MANAGEMENT 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 May 9, 2011 and should be read in conjunction with the Company's unaudited interim financial statements and related notes for the period ended March 31, 2011, as well as the audited financial statements and MD&A for the year ended December 31, 2010.

The accompanying financial statements of Whitecap have been prepared by management and approved by the Company's Board of Directors. On January 1, 2011, Whitecap adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the three months ended March 31, 2011, including required comparative information, have been prepared in accordance with International Financial Reporting Standards 1, *First-time Adoption of International Financial Reporting Standards,* and with International Accounting Standard ("IAS") 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its Interim and Annual Financial Statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Comparative information has been prepared in accordance with IFRS. These interim financial statements have been prepared in accordance with IFRS in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in Note 2 to the unaudited financial statements for the period ended March 31, 2011.

The MD&A contains certain measures that do not have any standardized meaning as prescribed by IFRS and Canadian GAAP 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.

On June 25, 2010, the Company completed the reverse takeover of Spitfire Energy Ltd. ("Spitfire") which provided for (i) a recapitalization of the Company through a private placement; (ii) the appointment of a new management team and a new board of directors; and (iii) the acquisition of an oil-weighted asset base in southwest Saskatchewan.

On July 1, 2010, Spitfire amalgamated with its wholly-owned subsidiary Whitecap Resources Inc. and changed its name to Whitecap Resources Inc. The comparative financial statements of the Company for the year ended December 31, 2010 include the operating results of Whitecap prior to the reverse takeover and the results of the combined entities after June 25, 2010.

2011 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Three months ended March 31	
	2011	2010
Crude oil (bbls/d)	1,645	337
NGLs (bbls/d)	181	94
Natural gas (Mcf/d)	6,666	3,131
Total (boe/d)	2,937	953
Production split (%)		
Crude oil and NGL	62	45
Natural gas	38	55
Total	100	100

Production volumes averaged 2,937 boe/d in the first quarter of 2011, compared to 953 boe/day in the first quarter of 2010. The significant increase in production is a result of strategic corporate and asset acquisitions throughout 2010 and a successful winter drilling program. First quarter average production was negatively impacted by downtime at our non-operated Sexsmith facility, delays in our first quarter drilling program and pipeline apportionments. Crude oil and NGLs comprised 62 percent of the Company's production volumes.

Revenue

A breakdown of revenue is as follows:

	Three months ended March 31	
($000s)	2011	2010
Crude oil	12,604	2,393
NGLs	1,114	549
Natural gas	2,527	1,526
Total commodity revenue	16,245	4,468
Other revenue	114	31
Total	16,359	4,499

Total revenue in the first quarter of 2011 increased 264% to $16.4 million from $4.5 million in the first quarter of 2010. Higher revenues in 2011 were a result of increased production volumes and higher realized prices for crude oil and NGLs partially offset by lower realized natural gas prices.

Average benchmark and realized prices are as follows:

	Three months ended March 31	
	2011	2010
Benchmark prices		
WTI (US$/bbl) (1)	93.88	78.71
US$ / C$ foreign exchange rate	1.01	1.04
WTI (C$/bbl)	95.22	81.97
AECO natural gas ($/Mcf) (2)	3.76	4.95
Average realized prices (3)		
Crude oil ($/bbl)	85.08	78.93
NGLs ($/bbl)	67.54	64.61
Natural gas ($/Mcf)	4.20	5.42
Combined ($/boe)	61.46	52.09

Notes:

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

(2) Represents the AECO daily posting.

(3) Prior to hedging gains and losses.

Oil prices remained strong in the first quarter of 2011 with US$WTI averaging $93.88/bbl compared to $78.71/bbl in the comparable quarter of 2010, partially offset by a stronger Canadian dollar. We continue to see a widening of the benchmark Edmonton Par price compared to the WTI price in the first quarter of 2011 which has negatively affected our average realized crude oil price.

Natural gas prices have remained weak in the first quarter of 2011 due to oversupply in the market. The AECO daily spot price averaged $3.76/mcf compared to $4.95/mcf in the first quarter of 2010.

The Company's realized crude oil and liquids prices are at a discount to Edmonton Par due to the differential embedded in the quality of the product produced from each of its three core areas. The crude oil quality is 36° API at Valhalla North in the Peace River Arch area of northwest Alberta, 40° API at Pembina in West Central Alberta and 22° API at Fosterton in Southwest Saskatchewan. The Company's natural gas commands 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 protect acquisition economics as necessary.

The total loss on risk management contracts was $2.6 million in the first quarter of 2011, which includes $2.1 million of non-cash losses.

At March 31, 2011, the following risk management contracts were outstanding:

Type	Volume	Price	Index	Term
Swap	500 bbls/d	C$86.85/bbl	C$WTI	Apr to Jun 2011
Swap	500 bbls/d	C$87.60/bbl	C$WTI	Apr to Dec 2011
Collar	300 bbls/d	C$75.00/bbl floor/ C$100.00/bbl ceiling	C$WTI	Jul to Dec 2011
Swap	2,000 GJ/d	$3.85/GJ	AECO	Apr to Dec 2011

Subsequent to March 31, 2011, the Company entered into the following risk management contracts:

Type	Volume	Price	Index	Term
Swap	400 bbls/d	C$108.00/bbl	C$WTI	May to Jun 2011
Swap	500 bbls/d	C$107.00/bbl	C$WTI	Jul to Dec 2011
Swap	500 bbls/d	C$106.50/bbl	C$WTI	Jan to Dec 2012
Collar	200 bbls/d	C$95.00/bbl floor/ C$119.00/bbl ceiling	C$WTI	Jul to Dec 2011

At March 31, 2011, the following financial power contracts were outstanding:

Type	Volume	Price	Term
Swap	3,506 MWh	$49.60/MWh	Apr 2011 to Dec 2011
Swap	1,139 MWh	$46.06/MWh	Apr 2011 to Dec 2011

Whitecap's risk management strategy is to transact with creditworthy counterparties to provide downside protection and minimize the price cap on its product. The Company has approval to hedge up to 60 percent of its current production. The Company has hedged approximately 37 percent of its base production and approximately 41 percent of its estimated average 2011 production volumes.

Operating Netbacks
The components of operating netbacks are shown below:

	Three months ended March 31	
Netbacks ($/boe)	2011	2010
Total commodity revenue	61.46	52.09
Other income	0.43	0.36
Royalties	(9.44)	(10.43)
Operating expenses	(12.93)	(9.67)
Transportation expenses	(1.85)	(2.05)
Operating netbacks prior to hedging	37.67	30.30
Realized hedging gain (loss)	(1.85)	1.22
Operating netbacks [1]	35.82	31.52

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

For the three months ended March 31, 2011, royalties as a percentage of revenue were 15 percent compared to 20 percent in the prior period. The decrease in royalty rates was a result of new production from the Company's horizontal wells which qualify for the five percent royalty holiday under the Government of Alberta royalty framework.

For the three months ended March 31, 2011, operating costs increased to $12.93 per boe compared to $9.67 per boe in the prior period. The increase was mainly due to asset acquisitions in 2010 that had higher operating costs per boe compared to our existing properties in the first quarter of 2010. The Company expects operating costs to average less than $11.00/boe in 2011 through operational efficiencies.

General and administrative ("G&A")

	Three months ended March 31	
($000s)	2011	2010
G&A – gross	1,349	635
Overhead recoveries	(438)	(159)
Capitalized	(205)	(64)
G&A – cash	706	412
G&A – cash ($/boe)	2.67	4.80
Stock-based compensation	278	286
Capitalized stock-based compensation	(80)	(40)
Total G&A	904	658

Cash G&A per boe decreased 44 percent to $2.67/boe compared to $4.80/boe in the comparative period. The decrease was mainly attributed to higher production volumes.

Option-based Awards

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 warrants granted have a term of five years to expiry. The fair value of all options granted is estimated at the grant date using the Black-Scholes option pricing model.

All performance warrants met their vesting requirements in 2010.

As at March 31, 2011, the Company had 2.3 million stock options and 1.6 million performance warrants outstanding. The options and warrants were issued at an average exercise price of $3.27 per option and $2.50 per warrant. Stock-based compensation expense of $0.3 million related to options has been recognized with the offsetting amount recorded in contributed surplus.

Interest and Financing Expenses

	Three months ended March 31	
($000s)	2011	2010
Interest and fees on bank debt and loans	478	96
Interest on debentures	-	198
Non-cash interest expense	-	37
Non-cash accretion expense	67	25
Total interest and financing charges	545	356
Per boe	2.06	4.15

Interest expense per boe has decreased compared to the prior period as a result of the conversion of the convertible debentures and higher production volumes.

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

	Three months ended March 31	
($000s)	2011	2010
Depletion, depreciation and amortization	5,806	1,192
Per boe	21.97	13.88

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. The increase to the DD&A rate is mainly attributed to the cost of the acquired reserves in 2010 as well as higher future development costs relative to the initial reserve assignments. As the Company proves up its resource plays it expects the rate to decrease over time.

Taxes

The Company has a deferred income tax expense of $0.1 million for the three months ended March 31, 2011.

The following deductions are available for deferred income tax purposes:

($000s)	March 31, 2011	December 31, 2010
Undepreciated capital cost	32,308	26,288
Canadian development expense	44,104	30,824
Canadian exploration expense	6,143	6,062
Canadian oil and gas property expense	69,675	49,510
Non-capital loss carry forward	25,196	25,687
Share issue costs	8,129	5,056
Total	185,555	143,427

Cash Flow and Net Loss

Cash flow from operating activities in the first quarter 2011 was $8.3 million compared to the prior period of $2.0 million as a result of the Company's growth in production volumes, the increase in prices received for crude oil and the related revenue generated. Cash flow from operating activities is a non-GAAP measure, which is defined under the Non-GAAP Measures section of this MD&A.

Net income for the three months ended March 31, 2011 was $0.1 million ($0.00 per share, basic and diluted) compared to a net income of $0.5 million ($0.03 per share, basic and diluted) for the prior period.

Capital Expenditures

	Three months ended March 31	
($000s)	2011	2010
Land and lease	812	281
Geological and geophysical	81	250
Drilling and completions	19,151	3,437
Investment in facilities	2,252	476
Capitalized administration	246	63
Drilling credits	(847)	(785)
Development capital	21,695	3,722
Office and other	-	6
Property acquisitions (cash-based)	25,178	1,578
Total capital expenditures	46,873	5,306

For the three months ended March 31, 2011, capital expenditures, excluding acquisitions and after deducting Alberta Drilling Royalty Credits ("Drilling credits"), totaled $21.7 million.

West Central Alberta
Whitecap continued to develop the Cardium resource play in the first quarter by drilling 6 (4.2 net) horizontal multi-stage fractured light oil wells. Three wells are on production, two wells are in the final stages of tie in, and one well which is awaiting completion following breakup.

Peace River Arch
Whitecap drilled a total of 3 (2.5 net) horizontal wells including a Montney Sexsmith multi-staged fractured oil well, Charlie Lake sweet oil well, and a shallow light sweet oil well. Two wells are producing and the remaining well is awaiting tie-in. The pool now has common ownership with only one partner which is essential for the optimal and efficient development of the Montney Sexsmith waterflood.

Southwest Saskatchewan
Activity in the first quarter consisted of drilling 2 (1.7 net) Roseray wells. One well is producing and the remaining well is awaiting completion following breakup. Whitecap also increased the water disposal capacity as phase one of increasing the emulsion handling capacity at the Fosterton facility. This will allow for increased production from existing wells and accommodate future development in the area.

Asset Retirement Obligation
At March 31, 2011, the Company recorded an Asset Retirement Obligation ("ARO") of $7.9 million for future abandonment and reclamation of the Company's properties. Included in the ARO balance are $0.4 million related to liabilities incurred, $0.8 million related to liabilities acquired from property acquisitions, accretion of $0.1 million and revisions to estimates of $0.1 million. Estimates are based on both operational knowledge of the properties and industry guidance provided by the ERCB. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined.

Capital Resources and Liquidity
Credit Facility
As at March 31, 2011, the Company had an $85 million 364-day revolving credit facility with a syndicate of Canadian banks. The facility is available on a revolving basis for a period until March 29, 2012 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. In conjunction with the closing of the Spry Energy Ltd. ("Spry") acquisition, the Company's syndicated credit facility was increased to $145 million. The new facility consists of a $20 million operating line and a $125 million syndicated facility. The facility is a borrowing base facility subject to semi-annual review by the banks, with the next review scheduled for the fall of 2011.

At March 31, 2011, Whitecap was in compliance with all covenants under its credit facility.

Equity
On March 29, 2011, the Company completed a bought deal public offering of 20.0 million subscription receipts at a price of $6.80 per subscription receipt for gross proceeds of $136.0 million. On April 8, 2011, the over-allotment option associated with the bought deal public offering was exercised by the underwriters resulting in an additional 2.0 million subscription receipts issued at a price of $6.80 for gross proceeds of $13.6 million. Concurrent with the closing of the Spry acquisition, the outstanding subscription receipts were exchanged for common shares of Whitecap effective April 20, 2011.

The Company is authorized to issue an unlimited number of common shares. As at May 9, 2011 there were 72.1 million common shares, 2.5 million stock options and 1.6 million warrants outstanding.

Liquidity
The Company generally relies on operating cash flows, equity issuances and its credit facility to fund its capital requirements and provide liquidity. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on cash flow generated 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 March 31, the Company had $27.0 million of unutilized credit to cover any working capital deficiencies. Subsequent to the quarter end, the Company's credit facility was increased to $145 million. The Company believes that it is well positioned to take advantage of its internally developed opportunities funded through available credit facilities combined with anticipated cash flow from operations. Present sources of capital are currently sufficient to satisfy the Company's capital program for the remainder of the 2011 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)	2011	2012	2013	2014+	Total
Operating lease - office building	790	983	959	3,346	6,078

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.

Subsequent Events
On April 20, 2011 the Company announced that it had successfully closed the previously announced plan of arrangement with Spry. Pursuant to the arrangement, Whitecap acquired all of the issued and outstanding common shares of Spry for $130.9 million in cash and the issuance of an aggregate of 8.2 million common shares of Whitecap. Whitecap also assumed the debt and working capital of Spry estimated at $36.0 million as at March 1, 2011. The total transaction value is estimated to be $223 million. The acquisition was financed partially through the issuance of 22.0 million subscription receipts at $6.80 per subscription receipt for gross proceeds of $150 million. In conjunction with the closing of the Spry acquisition, 22.0 million subscription receipts used to finance the deal were converted to 22.0 million Whitecap common shares. The Company is in the process of evaluating the fair value of the assets acquired under IFRS to complete the purchase price allocation.

Concurrent with the closing of the Spry acquisition, the Company's syndicated credit facility was increased to $145 million. The new facility consists of a $20 million operating line and a $125 million syndicated facility. The facility is a borrowing base facility subject to semi-annual review by the banks, with the next review scheduled for the fall of 2011.

On April 21, 2011 the Company also closed two minor asset acquisitions with drilling upside in West Central Alberta for $8.75 million prior to normal purchase price adjustments. These acquisitions will be accounted for as business combinations under IFRS.

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 asset retirement obligations that are dependent upon estimates of future costs and timing of expenditures;
- 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.

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.

Adoption of International Financial Reporting Standards (IFRS)
The Company has prepared its March 31, 2011 Interim Financial Statements in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and with IAS 34, *Interim Financial Reporting*, as issued by the IASB. Previously, the Company prepared its financial statements in accordance with Canadian GAAP.

The Company's IFRS accounting policies are provided in Note 2 to the Interim Financial Statements. In addition, Note 18 to the Interim Financial Statements presents reconciliations between the Company's 2010 Canadian GAAP results and the 2010 IFRS results. The reconciliations include the Balance Sheets as at January 1, 2010, March 31, 2010 and December 31, 2010, and Statements of Comprehensive Income for the three months ended March 31, 2010 and for the twelve months ended December 31, 2010.

The following provides a discussion of the significant IFRS accounting policy changes for Whitecap.

Accounting Policy Changes
IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

The most significant changes to the Company's accounting policies relate to the accounting for Property, Plant and Equipment ("PP&E"). Under Canadian GAAP, Whitecap followed the Canadian Institute of Chartered Accountants ("CICA") guideline on full cost accounting in which all costs directly associated with the acquisition of, the exploration for, and the development of oil and natural gas assets were capitalized. Costs accumulated were depleted using the unit-of-production method based on proved reserves determined using estimated future prices and costs. Upon transition to IFRS, the Company was required to adopt new accounting policies for PP&E, including exploration and evaluation costs and development costs.

Under IFRS, exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. Development costs include those expenditures for areas where technical feasibility and commercial viability has been determined. Whitecap adopted the IFRS 1 exemption whereby the Company deemed its January 1, 2010 IFRS PP&E costs to be equal to its previous GAAP historical PP&E net book value. Accordingly, exploration and evaluation costs were deemed equal to the unproved properties balance and the development costs were deemed equal to the PP&E cost pool balance. Under IFRS, exploration and evaluation costs are presented as exploration and evaluation assets and development costs are presented within property, plant and equipment on the Balance Sheet.

Exploration and Evaluation ("E&E")
Exploration and evaluation assets at January 1, 2010 were deemed to be $0.8 million, representing the unproved properties balance under Canadian GAAP. This resulted in a reclassification of $0.8 million from property, plant and equipment to exploration and evaluation assets on Whitecap's Balance Sheet as at January 1, 2010. As at December 31, 2010, the Company's exploration and evaluation assets were $9.0 million. The remaining full cost pool was allocated to the development assets pro rata using the estimated proved plus probable reserve values.

Under Canadian GAAP, exploration and evaluation costs were capitalized as property, plant and equipment in accordance with the CICA's full cost accounting guidelines. Under IFRS, Whitecap capitalizes these costs initially as exploration and evaluation assets. Once technical feasibility and commercial viability of the area has been determined, the capitalized costs are transferred from exploration and evaluation assets to property, plant and equipment. Under IFRS, unrecoverable exploration and evaluation costs associated with an area and costs incurred prior to obtaining the legal rights to explore are expensed.

Depletion, Depreciation and Amortization ("DD&A")
Development costs at January 1, 2010 were deemed to be $55.3 million, representing the development assets under Canadian GAAP. Consistent with Canadian GAAP, these costs are capitalized as property, plant and equipment under IFRS. Under Canadian GAAP, development costs were depleted using the unit-of-production method based on estimated proved reserves and calculated for the full cost pool. Under IFRS, development costs are depleted using the unit-of-production method based on estimated proved plus probable reserves and calculated at the established area level. The IFRS 1 exemption permitted Whitecap to allocate development costs to the area level using proved plus probable reserves values for each area as at January 1, 2010.

Calculating depletion based on estimated proved plus probable reserves and at an area level under IFRS resulted in a $5.5 million decrease to Whitecap's DD&A expense for the twelve months ended December 31, 2010. Whitecap's net earnings increased $4.2 million, after tax, compared to Canadian GAAP for the twelve months ended December 31, 2010 as a result of the changes under IFRS

Asset Retirement Obligation (ARO)
Under Canadian GAAP, the asset retirement obligation was measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred. Liabilities were not remeasured to reflect period end discount rates.

Under IFRS, the asset retirement obligation is measured as the best estimate of the expenditure to be incurred and requires that the asset retirement obligation be remeasured using the period end discount rate.

Under IFRS 1 Whitecap was required to remeasure its asset retirement obligation upon transition to IFRS and recognize the difference in retained earnings. The application of this exemption resulted in a $1.1 million increase to the asset retirement obligation on Whitecap's Balance Sheet as at January 1, 2010 and a corresponding after-tax charge to retained earnings of $0.8 million. Subsequent IFRS remeasurements of the obligation are recorded through property, plant and equipment with an offsetting adjustment to the asset retirement obligation. As at December 31, 2010, excluding the January 1, 2010 adjustment, Whitecap's asset retirement obligation increased by $0.9 million, which primarily reflects the remeasurement of the obligation using a risk free rate of 3.5 percent as at December 31, 2010. The change in discount rate has decreased accretion expense and is reflected in the ARO adjustments in the statement of comprehensive income for the three months ended March 31, 2010 and the twelve months ended December 31, 2010.

Business Combinations
Business combinations have been adjusted to reflect the fair value of shares issued by Whitecap determined at the acquisition date, expensing of transaction costs, and the related tax effects to those adjustments.

(i) Spitfire Energy Ltd. (Reverse takeover)

Net assets acquired ($000s):	
Non-cash working capital deficiency	(8,571)
Petroleum and natural gas properties	34,046
Asset retirement obligations	(1,007)
Future income tax liability	(3,232)
	21,236

Consideration:	
Issuance of shares	21,236
	21,236

(ii) Onyx 2006 Inc. (“Onyx”)

Net assets acquired ($000s):	
Non-cash working capital deficiency	(10,958)
Petroleum and natural gas properties	60,531
Asset retirement obligations	(840)
Future income tax liability	(8,199)
	40,534

Consideration:	
Cash consideration paid	40,534
	40,534

Business Development Costs
Costs directly related to the acquisition of properties and businesses were expensed.

Income Tax
Deferred income taxes have been adjusted to reflect the tax effect arising from the differences between IFRS and Canadian GAAP. Upon transition to IFRS, the Company recognized a $0.3 million reduction in the deferred income tax balance with a corresponding increase to retained earnings. For the twelve months ended December 31, 2010, the application of the IFRS adjustments as discussed above resulted in a $1.3 million increase to the Company's deferred income tax expense.

Other Exemptions
Other significant IFRS 1 exemptions taken by Whitecap at January 1, 2010 include the following:

- Business combinations – allows the carry forward of Canadian GAAP accounting for business combinations prior to transition date.
- Full cost book value as deemed cost – election to measure oil and gas assets at the date of transition to IFRS.

The remaining IFRS 1 exemptions were not applicable to the preparation of Whitecap’s Balance Sheet at the date of transition to IFRS on January 1, 2010.

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, financial and liquidity risks and environmental 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 periodically uses futures and options contracts to hedge its exposure to the potential adverse impact of commodity price volatility.

Exploration and production for oil and gas is very capital intensive. As a result, the Company relies on 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 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.

Climate Change
World leaders gathered in Copenhagen in December 2009 to discuss climate policy. Even though consensus was not achieved, the message from the Copenhagen Accord was clear: greenhouse gases ("GHG") and other air pollutants must be regulated in order to deal effectively with climate change. GHG

emissions can be measured as carbon dioxide equivalents (“CO2E”) and would consist of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

The Federal Government of Canada has announced its intention to regulate GHG and other air pollutants. As these regulations are under development, the Company is unable to predict the total impact of the potential regulations upon its business.

The Alberta Government has set targets for GHG emission reductions. Alberta Environment required all facilities that exceeded 100,000 tonnes of CO2E to reduce their GHG emissions intensity by 12% versus an established baseline emissions intensity. In order to comply with the Alberta regulations, companies can make operating improvements to their facilities, purchase carbon offsets or make a monetary contribution to the Alberta Climate Change and Emissions Management Fund.

Summary of quarterly results (“unaudited”)

		2010 – IFRS Comparatives				2009 – Previous GAAP[1]		
($000s, except as noted)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial								
Total commodity revenue	16,245	9,746	7,778	3,999	4,468	3,731	1,068	-
Funds from (used in) operations	8,286	3,551	3,488	758	1,998	1,258	4	(154)
Basic & diluted ($/share)	0.20	0.11	0.12	0.05	0.13	0.08	0.00	-
Net income (loss)	50	(4,117)	(3,537)	(1,198)	531	(512)	(430)	(163)
Basic & diluted ($/share)	0	(0.12)	(0.12)	(0.08)	0.03	(0.03)	(0.10)	-
Development capital expenditures	21,695	15,741	14,513	7,154	3,722	411	2	3
Corporate and property acquisitions (cash-based)	25,178	8,729	41,957	303	1,584	(39)	56,550	
Total assets	255,626	211,893	188,598	111,169	65,495	59,060	60,307	222
Bank debt and working capital[2]	71,680	29,545	46,674	21,014	13,574	10,315	11,965	475
Common shares outstanding (000s)[3]	41,828	41,826	31,448	22,259	15,333	15,312	14,994	[4]
Operational								
Average daily production								
Crude oil (bbls/d)	1,645	973	861	343	337	308	108	-
NGLs (bbls/d)	181	145	121	89	94	86	24	-
Natural gas (Mcf/d)	6,666	5,379	4,828	3,192	3,131	2,470	922	-
Total (boe/d)	2,937	2,014	1,787	964	953	806	285	-

Notes:
(1) As Whitecap’s transition date was January 1, 2010, 2009 comparative information has not been restated.
(2) Excludes risk management contracts.
(3) Reflects 8.33 share exchange and 10 to 1 share consolidation.
(4) 83 common shares were issued on incorporation.

In the second quarter of 2010, the Company completed the reverse takeover of Spitfire whereby each shareholder of Whitecap received 8.33 common shares of Spitfire in exchange for each Whitecap share. On July 1, 2010, Spitfire amalgamated with its wholly-owned subsidiary Whitecap Resources Inc. and changed its name to Whitecap Resources Inc.

In the third quarter of 2010, the Company completed the acquisition of Onyx for consideration of approximately $52.0 million. In connection with the acquisition of Onyx, Whitecap completed a bought deal finance offering of 8.9 million subscription receipts at $4.50 per subscription receipt for total gross proceeds of $40.1 million. The subscription receipts were exchanged for common shares effective July 30, 2010, in accordance with their terms.

In the fourth quarter of 2010, the Company completed a bought deal finance offering of 6.9 million common shares at $5.85 per common share for total gross proceeds of $40.4 million. Proceeds for the offering were used to initially reduce bank debt and subsequently used to purchase a partner’s working interest in the Peace River Arch area. Additionally during the fourth quarter, the holders of the $10.0 million convertible debenture elected to convert the instrument into approximately 3.5 million common shares in accordance with its terms.

In the first quarter of 2011, the Company completed the acquisition of a partner's working interest in the Peace River Arch area of Alberta.

NON-GAAP MEASURES

This MD&A contains the terms "funds from operations" and "operating netbacks", which do not have a standardized meaning prescribed by GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Whitecap uses funds from operations and operating netbacks to analyze financial and operating performance. Whitecap believes these benchmarks are key measures of profitability and overall sustainability for the Company. Both of these terms are commonly used in the oil and gas industry. Funds from operations and operating netbacks are not intended to represent operating profits nor should they be viewed as an alternative to cash flow provided by operating activities, net earnings or other measures of financial performance calculated in accordance with GAAP. Funds from operations are calculated as cash flows from operating activities less changes in non-cash working capital. Operating netbacks are determined by deducting royalties, production expenses and transportation and selling expenses from oil and gas revenue. The Company calculates funds from operations per share using the same method and shares outstanding that are used in the determination of earnings per share.

	Three months ended March 31	
($000s)	2011	2010
Cash flow from operating activities	9,293	464
Changes in non-cash working capital	(1,007)	1,534
Funds from operations	8,286	1,998

FORWARD-LOOKING INFORMATION AND STATEMENTS

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", "strategy" 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: the volume and product mix of Whitecap's oil and gas production; future oil and natural gas prices and Whitecap's commodity risk management programs; the amount of future asset retirement obligations; future liquidity and financial capacity; future results from operations and operating costs and metrics; future costs, expenses and royalty rates; future development, exploration, acquisition and development activities (including drilling and development plans) and related capital expenditures and future taxes payable by Whitecap; and Whitecap's tax pools.

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; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and cash flow to fund its planned expenditures; 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 development plans of Whitecap or by third party operators of Whitecap's properties, 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).

The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A, and none of Whitecap or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.