WHITECAP RESOURCES INC.
CONSOLIDATED BALANCE SHEET
(unaudited)

As at (CAD $000s)	**June 30, 2014**	December 31, 2013
Assets		
Current Assets		
Accounts receivable	**107,925**	55,167
Deposits and prepaid expenses	**4,598**	2,707
Assets held for sale	**-**	8,921
	112,523	66,795
Property, plant and equipment [Notes 6 & 7]	**3,106,223**	1,854,329
Exploration and evaluation [Note 8]	**45,953**	33,635
Investment in limited partnership [Notes 6(d) & 9]	**42,761**	-
Goodwill [Note 10]	**132,535**	98,070
	3,439,995	2,052,829
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**126,615**	68,698
Dividends payable	**15,332**	9,045
Risk management contracts [Notes 4 & 5]	**58,755**	28,700
Liabilities associated with assets held for sale	**-**	7,330
	200,702	113,773
Risk management contracts [Notes 4 & 5]	**15,607**	6,400
Bank debt [Note 11]	**723,458**	382,899
Decommissioning liability [Note 12]	**245,180**	119,892
Deferred income tax	**11,762**	148,104
	1,196,709	771,068
Shareholders' Equity		
Share capital [Note 13]	**2,088,358**	1,253,127
Contributed surplus [Note 13]	**16,399**	13,687
Retained earnings (Deficit)	**138,529**	14,947
	2,243,286	1,281,761
	3,439,995	2,052,829

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board:

(signed) *"Stephen C. Nikiforuk"*

Stephen C. Nikiforuk
Director

(signed) *"Grant B. Fagerheim"*

Grant B. Fagerheim
Director

WHITECAP RESOURCES INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three and six months ended June 30
(unaudited)

	Three months ended June 30		Six months ended June 30	
(CAD $000s, except per share amounts)	**2014**	2013	**2014**	2013
Revenue				
Petroleum and natural gas sales	**219,560**	105,320	**400,585**	205,560
Royalties	**(28,325)**	(13,261)	**(51,719)**	(24,479)
	191,235	92,059	**348,866**	181,081
Loss on risk management contracts [Note 5]	**(28,119)**	(470)	**(80,080)**	(21,387)
Gain on acquisition of private companies [Note 6(d)]	**162,267**	-	**162,267**	-
	325,383	91,589	**431,053**	159,694
Expenses				
Operating	**31,573**	16,405	**54,479**	33,468
Transportation	**8,199**	4,281	**14,181**	7,732
General and administrative	**4,180**	2,861	**7,760**	5,643
Stock-based compensation	**1,350**	1,147	**2,991**	1,871
Transaction costs	**1,069**	322	**1,264**	322
Interest and financing	**6,657**	3,453	**11,435**	6,940
Accretion of decommissioning liabilities [Note 12]	**1,398**	634	**2,361**	966
Depletion, depreciation and amortization [Note 7]	**60,387**	35,426	**113,428**	67,365
Exploration and evaluation [Note 8]	**3,496**	192	**7,520**	544
Loss on non-core asset disposition [Note 7]	**-**	-	**1,870**	-
	118,309	64,721	**217,289**	124,851
Income before income taxes	**207,074**	26,868	**213,764**	34,843
Taxes				
Deferred income tax expense	**12,029**	6,725	**14,179**	9,113
Net income and other comprehensive income	**195,045**	20,143	**199,585**	25,730
Net Income Per Share ($/share) [Note 14]				
Basic	**0.85**	0.14	**0.93**	0.19
Diluted	**0.84**	0.14	**0.92**	0.19

See accompanying notes to the consolidated financial statements

WHITECAP RESOURCES INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended June 30
(unaudited)

(CAD $000s)	**2014**	2013
Share Capital [Note 13(b)]		
Balance, beginning of year	**1,253,127**	827,588
Issued on exercise of options/warrants	**5,447**	19,639
Contributed surplus adjustment on exercise of options/warrants	**2,494**	8,369
Shares cancelled	**-**	(253)
Issued on the acquisition of Invicta Energy Corp. ("Invicta")	**-**	49,965
Issued on the acquisition of a private company [Note 6(a)]	**346,106**	-
Flow-through shares issued	**-**	19,556
Issued for cash through public prospectus offering	**497,453**	100,812
Share issue costs, net of deferred income tax	**(16,269)**	(3,179)
Balance, end of period	**2,088,358**	1,022,497
Contributed Surplus [Note 13(f)]		
Balance, beginning of year	**13,687**	15,004
Option-based awards	**5,206**	2,791
Option/warrant exercises	**(2,494)**	(8,369)
Shares cancelled	**-**	1,070
Balance, end of period	**16,399**	10,496
Retained Earnings		
Balance, beginning of year	**14,947**	67,497
Net income and other comprehensive income	**199,585**	25,730
Dividends	**(76,003)**	(41,155)
Balance, end of period	**138,529**	52,072

See accompanying notes to the consolidated financial statements

WHITECAP RESOURCES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the three and six months ended June 30
(unaudited)

	Three months ended June 30		Six months ended June 30	
(CAD $000s)	**2014**	2013	**2014**	2013
Operating Activities				
Net income for the period	**195,045**	20,143	**199,585**	25,730
Items not affecting cash:				
Depletion, depreciation and amortization	**60,387**	35,426	**113,428**	67,365
Exploration and evaluation	**3,496**	192	**7,520**	544
Deferred income tax expense	**12,029**	6,725	**14,179**	9,113
Stock-based compensation	**1,350**	1,147	**2,991**	1,871
Non-cash financing expense [Note 12]	**1,398**	634	**2,361**	966
Unrealized loss on risk management contracts [Note 5]	**4,922**	1,087	**37,405**	23,920
Loss on non-core asset disposition	**-**	-	**1,870**	-
Gain on acquisition of private companies [Note 6(d)]	**(162,267)**	-	**(162,267)**	-
Settlement of decommissioning liabilities [Note 12]	**(273)**	(230)	**(426)**	(296)
	116,087	65,124	**216,646**	129,213
Net change in non-cash working capital items [Note 15]	**27,595**	(9,221)	**12,826**	(13,972)
	143,682	55,903	**229,472**	115,241
Financing Activities				
Increase in bank debt	**277,414**	33,785	**340,559**	58,980
Option/warrant exercises	**4,586**	4,477	**5,447**	20,456
Dividends	**(41,993)**	(21,644)	**(76,003)**	(41,155)
Issuance of flow-through shares	**-**	19,556	**-**	19,556
Issuance of share capital, net of share issue costs	**475,961**	96,603	**475,748**	96,603
Net change in non-cash working capital items [Note 15]	**3,994**	931	**6,287**	7,454
	719,962	133,708	**752,038**	161,894
Investing Activities				
Expenditures on property, plant and equipment	**(52,037)**	(27,940)	**(182,800)**	(102,556)
Expenditures on property acquisitions	**(790,642)**	(118,692)	**(799,952)**	(121,080)
Cash from property dispositions	**113,031**	2,107	**114,883**	2,357
Expenditures on corporate acquisitions	**(107,116)**	(20,741)	**(106,209)**	(20,741)
Net change in non-cash working capital items [Note 15]	**(26,880)**	(24,344)	**(7,432)**	(35,108)
	(863,644)	(189,610)	**(981,510)**	(277,128)
Increase (decrease) in cash, during the period	**-**	1	**-**	7
Cash, beginning of period	**-**	18	**-**	12
Cash, end of period	**-**	19	**-**	19
Cash Interest Paid	**6,199**	3,453	**10,251**	6,940

See accompanying notes to the consolidated financial statements

1. NATURE OF BUSINESS

Whitecap Resources Inc. (also referred to herein as “Whitecap” or “the Company”) is engaged in the acquisition, development, optimization and production of crude oil and natural gas in western Canada. The Company is focused on providing sustainable monthly dividends and per share growth through a combination of accretive oil-based acquisitions and organic growth on existing and acquired assets. The Company’s principal place of business is located at 500, 222 - 3rd Avenue SW, Calgary, Alberta, Canada, T2P 0B4.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, specifically International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board. They are condensed as they do not include all of the information required for full annual consolidated financial statements, and they should be read in conjunction with the financial statements for the year ended December 31, 2013.

The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at August 5, 2014, the date the Board of Directors approved these statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements follow the same accounting policies as the most recent annual audited financial statements except as discussed below. The interim consolidated financial statements note disclosures do not include all of those required by IFRS applicable for annual consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements for the period ended December 31, 2013.

a) Principles of Consolidation

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

b) Levies

As of January 1, 2014, the Company adopted IFRIC 21 *Levies*, which was developed by the IFRS Interpretations Committee ("IFRIC"). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. IFRIC 21 governs the accounting for production and similar taxes, which do not meet the definition of an income tax in IAS 12 *Income Taxes*. The adoption of this standard does not have a material impact on the Company’s consolidated financial statements.

4. DETERMINATION OF FAIR VALUES

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

(i) PP&E and E&E assets:
The fair value of PP&E recognized in a business combination is based on market values. The market value of property, plant and equipment is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently

and without compulsion. The market value of oil and natural gas interests (included in PP&E) are estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The market value of E&E assets are estimated with reference to the market values of current arm's length transactions in comparable locations.

(ii) Cash, deposits and prepaid expenses, accounts receivable, bank debt, dividends payable, accounts payable and accrued liabilities:
The fair value of cash, deposits and prepaid expenses, accounts receivable, bank debt, dividends payable, accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. As at June 30, 2014 and December 31, 2013, the fair value of these balances approximated their carrying value.

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

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

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

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

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

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations for commodity and interest contracts are based on inputs including quoted forward prices for commodities and forward interest rates, respectively, time value and volatility factors, which can be substantially observed or corroborated in the market place.

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

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

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial Assets and Financial Liabilities Subject to Offsetting

Financial assets and liabilities are only offset if Whitecap has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. Whitecap offsets risk management assets and liabilities when the counterparty, commodity, currency and timing of settlement are the same.

The gross amount of the financial liabilities related to risk management contracts was $74.4 million as at June 30, 2014. No amounts were offset as at June 30, 2014.

The gross amount of the financial liabilities related to risk management contracts was $35.1 million as at December 31, 2013. No amounts were offset as at December 31, 2013.

b) Credit Risk

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

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

The maximum exposure to credit risk is as follows:

	June 30, 2014	December 31, 2013
Accounts receivable and other	107,925	55,167
Risk management contracts	-	-
	107,925	55,167

Joint interest receivables are typically collected within one to three months following production. The majority of the credit exposure on accounts receivable at June 30, 2014 pertains to accrued revenue for June 2014 production volumes. Whitecap transacts with a number of oil and natural gas marketing companies and commodity end users ("commodity purchasers"). Commodity purchasers and marketing companies typically remit amounts to Whitecap by the 25th day of the month following production. The Company monitors the exposure to any single counterparty along with its financial position. If it is deemed that a counterparty has become materially weaker, the Company will work to reduce the credit exposure to that counterparty. At June 30, 2014, one commodity purchaser and marketing company accounted for approximately 19 percent of the total accounts receivable balance and is not considered a credit risk.

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

When determining whether amounts that are past due are collectable, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Whitecap considers all amounts greater than 90 days to be past due. As at June 30, 2014, there was $0.9 million (December 31, 2013 – $1.6 million) of receivables aged over 90 days. Subsequent to June 30, 2014, approximately $0.4 million (December 31, 2013 – $0.5 million) has been collected and the remaining balance is not considered to be a credit risk.

c) Liquidity Risk

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

The following table details Whitecap's financial liabilities as at June 30, 2014:

($000s)	<1 year	1 to 2	2+ years	Total
Accounts payable and accrued liabilities	126,615	-	-	126,615
Dividends payable	15,332	-	-	15,332
Bank debt	-	323,458	400,000	723,458
Risk management contracts	58,755	15,607	-	74,362
Total financial liabilities	200,702	339,065	400,000	939,767

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

($000s)	<1 year	1 to 2	2+ years	Total
Accounts payable and accrued liabilities	68,698	-	-	68,698
Dividends payable	9,045	-	-	9,045
Liabilities associated with assets held for sale	7,330	-	-	7,330
Bank debt	-	182,899	200,000	382,899
Risk management contracts	28,700	6,400	-	35,100
Total financial liabilities	113,773	189,299	200,000	503,072

d) Market Risk

At June 30, 2014 Whitecap had the following risk management contracts outstanding with a mark-to-market liability value of $74.4 million:

($000s)	Fair value as at June 30, 2014
Current Liabilities	
Crude oil	50,665
Natural gas	3,976
Power	-
Interest	4,114
Total current liabilities	58,755
Long-term Liabilities	
Crude oil	12,397
Natural gas	274
Power	31
Interest	2,905
Total long-term liabilities	15,607
Total fair value	**74,362**

At December 31, 2013 Whitecap had the following risk management contracts outstanding with a mark-to-market liability value of $35.1 million:

($000s)	Fair value as at December 31, 2013
Current Liabilities	
Crude oil	27,900
Natural gas	800
Total current liabilities	28,700
Long-term Liabilities	
Crude oil	3,000
Natural gas	200
Interest	3,200
Total long-term liabilities	6,400
Total fair value	**35,100**

i. *Commodity Price Risk*

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

Whitecap manages the risks associated with changes in commodity prices by entering into a variety of risk management contracts. Due to changes in the fair value of risk management contracts in place at June 30, 2014, the Company assesses the effects of movement in commodity prices on net income before tax. When assessing the potential impact of these commodity price changes, the Company believes 10 percent volatility is a reasonable measure. A 10 percent increase in commodity prices would result in an increase of $95.4 million to the unrealized loss on risk management contracts. A 10 percent decrease in commodity prices would result in a decrease of $95.4 million to the unrealized loss on risk management contracts.

At June 30, 2014 the following risk management contracts were outstanding with a mark-to-market liability value of $67.3 million:

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

Term	Contract	Volume (bbl/d)	Average Swap Price ($/bbl)
2014 July - December	Swap	15,900	99.22
2015 January - June	Swap	4,000	102.27
2015	Swap	10,000	97.15
2016	Swap	4,000	96.53

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

Contracts entered into subsequent to June 30, 2014(1)

Term	Contract	Volume (bbl/d)	Average Swap Price ($/bbl)
2016	Swap	2,000	100.06

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

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

Term	Contract	Volume (GJ/d)	Average Swap Price ($/GJ)
2014 July - December	Swap	37,500	3.81
2015 January - June	Swap	2,500	4.12
2015	Swap	15,000	3.72
2016	Swap	7,500	3.59

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

Financial Power Derivative Contracts – Canadian Dollar

Term	Contract	Volume (MW/h)	Fixed Rate ($/MW/h)
2014 July - December	Swap	13,642	55.34
2015	Swap	26,280	51.26
2016	Swap	8,784	52.51

Contracts entered into subsequent to June 30, 2014

Term	Contract	Volume (MW/h)	Fixed Rate ($/MW/h)
2016	Swap	13,176	53.27

ii. *Interest Rate Risk*

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

Interest rate risk is mitigated through short-term fixed rate borrowings using banker's acceptances and interest rate swaps. If interest rates applicable to floating rate debt at June 30, 2014 were to have increased or decreased by 25 basis points it is estimated that the Company's net income before tax would change by approximately $0.2 million and $0.4 million for the three and six months ended June 30, 2014, respectively (three months ended June 30, 2013 - $0.2 and six months ended June 30, 2013 - $0.5 million). This assumes that the change in interest rate is effective from the beginning of the quarter and the amount of floating rate debt is as at June 30, 2014.

When assessing the potential impact of interest rate changes on the Company's interest rate swaps, the Company believes one percent interest rate volatility is a reasonable measure. A one percent increase in interest rates would result in a decrease to the unrealized loss of $17.7 million. A one percent decrease in interest rates would result in an increase to the unrealized loss of $18.2 million. At June 30, 2014 the following interest rate contracts were outstanding with a mark-to-market liability value of $7.0 million (December 31, 2013 – $3.2 million).

Interest Rate Contracts

Term		Amount ($000s)	Fixed Rate (%)	Index
03-Oct-13	03-Oct-18	200,000	2.45	CDOR
03-Dec-13	03-Dec-14	100,000	1.22	CDOR
01-May-14	01-May-19	200,000	1.97	CDOR

iii. Foreign Exchange Risk

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

e) Capital Management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The

Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include shareholders' equity, bank debt and working capital.

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

($000s)	June 30, 2014	December 31, 2013
Current assets	112,523	66,795
Current liabilities[1]	(141,947)	(85,073)
Working capital deficit	(29,424)	(18,278)
Bank debt	723,458	382,899
Shareholders' equity	2,243,286	1,281,761

Note:
(1) Excluding risk management contracts.

6. ACQUISITIONS

The revenue and net income or loss for the post-acquisition period of the acquisitions listed below are included in the statement of comprehensive income and the revenue have been disclosed separately below. The operating income or loss has not been disclosed separately for the property acquisitions as they are not readily determinable. In addition, the revenue and net income for the pre-acquisition period of the property acquisitions are not readily determinable. Pro forma information is not necessarily representative of future revenues and operations.

The below amounts are estimates, which were made by management at the time of the preparation of these consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

a) Private Company ("PrivateCo") acquisition

On January 6, 2014, the Company closed the acquisition of PrivateCo by acquiring all of the issued and outstanding common shares of PrivateCo through the issuance of 27.5 million Whitecap common shares and the assumption of PrivateCo's working capital surplus of $3.0 million. The common shares issued were valued using the share price of Whitecap on January 6, 2014 of $12.57 per share. The corporate acquisition has been accounted for as a business combinations under IFRS 3.

The results of operations from PrivateCo have been included in the Company's statement of comprehensive income for the period ended June 30, 2014. PrivateCo has contributed revenues of $63.2 million and operating income of $48.5 million since January 6, 2014.

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

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

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

b) Valhalla property acquisition

The Company acquired additional light oil and natural gas assets in the Valhalla area. The property acquisition was accounted for as a business combination under IFRS 3. The transaction closed on March 27, 2014.

The Valhalla properties have contributed revenues of $0.9 million since March 27, 2014.

Net assets acquired ($000s):	
Petroleum and natural gas properties	11,096
Decommissioning liability	(2,875)
	8,221

Cash consideration:	
Total consideration	**8,221**

c) Pembina Cardium / West Central property acquisition

On May 1, 2014 Whitecap closed the acquisition of certain strategic light oil assets focused primarily in Whitecap's Pembina Cardium / West Central core area, as well as at Boundary Lake in northeast B.C. and the concurrent disposition of certain Nisku natural gas production and related facilities located in the Pembina area ("the Acquisition"). The property acquisition was accounted for as a business combination under IFRS 3.

The light oil assets acquired have contributed revenues of $29.8 million since May 1, 2014.

Net assets acquired ($000s):	
Working capital	67
Assets held for sale	115,135
Petroleum and natural gas properties	705,850
Deferred income tax	224
Liabilities associated with assets held for sale	(2,140)
Decommissioning liability	(30,207)
Net assets acquired before disposition of assets held for sale	788,928
Assets held for sale net of associated liabilities	(112,995)
	675,934

Consideration:	
Gross consideration	788,929
Proceeds on disposition	(112,995)
Net consideration	**675,934**

d) Private companies acquisition

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

The results of operations from the two private companies have been included in the Company's statement of comprehensive income for the period ended June 30, 2014. The two private companies have contributed revenues and operating income of nil since June 26, 2014.

Net assets acquired ($000s):	
Investment in limited partnership [Note 9]	42,761
Deferred income tax asset	226,653
Total identifiable net assets	281,839
Gain on acquisition of private companies	(162,267)
	107,147

Consideration:	
Cash	107,147
Total consideration	**107,147**

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

7. PROPERTY, PLANT AND EQUIPMENT

Net book value ($000s)	June 30, 2014	December 31, 2013
Petroleum and natural gas properties	3,541,247	2,174,866
Other assets	1,346	890
Property, plant and equipment, at cost	3,542,593	2,175,756
Less: accumulated depletion, depreciation, amortization and impairment	(436,370)	(321,427)
Total net carrying amount	3,106,223	1,854,329

Cost ($000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2013	2,174,866	890	2,175,756
Additions	296,076	456	296,532
Property acquisitions	802,954	-	802,954
Corporate acquisition	377,621	-	377,621
Transfer from evaluation and exploration assets	707	-	707
Transfer from assets held for sale	2,683	-	2,683
Disposals	(113,660)	-	(113,660)
Balance at June 30, 2014	3,541,247	1,346	3,542,593

a) Loss on Non-Core Asset Dispositions

In the six months ended June 30, 2014, the Company disposed of non-core properties previously classified as an asset held for sale for cash proceeds of $1.2 million (2013 – nil) which resulted in a non-cash loss recorded on the statement of comprehensive income of $1.9 million (2013 – nil).

b) Depletion, Depreciation and Amortization

Depletion, depreciation and amortization ($000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2013	320,916	511	321,427
Depletion, depreciation and amortization	114,308	135	114,443
Transfer from assets held for sale	500	-	500
Balance at June 30, 2014	435,724	646	436,370

At June 30, 2014, $68.3 million of salvage value (2013 – $36.6 million) was excluded from the depletion calculation. Future development costs of $993.5 million (2013 – $586.6 million) were included in the depletion calculation. The Company capitalized $5.6 million (2013 – $3.0 million) of administrative costs directly relating to development activities which includes $2.2million (2013 – $0.9 million) of stock-based compensation.

8. EXPLORATION AND EVALUATION

($000s)	June 30, 2014	December 31, 2013
Exploration and evaluation assets	59,557	39,719
Less: accumulated land expiries and write-offs	(13,604)	(6,084)
Total net carrying amount	45,953	33,635

($000s)	Undeveloped Land
Balance at December 31, 2013	39,719
Property acquisitions	685
Corporate acquisition	19,860
Disposal	-
Transfers to property, plant and equipment	(707)
Balance at June 30, 2014	59,557

Accumulated land expiries and write-offs ($000s)	Total
Balance at December 31, 2013	6,084
Land expiries and write-offs	7,520
Balance at June 30, 2014	13,604

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

9. INVESTMENT IN LIMITED PARTNERSHIP

($000s)	June 30, 2014	December 31, 2013
Investment in limited partnership, beginning of period	-	-
Purchase of limited partnership [Note 6(d)]	42,761	-
Investment in limited partnership, end of period	42,761	-

On June 26, 2014 the Company acquired a 10% interest in an oil and gas limited partnership. The investment is classified as an available-for-sale ("AFS") financial asset. Fair value changes on AFS assets are recognized directly in equity, through the statement of changes in equity. At June 30, 2014, the investments are recorded at a fair value of $42.8 million which is equal to the original cost of the investments. See Note 4 - "Determination of Fair Values" for additional information regarding the Company's Level 3 investment.

10. GOODWILL

($000s)	Total
Balance at December 31, 2013	98,070
PrivateCo acquisition [Note 6(a)]	34,465
Balance at June 30, 2014	132,535

The recoverable amount of goodwill is determined as the fair value less costs of disposal using a discounted cash flow method. The Company's key assumptions used in determining the fair value less costs of disposal include a discount rate, future commodity prices, operating costs and capital expenditures of the Company. The values of these assumptions have been assigned based on external reserve and market price information.

11. CREDIT FACILITIES

As at June 30, 2014, the Company had a $1 billion credit facility with a syndicate of Canadian banks. The credit facility consists of a $550 million revolving production facility, a $50 million revolving operating facility and a $400 million term loan facility. The revolving facilities may be extended for a further 364-day revolving period upon the request of Whitecap, subject to approval by the banks. At the end of the revolving period, being May 29, 2015, the extendible revolving credit facility converts into a 366-day term loan if not renewed. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. The credit facility bears interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to earnings before interest, taxes, depreciation and amortization "EBITDA" ratio for the most recent quarter. The banker's acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's Debt to EBITDA ratio. The credit facilities are secured by a fixed and floating charge debenture on the assets of the Company. The first $200 million term loan facility matures on October 3, 2018 and has an effective interest rate of 5.3%. The second $200 million term loan facility matures on May 1, 2019 and has an effective interest rate of 4.7%.

The credit facility has two financial covenants, whereby the Company's ratio of Debt to EBITDA shall not exceed 4.0:1.0 and the ratio of EBITDA/interest expense shall not be less than 3.5:1.0. The EBITDA used in the covenant calculation is adjusted for non-cash items, transaction costs and extraordinary and non-recurring items. The debt used in the covenant calculation shall include bank indebtedness, letters of credit, and distributions declared. As of June 30, 2014, the Company was compliant with all covenants provided for in the lending agreement. The next review is scheduled on or before May 29, 2015.

12. DECOMMISSIONING LIABILITY

($000s)	
Balance, December 31, 2013	119,892
Liabilities incurred	4,900
Liabilities acquired	38,410
Liabilities settled	(426)
Transfer from assets held for sale	3,685
Revaluation of liabilities acquired[1]	77,512
Revision in estimates	(1,154)
Accretion expense	2,361
Balance at June 30, 2014	245,180

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

The Company's decommissioning liability results from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. Revision in estimates is mainly attributed to changes in future decommissioning costs and the period end risk-free discount rate. The key assumptions, on which the carrying amount of the decommissioning liability is based, include a risk-free rate of 2.8 percent (3.1 percent in 2013) and inflation rate of 2.0 percent (2.0 percent in 2013). The total undiscounted amount of the estimated cash flows required to settle the obligations was $512.1 million (December 31, 2013 – $174.6 million). The expected timing of payment of the cash flows required for settling the obligations extends up to 44 years.

13. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without nominal or par value.

b) Issued and outstanding

(000s)	Shares	$
Balance, December 31, 2013	172,292	1,253,127
Issued on exercise of options/warrants	847	5,447
Contributed surplus adjustment on exercise of options/warrants	-	2,494
Issued on the acquisition of PrivateCo(1)	27,534	346,106
Issued for cash through public prospectus offering(2)	44,643	497,453
Share issue costs, net of deferred income tax	-	(16,269)
Balance at June 30, 2014	245,316	2,088,358

Note:

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

(2) On April 8, 2014, as part of the Acquisition, the Company closed a bought deal public financing (the "Offering"), through a syndicate of underwriters. Pursuant to the Offering, Whitecap issued 44,643,000 subscription receipts at a price of $11.20 per subscription receipt for gross proceeds of approximately $500 million. In accordance with their terms, each subscription receipt was exchanged for one common share on May 1, 2014 upon the closing of the Acquisition and the proceeds from the sale of the subscription receipts were released from escrow. Holders of the subscription receipts received an amount equal to the dividend declared on Whitecap's common shares of $0.0567 per subscription receipt, paid on May 15, 2014 to the holders of subscription receipts of record on April 30, 2014.

c) Award Incentive Plan

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

Each time-based award entitles the holder to be issued the number of common shares designated in the time-based award (plus dividend equivalents) with such common shares to be issued three years from the date of grant. Certain awards have been granted with a performance multiplier. This multiplier, ranging from zero to two, will be applied at exercise and is dependent on the performance of the Company relative to pre-defined corporate performance measures set by the Board of Directors for the associated period.

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

The estimated weighted average fair value for share awards at the measurement date is $14.55 per award granted during the period ended June 30, 2014.

(000s)	Number of Time-based Awards	Number of Performance Awards	Total Awards
Balance, December 31, 2013	526	1,530	2,056
Granted	366	957	1,323
Forfeited	(17)	(13)	(30)
Balance at June 30, 2014	875	2,474	3,349

d) Option-based awards

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

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

(000s except per share amounts)	Number of Options	Weighted Average Exercise Price ($)
Balance, December 31, 2013	2,921	6.82
Exercised	(770)	6.82
Forfeited	(26)	7.40
Balance at June 30, 2014	2,125	6.81

Exercise Price ($)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($/share)	Number Exercisable	Weighted Average Exercise Price ($/share)
3.50 – 5.99	389	1.25	5.59	129	5.54
6.00 – 10.00	1,736	1.77	7.09	542	7.28
2.00 – 10.00	2,125	1.67	6.81	671	6.94

e) Warrants

On June 25, 2010, the Company completed a $7.75 million non-brokered private placement of 1.6 million units at a price of $2.50 per unit, with each unit comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $2.50 for a period of five years and 1.5 million common shares at a price of $2.50 per common share. All performance warrants met their vesting requirements in 2010. Pursuant to the performance warrant agreement, each warrant is subject to adjustment when the Company issues dividends to common shareholders. In 2014, the Company declared $0.35 cash dividends and the exercise price of the performance warrant has been adjusted to $2.30 to reflect the dividends declared.

(000s except per share amounts)	Number of Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2013	297	2.36
Exercised	(77)	2.31
Balance at June 30, 2014	220	2.30

Exercise Price ($)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price ($/share)	Number Exercisable	Weighted Average Exercise Price ($/share)
2.30	220	1.0	2.30	220	2.30

f) Contributed surplus

($000s)	
Balance, December 31, 2013	13,687
Stock-based compensation	5,206
Option/ warrant exercises	(2,494)
Balance at June 30, 2014	16,399

14. PER SHARE RESULTS

(000s except per share amounts)	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Per share income				
Basic	$0.85	$0.14	$0.93	$0.19
Diluted	$0.84	$0.14	$0.92	$0.19
Weighted average shares outstanding				
Basic	229,680	140,239	213,964	134,987
Diluted(1)	232,180	142,162	216,211	136,972

Note:
(1) At June 30, 2014, 1.2 million share awards were excluded from the diluted weighted average shares calculation as they were anti-dilutive.

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended June 30, 2014	2013	Six months ended June 30, 2014	2013
Accounts receivable	(23,453)	6,400	(34,261)	1,131
Deposits and prepaid expenses	51,014	(17,720)	(1,628)	(18,164)
Accounts payable and accrued liabilities	(26,846)	(22,245)	41,283	(32,047)
Dividend payable	3,994	931	6,287	7,454
Change in non-cash working capital	4,709	(32,634)	11,681	(41,626)
Related to:				
Operating activities	27,595	(9,221)	12,826	(13,972)
Financing activities	3,994	931	6,287	7,454
Investing activities	(26,880)	(24,344)	(7,432)	(35,108)

16. COMMITMENTS

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

($000s)	2014	2015	2016	2017+	Total
Operating lease - office building	1,212	2,336	2,259	1,318	7,125
Transportation agreements	2,333	7,277	7,761	27,896	45,267
Total	3,545	9,613	10,020	29,214	52,392

17. RELATED PARTY TRANSACTIONS

In October 2012, the Company advanced $1.0 million as loans to certain officers and employees, excluding the Chief Executive Officer, to finance the purchase of Whitecap common shares through the facilities of the Toronto Stock Exchange. The loans are non-interest bearing. 50% of the amount of each loan was repaid on April 1, 2014 and the balance is repayable on October 1, 2014. If the employee's employment is terminated for any reason, the full amount of the loan is due and payable within 30 days. Each loan is secured by the common shares acquired with the loan proceeds and Whitecap has full recourse to the other assets of the employee for the amount outstanding.

The Company has retained the law firm of Burnet, Duckworth and Palmer LLP (“BDP”) to provide Whitecap with legal services. A director of Whitecap is a partner of this firm. During the three and six month periods ended June 30, 2014, the Company incurred $1.1 million and $1.4 million for legal fees and disbursements, respectively. These amounts have been recorded at the amounts that have been agreed upon by the two parties. The Company expects to retain the services of BDP from time to time. As of June 30, 2014 a payable balance of $1.0 million was outstanding.

18. INVESTMENTS IN SUBSIDIARIES

The Company has the following subsidiaries, each owned 100% directly, at June 30, 2014.

Name of Subsidiary	Jurisdiction of Incorporation or Formation
Whitecap Energy Inc.	Canada
1808033 Alberta Ltd.	Canada
Cynthia Gas Gathering Company Ltd.	Canada