The counterparty has the option on November 30, 2013 to extend a 1,000 bbl/d swap at $100.85 to December 31, 2014.

Contracts entered subsequent to June 30, 2013[(1)]

Term	Volume (bbl/d)	Average Swap Price ($/bbl)	Average Collar Sold Call Price ($/bbl)	Average Collar Bought Put Price ($/bbl)	Average Bought Put Price ($/bbl)	Average Put Premium ($/bbl)
2013 July-December	2,000	-	-	-	101.75	1.75
2014	2,000	99.00	-	-	-	-

Note:

(1) Volumes and prices reported are the weighted average volumes and prices for the period.

Financial WTI Crude Oil Differential Derivative Contracts – US dollar[(1)]

Term	Volume (bbl/d)	Contract	Basis	Fixed Differential ($/bbl)
2013 July-September	1,000	Swap	MSW	(5.25)

Note:
(1) Volumes and prices reported are the weighted average volumes and prices for the period.

Financial Natural Gas Derivative Contracts – Canadian Dollar[(1)]

Term	Contract	Volume (GJ/d)	Average Swap Price ($/GJ)
2013 July-December	Swap	17,200	3.16
2014	Swap	5,000	3.50

Note:
(1) Volumes and prices reported are the weighted average volumes and prices for the period.

Financial Power Derivative Contracts – Canadian Dollar

Term	Contract	Volume (MW/h)	Fixed Rate ($/MW/h)
2013 July-December	Swap	9,274	62.99
2014	Swap	18,396	55.24

Interest Rate Contracts

Term		Amount C$($000s)	Fixed Rate (%)	Index
01-Jul-13	31-Oct-13	100,000	1.06	CDOR

Operating Netbacks

The components of operating netbacks are shown below:

	Three months ended June 30,		Six months ended June 30,	
Netbacks ($/boe)	2013	2012	2013	2012
Petroleum and natural gas sales	64.62	56.38	63.98	59.58
Royalties	(8.14)	(6.72)	(7.62)	(7.18)
Operating expenses	(10.07)	(11.94)	(10.42)	(11.80)
Transportation expenses	(2.63)	(2.27)	(2.41)	(2.31)
Operating netbacks prior to hedging	43.78	35.45	43.53	38.29
Realized hedging gain	0.38	2.08	0.79	0.59
Operating netbacks[(1)]	44.16	37.53	44.32	38.88

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

For the three months ended June 30, 2013, royalties as a percentage of revenue were relatively consistent at 13 percent compared to 12 percent in the comparable period. Year to date royalties as a percentage of revenue were 12 percent, comparable to the prior period.

The horizontal wells targeting the Montney Sexsmith pool at Peace River Arch qualify for the five percent royalty rate on up to 70,000 to 80,000 boe of production and for a maximum of 30 to 36 months depending on measured depth drilled. In west central Alberta, the horizontal wells drilled qualify for the five percent royalty rate on up to 60,000 boe of production and for a maximum of 24 months. The horizontal wells targeting the Viking oil pool qualify for the Government of Saskatchewan's reduced royalty rate of 2.5 percent for up to 37,700 barrels of oil produced from the well. The applicable new oil royalty rate will apply thereafter.

Operating costs for the three months ended June 30, 2013 decreased 16 percent to $10.07 per boe compared to $11.94 per boe in the prior period. For the six months ended June 30, 2013 operating costs decreased 12 percent to $10.42 per boe compared to $11.80 per boe in the prior period. The decrease in operating costs on a per boe basis is attributed to favorable adjustments on acquired properties and the continued focus on operational efficiencies in our core areas.

Transportation costs for the three months ended June 30, 2013 increased 16 percent to $2.63 per boe compared to $2.27 per boe in the prior period. The increase in transportation costs on a per boe basis is due to wet weather in Alberta and Saskatchewan affecting road bans and increased wait times at sales terminals. In addition, pipeline downtime in west central Alberta resulted in increased clean oil trucking costs. Year to date transportation costs are comparable to the prior period.

In the second quarter of 2013, operating netbacks increased 18 percent to $44.16 per boe compared to $37.53 per boe in the prior period. Year to date operating netbacks increased 14 percent to $44.32 per boe compared to $38.88 per boe in the prior period. The increase in 2013 is mainly due to higher realized commodity prices and lower operating costs, offset by slightly higher royalties per boe.

General and Administrative ("G&A")

	Three months ended June 30,		Six months ended June 30,	
($000s)	2013	2012	2013	2012
Gross G&A	5,538	3,112	10,268	7,056
Overhead recoveries	(1,157)	(406)	(2,545)	(2,057)
Capitalized	(1,520)	(368)	(2,080)	(1,094)
Net G&A	2,861	2,338	5,643	3,905
Net G&A ($/boe)	1.76	1.89	1.76	1.84

Net G&A per boe decreased to $1.76 per boe for the three months ended June 30, 2013 compared to $1.89 per boe in 2012. Year to date net G&A per boe was $1.76 per boe compared to $1.84 per boe in 2012. The decrease was mainly attributed to higher production volumes, which more than offset the absolute increase in net G&A.

Share-based and Option-based Awards

	Three months ended June 30,		Six months ended June 30,	
($000s)	2013	2012	2013	2012
Stock-based compensation	1,566	1,237	2,790	2,294
Capitalized stock-based compensation	(419)	(495)	(919)	(771)
	1,147	742	1,871	1,523

For the three months ended June 30, 2013, the Company recorded stock-based compensation expense of $1.6 million with the offsetting amount recorded in contributed surplus. The increase of 27 percent over the second quarter of 2012 is primarily due to the expense associated with the Award Incentive Plan implemented in the second quarter of 2013.

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 3 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.

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

As at June 30, 2013, the Company had 2.0 million awards outstanding.

Stock Options & Performance Warrants
As at June 30, 2013, the Company had 3.6 million stock options and 0.3 million performance warrants outstanding. The options have a weighted average exercise price of $6.72 per option and the warrants have a weighted average exercise price of $2.43 per warrant. Stock-based compensation expense is the amortization over the vesting period of the fair value of stock options granted to employees, consultants and directors of the Company. Stock options granted under the stock option plan have a term of four years to expiry and performance warrants granted have a term of five years to expiry.

No further stock options and performance warrants will be granted and the outstanding options and warrants will be either exercised or forfeited over the remaining life.

Transaction Costs

	Three months ended June 30,		Six months ended June 30,	
($000s)	2013	2012	2013	2012
Total transaction costs	322	2,650	322	3,214

Transaction costs are the incremental costs incurred related to an acquisition, such as finder's fees, advisory, legal and other professional fees.

Interest and Financing Expenses

	Three months ended June 30,		Six months ended June 30,	
($000s)	2013	2012	2013	2012
Interest and fees on bank debt	3,453	3,472	6,940	4,911
Non-cash accretion expense	634	278	966	447
Total interest and financing charges	4,087	3,750	7,906	5,358

Interest expense has increased compared to the prior period as a result of higher levels of bank debt from our development capital program and acquisitions, the cost of which exceeded funds from operations.

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

	Three months ended June 30,		Six months ended June 30,	
($000s)	2013	2012	2013	2012
Depletion, depreciation and amortization	35,426	29,076	67,365	49,358
$ per boe	21.74	23.56	20.97	23.23

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

Exploration and Evaluation Asset Expiries

During the three and six months ended June 30, 2013, $0.2 million and $0.6 million of costs associated with expired mineral leases were recognized as an expense compared to the prior periods of $0.7 million and $1.5 million respectively.

Taxes

The Company has a deferred income tax expense of $6.7 million and $9.1 million respectively for the three and six months ended June 30, 2013.

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

($000s)	June 30, 2013	December 31, 2012
Undepreciated capital cost	178,349	169,147
Canadian development expense	382,619	381,611
Canadian exploration expense	9,638	17,909
Canadian oil and gas property expense	297,595	172,645
Non-capital loss carry forward	77,873	82,974
Share issue costs	16,937	15,310
Total	963,011	839,596

Net Income

Net income for the three months ended June 30, 2013 was $20.1 million compared to $26.5 million in the comparable period. Net income for the six months ended June 30, 2013 was $25.7 million compared to $34.2 million in the first six months of 2012. The decrease in net income is mainly attributed to the non-cash loss on risk management contracts.

Funds from Operations and Payout Ratio

Funds from operations and payout ratio are non-GAAP measures. Funds from operations represents cash flow from operating activities adjusted for changes in non-cash working capital, transaction costs and asset retirement settlements. Payout ratio is calculated as cash dividends divided by funds from operations. The Company considers these to be key measures of performance and indicators of sustainability.

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

	Three months ended June 30,		Six months ended June 30,	
($000s)	2013	2012	2013	2012
Cash flow from operating activities	55,903	10,828	115,241	45,748
Changes in non-cash working capital	9,221	26,588	13,972	23,908
Transaction costs	322	2,650	322	3,214
Settlement of decommissioning liabilities	230	66	296	533
Funds from operations	65,676	40,132	129,831	73,403
Dividends declared	21,644	-	41,155	-
Payout ratio	33%	-	32%	-

Capital Expenditures

($000s)	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Land and lease	228	1,745	2,486	1,761
Geological and geophysical	5	601	109	1,357
Drilling and completions	18,514	33,684	84,838	92,119
Investment in facilities	7,638	3,269	12,978	7,083
Capitalized administration	1,520	368	2,080	1,094
Development capital	27,905	39,667	102,491	103,414
Office and other	35	109	65	129
Property acquisitions (net)	116,585	3,087	118,723	8,920
Corporate acquisitions	66,450	523,069	66,450	645,622
Total capital expenditures	210,975	565,932	287,729	758,085

For the three and six months ended June 30, 2013, development capital totaled $27.9 million and $102.5 million respectively with over 93 percent spent on drilling, completions and facilities.

West Central Alberta
Whitecap drilled 7 (6.1 net) horizontal Cardium light oil wells in the second quarter. Our field activity has ramped up in early July and it is anticipated that Whitecap will continue to manage 1 to 2 drilling rigs throughout 2013 for the Pembina, Willesden Green, Ferrier and Garrington areas, to drill Cardium horizontal wells.

Peace River Arch Alberta
Whitecap drilled 2 (1.4 net) horizontal oil wells in the second quarter and will continue to manage one rig throughout the third quarter of 2013 targeting the Montney and Dunvegan formations.

West Central Saskatchewan
Whitecap drilled 3 (1.3 net) horizontal Viking oil wells in the Dodsland area. Field activity was limited in the second quarter due to spring break up and the capital program has resumed in mid-July and it is anticipated that Whitecap will continue to manage 1 rig for the remainder of 2013.

South West Saskatchewan
Whitecap deployed second quarter capital to construct emulsion handling and water disposal facilities as a result of our recent success in this area. These facilities are expected to reduce operating expenses going forward.

Acquisitions
On April 30, 2013, the Company closed the acquisition of Invicta Energy Corp. ("Invicta") for consideration of approximately $0.2 million in cash, the issuance of an aggregate of approximately 4.8 million common shares of Whitecap, and the assumption of Invicta's net debt.

In the second quarter, the Company closed the acquisition of a Viking light oil asset under waterflood in the Dodsland area of west central Saskatchewan for total consideration of $110.0 million.

Decommissioning Liability

At June 30, 2013, the Company recorded decommissioning liabilities of $84.7 million for future abandonment and reclamation of the Company's properties. Estimates are based on both operational knowledge of the properties and updated industry guidance provided by the Alberta Energy Regulator ("AER") effective May 1, 2013. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined.

Capital Resources and Liquidity

Credit Facility

As at June 30, 2013, the Company had a $520 million 364-day revolving credit facility with a syndicate of Canadian banks. The facility is available on a revolving basis for a period until May 29, 2014 and then for a further year under the term out provisions. Such initial term out date may be extended for further 364-day periods at the request of the Company, subject to approval by the banks. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances. The applicable margin charged by the bank is dependent upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The credit facilities are secured by a fixed and floating charge debenture on the assets of the Company. As of June 30, 2013, the Company was compliant with all covenants provided for in the lending agreement.

Equity

On February 10, 2012, as part of the Compass Petroleum Ltd. ("Compass") acquisition, 10.9 million Whitecap shares were issued to Compass shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on February 10, 2012 of $9.74 per share.

On March 19, 2012, the Company completed a bought deal finance offering of 5.9 million units at a price of $20.20 per unit for total gross proceeds of $120.0 million. Each unit was comprised of one subscription receipt at a price of $10.10 per subscription receipt and one common share at a price of $10.10 per common share. The proceeds from the sale of the subscription receipts were held in escrow pending the completion of the acquisition of Midway Energy Ltd. ("Midway"). Upon closing of the Midway acquisition on April 20, 2012, each subscription receipt converted to one common share of Whitecap.

On April 20, 2012, as part of the Midway acquisition, 32.1 million Whitecap shares were issued to Midway shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on April 20, 2012 of $7.68 per share.

On April 30, 2013, as part of the Invicta acquisition, approximately 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, 2012 of $10.34 per share.

On May 22, 2013, the Company completed a bought deal finance offering of approximately 9.3 million Whitecap shares at a price of $9.70 per common share for gross proceeds of approximately $90.0 million. The Company also granted the underwriters an over-allotment option, which was exercised for approximately an additional 1.1 million common shares at a price of $9.70 per common share, for additional gross proceeds of $10.8 million. In conjunction with the financing, the Company also agreed to issue approximately 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 additional gross proceeds of approximately $20.0 million. The gross proceeds from the bought deal financing were used to partially fund the purchase price of the Dodsland property acquisition. The remaining funds required to finance the purchase price of the acquisition were drawn from Whitecap's credit facility. The proceeds from the flow-through common share financing will be used to incur eligible Canadian development expenditures that will be renounced to subscribers effective on or before December 31, 2013.

The Company is authorized to issue an unlimited number of common shares. As at August 6, 2013 there were 166.3 million common shares, 3.5 million stock options, 0.3 million warrants and 2.0 million share awards outstanding.

Liquidity

The Company generally relies on operating cash flows, equity issuances and its credit facility to fund its capital requirements, dividend payments and to provide liquidity. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds from operations, existing credit facilities and

the ability to access debt and equity markets. Bank debt is classified as a long-term liability as it is a revolving facility with no expected repayment requirements for the next year. The Company generates positive operating cash flow. At June 30, 2013 the Company had $150.3 million of unutilized credit to cover any working capital deficiencies. The Company believes that it is well positioned to take advantage of its internally developed opportunities funded through available credit facilities combined with anticipated funds from operations. Present sources of capital are currently anticipated to be sufficient to satisfy the Company's capital program and dividend payments for the 2013 fiscal year.

Contractual Obligations

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

($000s)	2013	2014	2015	2016+	Total
Operating lease - office building	880	2,038	1,561	1,563	6,042

Flow through shares

On May 16, 2013, the Company issued $1.8 million flow through common shares for gross proceeds of $20.0 million. The Company has an obligation to incur $20.0 million of eligible flow-through expenditures prior to December 31, 2013.

Subsequent Events

On July 18, 2013, the Company completed a bought deal finance offering of approximately 17.2 million subscription receipts at a price of $9.90 per subscription receipt for gross proceeds of approximately $170.0 million. On July 31, 2013, concurrent with the Company closing the acquisition of certain strategic light oil assets located predominately in its core areas of Valhalla and Garrington for $173.6 million, the subscription receipts were each exchanged for one Whitecap common share for no additional consideration.

The Company's board of directors approved a 5 percent increase to the monthly dividend to $0.0525 per share starting with the October 2013 dividend payable in November 2013.

Off Balance Sheet Arrangements

The Company does not have any special purpose entities nor is it party to any arrangements that would be excluded from the balance sheet.

Critical Accounting Estimates

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

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

and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates.

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

Business Risks

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

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

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

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

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

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

Environmental Risks

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment and destruction of natural habitat, as well as safety risks such as personal injury. The Company works hard to understand the sensitivities of the environments in which it operates and its responsibilities from the beginning to the end. It also strives to identify the potential environmental impacts of its new projects in the planning stage and during operations. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. Whitecap maintains current insurance coverage

for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities could reduce or eliminate its available funds or could exceed the funds the Company has available and result in financial distress.

Summary of quarterly results

	2013		2012				2011	
($000s, except as noted)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Financial								
Petroleum and natural gas sales	105,320	100,240	93,896	85,327	69,565	56,982	48,033	38,543
Funds from operations[1]	65,676	64,153	63,588	56,894	40,132	33,271	32,962	26,059
Basic ($/share)	0.47	0.49	0.50	0.45	0.34	0.42	0.46	0.36
Diluted ($/share)	0.46	0.49	0.49	0.44	0.33	0.41	0.44	0.35
Net income (loss)	20,143	5,586	7,579	10,678	26,536	7,678	3,228	10,063
Basic ($/share)	0.14	0.04	0.06	0.08	0.22	0.10	0.04	0.14
Diluted ($/share)	0.14	0.04	0.06	0.08	0.22	0.09	0.04	0.14
Development capital expenditures	27,905	74,586	67,563	74,749	39,667	63,747	54,839	44,694
Property acquisitions (net)	116,585	2,139	(4,977)	(101)	3,087	5,833	(136)	6,405
Corporate acquisitions	66,450	-	-	-	523,069	122,553	-	-
Total assets	1,766,744	1,537,331	1,495,778	1,496,308	1,439,857	823,679	641,671	593,930
Net debt[1]	357,974	360,753	343,994	366,899	347,639	156,411	158,811	137,045
Common shares outstanding (000s)	149,073	130,460	127,900	127,098	127,091	89,056	72,191	72,168
Dividends declared ($/share)	0.15	0.15	-	-	-	-	-	-
Operational								
Average daily production								
Crude oil (bbls/d)	10,912	11,085	10,520	9,672	8,057	6,168	4,474	3,805
NGLs (bbls/d)	1,500	1,319	1,274	1,183	1,073	457	474	355
Natural gas (Mcf/d)	32,983	31,126	31,341	29,642	26,573	18,959	17,150	13,951
Total (boe/d)	17,909	17,592	17,018	15,795	13,559	9,785	7,806	6,485

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

In the past eight consecutive quarters, Whitecap has been able to consistently increase its production volumes through the efficient execution of its capital program as well as completing strategic acquisitions in its core areas. This has resulted in significant growth in funds from operations on an absolute and per share basis.

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

In the first quarter of 2012, the Company acquired Compass for total consideration of approximately $120.0 million providing us with an initial entry into the light oil Viking resource play and increasing our low risk drilling opportunities. Additionally, the Company completed a bought deal finance offering of 5.9 million units at a price of $20.20 per unit for gross proceeds of $120 million. Each unit was comprised of one subscription receipt at a price of $10.10 per subscription receipt and one common share at a price of $10.10 per common share.

In the second quarter of 2012, the Company acquired Midway for total consideration of approximately $359.0 million which provided a significant increase to our low risk Cardium drilling inventory.

In the first quarter of 2013, the Company adopted a monthly dividend policy commencing January 2013 with the first dividend payment in February 2013.

In the second quarter of 2013, the Company acquired Invicta for total consideration of approximately $67.8 million which provided a significant increase to our light oil Viking resource play. Additionally, the Company completed the acquisition of an existing Viking light oil waterflood asset in the Dodsland area of west central Saskatchewan for total consideration of $110.0 million.

NON-GAAP MEASURES

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

"Funds from operations" represents cash flow from operating activities adjusted for changes in non-cash working capital, transaction costs and asset retirement settlements. Management considers funds from operations and funds from operations per share to be key measures as they demonstrate Whitecap's ability to generate the cash necessary to pay dividends, repay debt, fund asset retirement obligations and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations provides a useful measure of Whitecap's ability to generate cash that is not subject to short-term movements in non-cash operating working capital. Refer to the "Funds from Operations, Payout Ratio and Dividends" section of this report for the reconciliation of cash flow from operating activities to funds from operations.

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

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

"Payout ratio" is calculated as cash dividends declared divided by funds from operations.

"Net debt" is calculated as bank debt plus working capital deficiency adjusted for risk management contracts. Net debt is used by management to analyze the financial position and leverage of Whitecap.

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

($000s)	June 30, 2013	December 31, 2012
Bank debt	369,680	310,700
Current liabilities	92,136	104,903
Current assets	(92,609)	(82,272)
Risk management contracts	(11,233)	10,663
Net debt	357,974	343,994

BOE PRESENTATION

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

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained in this management's discussion and analysis constitute forward-looking statements and are based on Whitecap's beliefs and assumptions based on information available at the time the assumption was made. By its nature, such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these

expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", “measure” "strategy", “stability” and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: Whitecap’s future plans and focus; future drilling plans; future oil and natural gas prices and differentials; Whitecap’s commodity risk management programs; the amount of future decommissioning liabilities; future liquidity and financial capacity; future dividends and dividend policy; future costs, expenses and royalty rates; Whitecap’s ability to fund its current capital program and dividend payments for the remainder of the year, future taxes payable by Whitecap, Whitecap’s tax pools and the expected purchase price of the acquisition of the Valhalla light oil and Garrington assets.

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

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

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