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 November 6, 2013 and should be read in conjunction with the Company's unaudited interim financial statements and related notes for the period ended September 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 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Crude oil (bbls/d)	12,870	9,672	11,629	7,971
NGLs (bbls/d)	1,864	1,183	1,563	906
Natural gas (mcf/d)	40,281	29,642	34,830	25,075
Total (boe/d)	21,448	15,795	18,997	13,056
Production split (%)				
Crude oil and NGL	69	69	69	68
Natural gas	31	31	31	32
Total	100	100	100	100

Production volumes averaged 21,448 boe/d in the third quarter of 2013 compared to 15,795 boe/d in 2012, an increase of 36%. Year to date, production volumes increased 46% to 18,997 boe/d in 2013 from 13,056 boe/d in 2012. The production increases are due to a combination of accretive acquisitions completed in the prior period and the successful execution of the Company's drilling and completion program. Our crude oil and NGL weighting in 2013 has increased slightly to 69% compared to 68% in 2012.

Revenue

A breakdown of revenue is as follows:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	2013	2012	2013	2012
Crude oil	121,181	74,132	294,138	183,950
NGLs	8,539	4,610	20,302	12,465
Natural gas	9,630	6,585	30,470	15,459
Petroleum and natural gas sales	139,350	85,327	344,910	211,874

Total revenues for the third quarter of 2013 increased 63% to $139.4 million from $85.3 million in the third quarter of 2012. The increase of $54.0 million consists of $36.7 million attributed to higher production volumes and $17.3 million attributed to higher average realized prices. Total revenues year to date increased 63% to $344.9 million from $211.9 million in 2012. The increase of $133.0 million consists of $107.9 million attributed to higher production volumes and $25.1 million attributed to higher realized prices.

Average benchmark and realized prices are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Benchmark prices				
WTI (US$/bbl)[1]	105.83	92.22	98.14	96.21
US$/C$ foreign exchange rate	1.04	0.99	1.02	1.00
WTI (C$/bbl)	109.66	91.73	100.38	96.41
Edmonton Par (C$/bbl)	104.54	84.57	95.11	87.08
AECO natural gas ($/mcf)[2]	2.44	2.28	3.05	2.11
Average realized prices[3]				
Crude oil ($/bbl)	102.26	83.32	92.57	84.09
NGLs ($/bbl)	49.70	42.26	47.49	50.18
Natural gas ($/mcf)	2.60	2.41	3.20	2.25
Combined ($/boe)	70.62	58.72	66.50	59.23

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 third quarter of 2013, Whitecap's weighted average realized price was $70.62 per boe compared to the prior period of $58.72 per boe.

US$ WTI prices averaged $105.83 per barrel in the third quarter of 2013, an increase of $13.61 per barrel over the comparable period, and an increase of $11.61 per barrel compared to the second quarter of 2013. WTI oil prices strengthened considerably through the third quarter as the Middle Eastern geo-political outlook deteriorated, US crude oil inventories declined and refinery utilization rates remained relatively high.

Light sweet oil price differentials to WTI averaged a discount of $4.73 US per barrel in the third quarter of 2013, compared to a discount of $7.35 US per barrel in the third quarter of 2012, and a discount of $3.67 per barrel in the second quarter of 2013. Similar to WTI prices, the Canadian light sweet oil price differential was supported by robust refinery demand and declining US oil inventories. Differentials remain highly sensitive to pipeline disruptions and capacity restraints, as well as fluctuations in supply and movement of crude via rail.

The AECO daily spot price averaged $2.44 per mcf in the third quarter of 2013, compared to $2.28 per mcf in 2012, and down $1.10 per mcf from the second quarter of 2013. Mild summer weather provided little support for natural gas demand, and North American natural gas supply and storage levels remained robust. 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% of its most recent quarter's average daily production, net of royalties.

The Company realized a loss of $9.5 million on its risk management contracts in the third 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 September 30, 2013	2012	Nine months ended September 30, 2013	2012
Realized gain (loss) on risk management contracts	(9,508)	4,799	(6,975)	6,058
Unrealized gain (loss) on risk management	(15,910)	(4,136)	(39,830)	25,259
Total gain (loss) on risk management contracts	(25,418)	663	(46,805)	31,317

At September 30, 2013 the following risk management contracts were outstanding with a mark-to-market liability value of $29.0 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 October-December[2][3]	8,900	97.20	-	-	-	-
2013 October-December	250	-	100.80	90.00		
2013 October-December	2,000	-	-	-	101.75	1.75
2014	10,500	94.93	-	-	-	-
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 September 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)**
2015	1,000	95.03	-	-	-	-

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 October-December	Swap	15,850	3.17
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	Swap	18,396	62.99
2014	Swap	18,396	55.24

Interest Rate Contracts

Term		Amount C$($000s)	Fixed Rate (%)	Index
03-July-12	03-Oct-13	100,000	1.06	CDOR
03-Oct-13	03-Oct-18	200,000	2.45	CDOR

Operating Netbacks

The components of operating netbacks are shown below:

	Three months ended September 30,		Nine months ended September 30,	
Netbacks ($/boe)	2013	2012	2013	2012
Petroleum and natural gas sales	70.62	58.72	66.50	59.23
Royalties	(9.17)	(5.80)	(8.21)	(6.72)
Operating expenses	(9.13)	(10.84)	(9.93)	(11.41)
Transportation expenses	(2.29)	(2.41)	(2.36)	(2.35)
Operating netbacks prior to hedging	50.03	39.67	46.00	38.75
Realized hedging gain (loss)	(4.82)	3.30	(1.34)	1.69
Operating netbacks[1]	45.21	42.97	44.66	40.44

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 September 30, 2013, royalties as a percentage of revenue increased to 13% compared to 10% in the comparable period. Year to date royalties as a percentage of revenue were 12% as compared to 11% in the prior period. The increases in royalty rates when compared to the prior periods are a result of higher realized oil and natural gas prices in 2013.

The horizontal wells targeting the Montney Sexsmith pool at Peace River Arch qualify for the 5% 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 5% 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% 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 September 30, 2013 decreased 16% to $9.13 per boe compared to $10.84 per boe in the prior period. For the nine months ended September 30, 2013 operating costs decreased 13% to $9.93 per boe compared to $11.41 per boe in the prior period. The decrease in operating costs on a per boe basis is attributed to the continued focus on operational efficiencies in our core areas resulting in favorable cost adjustments on acquired properties.

In the third quarter of 2013, operating netbacks increased 5% to $45.21 per boe compared to $42.97 per boe in the prior period. Year to date operating netbacks increased 10% to $44.66 per boe compared to $40.44 per boe in the prior period. The increase in 2013 is mainly due to higher realized oil and natural gas prices and lower operating costs, offset by slightly higher royalties per boe and hedging losses.

General and Administrative ("G&A")

	Three months ended September 30,		Nine months ended September 30,	
($000s)	2013	2012	2013	2012
Gross G&A	5,317	4,549	15,585	11,606
Overhead recoveries	(1,584)	(1,502)	(4,129)	(3,560)
Capitalized	(577)	(499)	(2,657)	(1,593)
Net G&A	3,156	2,548	8,799	6,453
Net G&A ($/boe)	1.60	1.75	1.70	1.80

Net G&A per boe decreased to $1.60 per boe for the three months ended September 30, 2013 compared to $1.75 per boe in the prior period. Year to date net G&A per boe was $1.70 per boe compared to $1.80 per boe in the prior period. 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 September 30,		Nine months ended September 30,	
($000s)	2013	2012	2013	2012
Stock-based compensation	2,473	1,410	5,263	3,705
Capitalized stock-based compensation	(650)	(196)	(1,569)	(968)
	1,823	1,214	3,694	2,737

For the three months ended September 30, 2013, the Company recorded stock-based compensation expense of $2.5 million with the offsetting amount recorded in contributed surplus. The increase of 75% over the third quarter of 2012 is primarily due to the expense associated with the award incentive plan implemented in 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% of the total common shares outstanding less the aggregate number of common shares reserved for issuance pursuant to 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 September 30, 2013, the Company had 2.0 million awards outstanding.

Stock Options & Performance Warrants

As at September 30, 2013, the Company had 3.2 million stock options and 0.3 million performance warrants outstanding. The options have a weighted average exercise price of $6.81 per option and the warrants have a weighted average exercise price of $2.39 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 September 30,		Nine months ended September 30,	
($000s)	2013	2012	2013	2012
Total transaction costs	-	147	322	3,361

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 September 30,		Nine months ended September 30,	
($000s)	2013	2012	2013	2012
Interest and fees on bank debt	3,727	2,997	10,667	7,910
Non-cash accretion expense	764	343	1,730	789
Total interest and financing charges	4,491	3,340	12,397	8,699

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 September 30,		Nine months ended September 30,	
($000s)	2013	2012	2013	2012
Depletion, depreciation and amortization	41,794	34,638	109,159	83,997
$ per boe	21.18	23.80	21.05	23.48

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 nine months ended September 30, 2013, $0.8 million and $1.3 million of costs associated with expired mineral leases were recognized as an expense compared to the prior periods of $1.2 million and $2.7 million respectively.

Taxes

The Company has a deferred income tax expense of $6.3 million and $15.4 million respectively for the three and nine months ended September 30, 2013.

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

($000s)	September 30, 2013	December 31, 2012
Undepreciated capital cost	177,947	169,147
Canadian development expense	388,763	381,611
Canadian exploration expense	4,916	17,909
Canadian oil and gas property expense	473,566	172,645
Non-capital loss carry forward	84,809	82,974
Share issue costs	22,586	15,310
Total	1,152,587	839,596

Net Income

Net income for the three months ended September 30, 2013 was $16.2 million compared to $10.7 million in the comparable period. Net income for the nine months ended September 30, 2013 was $41.9 million compared to $44.9 million in the first nine months of 2012. The decrease in net income for the nine months ended September 30, 2013 is mainly attributed to the non-cash loss on risk management contracts and higher depletion expense as a result of increased production offset by higher oil and natural gas prices.

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. Basic 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 September 30,		Nine months ended September 30,	
($000s)	2013	2012	2013	2012
Cash flow from operating activities	85,345	44,099	200,585	89,846
Changes in non-cash working capital	(1,976)	12,524	11,996	36,433
Settlement of decommissioning liabilities	163	124	459	657
Transaction costs	-	147	322	3,361
Termination fee received	(1,200)	-	(1,200)	-
Funds from operations	82,332	56,894	212,162	130,297
Dividends declared	24,977	-	66,131	-
Basic payout ratio	30%	-	31%	-

Capital Expenditures

	Three months ended September 30,		Nine months ended September 30,	
($000s)	2013	2012	2013	2012
Land and lease	627	1,717	3,113	3,478
Geological and geophysical	386	148	495	1,505
Drilling and completions	57,273	66,518	142,111	158,633
Investment in facilities	6,652	5,867	19,630	12,950
Capitalized administration	577	499	2,657	1,593
Development capital	65,515	74,749	168,006	178,159
Office and other	32	276	97	405
Property acquisitions (net)	199,279	(101)	318,001	8,819
Corporate acquisitions	-	-	66,450	645,622
Total capital expenditures	264,826	74,924	552,554	833,005

For the three and nine months ended September 30, 2013, development capital totaled $65.5 million and $168.0 million respectively with over 96% spent on drilling, completions and facilities. In the third quarter of 2013 Whitecap drilled 35 (27.0 net) wells of which 3 (2.5 net) wells were in west central Alberta, 3 (2.5 net) wells in Peace River Arch and 21 (15.7 net) wells in west central Saskatchewan. For 2013 year to date, Whitecap has drilled 90 (68.1 net) wells with a 100% success rate.

Acquisitions

In the third quarter of 2013, the Company closed the working interest consolidation of Valhalla and Garrington light oil assets for consideration of $173.6 million and other complementary property acquisitions totalling an aggregate of $36.8 million.

Decommissioning Liability

At September 30, 2013, the Company recorded decommissioning liabilities of $101.2 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 September 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 September 30, 2013, the Company was compliant with all covenants provided for in the lending agreement. The next review is scheduled on or before May 29, 2014. (see subsequent events)

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.

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. The proceeds from the sale of the subscription receipts were held in escrow pending the completion of the Valhalla and Garrington property acquisition. Upon closing of the acquisition on July 31, 2013, each subscription receipt converted to one common share of Whitecap. The gross proceeds from the bought deal financing were used to partially fund the purchase price of the property acquisition. The remaining funds required to finance the purchase price of the acquisition were drawn from Whitecap's credit facility.

On October 28, 2013, the Company announced a bought deal finance offering of approximately 5.4 million Whitecap shares at a price of $12.00 per common share for gross proceeds of approximately $65 million. (see subsequent events)

The Company is authorized to issue an unlimited number of common shares. As at November 5, 2013 there were 166.8 million common shares, 3.1 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 September 30, 2013 the Company had $132.7 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	440	2,038	1,561	1,563	5,602

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. The Company has incurred the expenditures required to fulfill the flow-through obligation.

Subsequent Events

On October 3, 2013 the borrowing base of Whitecap's revolving credit facility was increased to $600 million from $520 million. The credit facility consists of a $375 million 364-day extendible revolving facility and a $25 million revolving operating facility and a $200 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, 2014, the extendible revolving credit facility converts into a 366-day term loan. The credit facility bears interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The term loan facility matures on October 3, 2018 and has a fixed interest rate of 5.3%.The credit facility has two new financial covenants, whereby the Company's ratio of debt to earnings before interest, taxes, depreciation and amortization "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.

Subsequent to September 30, 2013, the Company closed the acquisition of a Cardium light oil property and a working interest consolidation of its Eagle Lake Viking unit for total consideration of $90.0 million. In conjunction with the acquisitions, the Company announced a bought deal finance offering of approximately 5.4 million Whitecap shares at a price of $12.00 per common share for gross proceeds of

approximately $65 million. The gross proceeds from the bought deal financing will be used to repay a portion of bank debt which was incurred to fund the property acquisitions. Closing of the financing is expected to be on or about November 13, 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
($000s, except as noted)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial								
Petroleum and natural gas sales	139,350	105,320	100,240	93,896	85,327	69,565	56,982	48,033
Funds from operations[1]	82,332	65,676	64,153	63,588	56,894	40,132	33,271	32,962
Basic ($/share)	0.51	0.47	0.49	0.50	0.45	0.34	0.42	0.46
Diluted ($/share)	0.51	0.46	0.49	0.49	0.44	0.33	0.41	0.44
Net income (loss)	16,168	20,143	5,586	7,579	10,678	26,536	7,678	3,228
Basic ($/share)	0.10	0.14	0.04	0.06	0.08	0.22	0.10	0.04
Diluted ($/share)	0.10	0.14	0.04	0.06	0.08	0.22	0.09	0.04
Development capital expenditures	65,515	27,905	74,586	67,563	74,749	39,667	63,747	54,839
Property acquisitions (net)	199,279	116,585	2,139	(4,977)	(101)	3,087	5,833	(136)
Corporate acquisitions	-	66,450	-	-	-	523,069	122,553	-
Total assets	2,007,911	1,766,744	1,537,331	1,495,778	1,496,308	1,439,857	823,679	641,671
Net debt[1]	398,578	357,974	360,753	343,994	366,899	347,639	156,411	158,811
Common shares outstanding (000s)	166,635	149,073	130,460	127,900	127,098	127,091	89,056	72,191
Dividends declared ($/share)	0.15	0.15	0.15	-	-	-	-	-
Operational								
Average daily production								
Crude oil (bbls/d)	12,870	10,912	11,085	10,520	9,672	8,057	6,168	4,474
NGLs (bbls/d)	1,864	1,500	1,319	1,274	1,183	1,073	457	474
Natural gas (Mcf/d)	40,281	32,983	31,126	31,341	29,642	26,573	18,959	17,150
Total (boe/d)	21,448	17,909	17,592	17,018	15,795	13,559	9,785	7,806

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 third 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.

In the third quarter of 2013, the Company acquired strategic light oil assets located predominantly in its core Valhalla and Garrington operated areas of Alberta for total consideration of $173.6 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, asset retirement settlements and termination fees received. 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, Basic 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.

"Basic 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 and the flow-through share liability. 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)	September 30, 2013	December 31, 2012
Bank debt	387,251	310,700
Current liabilities	135,148	104,903
Flow-through share liability	(1,819)	-
Current assets	(96,192)	(82,272)
Risk management contracts	(25,810)	10,663
Net debt	398,578	343,994

BOE PRESENTATION

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

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained in this 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.