

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 August 9, 2011 and should be read in conjunction with the Company's unaudited interim financial statements and related notes for the period ended June 30, 2011, as well as the audited financial statements and MD&A for the year ended December 31, 2010.

The accompanying interim 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 and six months ended June 30, 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 and additional information related to the transition to IFRS are set out in Notes 2 and 17 to the unaudited interim financial statements for the period ended June 30, 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 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Crude oil (bbls/d)	3,155	343	2,404	340
NGLs (bbls/d)	223	89	202	92
Natural gas (Mcf/d)	11,770	3,192	9,232	3,162
Total (boe/d)	5,339	964	4,145	959
Production split (%)				
Crude oil and NGL	63	45	63	45
Natural gas	37	55	37	55
Total	100	100	100	100

Production volumes averaged 5,339 boe/d in the second quarter of 2011, compared to 964 boe/day in the second quarter of 2010. The five-fold increase in production is a result of strategic corporate and asset acquisitions as well as organic growth through the drill bit. The Company continues to focus its capital spending on oil opportunities and has been successful in increasing its crude oil and NGL weighting to 63 percent compared to 45 percent in the comparative quarter.

Revenue

A breakdown of revenue is as follows:

(\$000s)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Crude oil	28,336	2,288	40,954	4,681
NGLs	1,408	448	2,508	996
Natural gas	4,527	1,263	7,055	2,790
Total commodity revenue	34,271	3,999	50,516	8,467
Other revenue	226	45	340	77
Total	34,497	4,044	50,857	8,544

Total revenues increased eight fold and increased six fold for the three and six months ended June 30, 2011, respectively. 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 June 30		Six months ended June 30	
	2011	2010	2011	2010
Benchmark prices				
WTI (US\$/bbl) ⁽¹⁾	102.56	78.02	98.22	78.37
C\$ / US\$ foreign exchange rate	0.96	1.03	0.98	1.04
WTI (C\$/bbl)	98.95	80.27	95.81	81.12
AECO natural gas (\$/Mcf) ⁽²⁾	3.87	3.89	3.82	4.42
Average realized prices⁽³⁾				
Crude oil (\$/bbl)	98.52	73.31	93.95	76.08
NGLs (\$/bbl)	69.09	55.13	68.40	59.97
Natural gas (\$/Mcf)	4.22	4.35	4.21	4.87
Combined (\$/boe)	70.54	45.58	67.34	48.80

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 continued to strengthen in the second quarter of 2011 with US\$WTI averaging \$102.56/bbl compared to \$78.02/bbl in the comparable quarter of 2010, partially offset by a stronger Canadian dollar. Whitecap's realized prices are marked off of and are at a discount to the Edmonton Par price. Historically, the Edmonton Par price receives a discount to WTI. However, in the second quarter of 2011, due to Canadian production facility and pipeline downtimes, Edmonton Par pricing was higher than the WTI price. This had a positive effect on the Company's realized oil price.

Natural gas prices have remained weak in the second quarter of 2011 due to oversupply in the market. The AECO daily spot price averaged \$3.87/mcf compared to \$3.89/mcf in the second quarter of 2010. 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 gain on risk management contracts was \$9.7 million in the second quarter of 2011, which includes \$11.0 million of non-cash gains.

At June 30, 2011, the following risk management contracts were outstanding:

Financial WTI Crude Oil Derivative Contracts⁽¹⁾

Term	Volume (bbl/d)	Average Swap Price (\$/bbl)	Average Collar Bought Put Price (\$/bbl)	Average Collar Sold Call Price (\$/bbl)	Index
2011 Jul - Dec	1000	104.71	80.00	98.35	US\$WTI
2011 Jul - Dec	1500	97.30	83.00	107.60	C\$WTI
2012	500	106.50	-	-	C\$WTI

Financial Natural Gas Derivative Contracts⁽¹⁾

Term	Volume (GJ/d)	Average Swap Price (\$/GJ)	Index
2011 Jul to Dec	4,000	3.93	AECO

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

Financial Power Derivative Contracts

Term	Volume (MWh)	Average Swap Price (\$/MWh)	Index
2011 Jul to Dec	4,645	48.73	AESO

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 45 percent of its forecasted second half 2011 production volumes.

Operating Netbacks

The components of operating netbacks are shown below:

Netbacks (\$/boe)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Total commodity revenue	70.54	45.58	67.34	48.80
Other income	0.47	0.52	0.45	0.44
Royalties	(8.82)	(7.72)	(9.04)	(9.06)
Operating expenses	(11.14)	(10.05)	(11.77)	(9.86)
Transportation expenses	(2.22)	(1.37)	(2.09)	(1.71)
Operating netbacks prior to hedging	48.83	26.96	44.89	28.61
Realized hedging gain (loss)	(2.58)	2.45	(2.32)	1.84
Operating netbacks ⁽¹⁾	46.25	29.41	42.57	30.45

Note:

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

For the three months ended June 30, 2011, royalties as a percentage of revenue were 13 percent compared to 17 percent in the prior period. The decrease in royalty rate 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 June 30, 2011, operating costs increased to \$11.14 per boe compared to \$10.05 per boe in the prior period. The increase was mainly due to acquisitions in the second half of 2010 that had higher operating costs per boe compared to our existing properties in the second quarter of 2010. Compared to the first quarter of 2011, operating costs decreased 14 percent as a result of operational synergies from the Spry acquisition as well as our focus on reducing field costs.

Transportation costs in the second quarter were higher than anticipated due to road bans in Alberta and Saskatchewan as a result of the wet weather.

General and administrative (“G&A”)

(\$000s)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
G&A – gross	2,139	755	3,489	1,390
Overhead recoveries	(603)	(253)	(1,041)	(412)
Capitalized	(267)	(53)	(473)	(118)
G&A – cash	1,269	449	1,975	860
G&A – cash (\$/boe)	2.61	5.11	2.63	4.95
Stock-based compensation	530	463	808	749
Capitalized stock-based compensation	(130)	(41)	(210)	(81)
Total G&A	1,669	871	2,573	1,528

Cash G&A per boe decreased 96 percent to \$2.61/boe compared to \$5.11/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 June 30, 2011, the Company had 2.9 million stock options and 1.6 million performance warrants outstanding. The options and warrants were issued at an average exercise price of \$4.10 per option and \$2.50 per warrant. Stock-based compensation expense of \$0.8 million for the six months ended June 30, 2011 has been recognized with the offsetting amount recorded in contributed surplus.

Interest and Financing Expenses

(\$000s)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Interest and fees on bank debt and loans	1,264	94	1,738	191
Interest on debentures	-	198	-	396
Non-cash interest expense	-	39	-	76
Non-cash accretion expense	139	24	206	49
Total interest and financing charges	1,403	355	1,944	712
Per boe	2.89	4.03	2.59	4.10

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”)

(\$000s)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Depletion, depreciation and amortization	12,471	1,437	18,277	2,626
Per boe	25.67	16.38	24.36	15.13

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 2011 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 \$4.4 million for the three and six months ended June 30, 2011.

The following deductions are available for deferred income tax purposes:

(\$000s)	June 30, 2011	December 31, 2010
Undepreciated capital cost	57,299	26,288
Canadian development expense	102,137	30,824
Canadian exploration expense	16,207	6,062
Canadian oil and gas property expense	102,606	49,510
Non-capital loss carry forward	32,198	25,687
Share issue costs	12,294	5,056
Total	322,741	143,427

Cash Flow and Net Loss

Cash flow from operating activities for the six months ended June 30, 2011 was \$26.6 million compared to cash flow used of \$2.1 million for the comparative period in 2010. The significant increase in cash flow is a result of the Company’s growth in production volumes, the increase in prices received for crude oil and the related revenue generated.

Net income for the three months ended June 30, 2011 was \$12.2 million (\$0.19 per share basic and \$0.18 per share diluted) compared to a net loss of \$1.2 million (\$0.04 per share basic and diluted) for the comparable period in 2010. Net income for the six months ended June 30, 2011 was \$12.2 million (\$0.23 per share basic and \$0.22 per share diluted) compared to a net loss of \$0.7 million (\$0.04 per share basic and diluted) in the first six months of 2010. The significant improvement to earnings in 2011 is mainly attributed to higher cash netbacks received and unrealized gains on financial instruments.

Capital Expenditures

(\$000s)	Three months ended June 30		Six months ended June 30	
	2011	2010	2011	2010
Land and lease	237	81	300	361
Geological and geophysical	445	78	526	358
Drilling and completions net of drilling credits	13,517	6,295	32,580	8,947
Investment in facilities	4,731	607	6,983	1,083
Capitalized administration	226	63	472	127
Development capital	19,156	7,124	40,861	10,876
Office and other	8	30	8	36
Property acquisitions	10,832	303	35,999	1,851
Property dispositions	(885)	-	(885)	-
Corporate acquisitions (cash-based)	171,664	7,900	171,664	7,900
Total capital expenditures	200,775	15,357	247,647	20,764

For the three months ended June 30, 2011, capital expenditures, excluding net acquisitions, totaled \$19.2 million.

West Central Alberta

Whitecap continued to develop the Cardium resource play in the second quarter by drilling 5 (5.0 net) horizontal multi-fracture light oil wells. All five wells are in the final stages of tie-in. Whitecap will continue to contract two drilling rigs for the balance of the year to drill Cardium horizontal wells. The Spry acquisition has significantly enhanced our Cardium resource position in West Central Alberta.

Peace River Arch

Whitecap drilled 1 (0.5 net) horizontal Montney Sexsmith multi-fracture oil well and completed a well (0.5 net) drilled in the first quarter. Whitecap will continue to develop the Montney Sexsmith pool throughout the balance of 2011 and will also advance drilling of shallower light oil horizons.

Saskatchewan

Second quarter field activity was limited in Saskatchewan due to wet weather. With the Spry acquisition, the Company added light oil production in Southeast Saskatchewan.

Property acquisitions

The second quarter property acquisitions of \$10.8 million consisted of minor acquisitions in West Central Alberta complementing our existing Cardium position.

Corporate acquisitions

On April 20, 2011, Whitecap acquired all the issued and outstanding shares of Spry for an aggregate purchase price of approximately \$232.5 million which included \$130.9 million payable in cash, assumed debt and working capital deficit of \$44.0 million and 8.2 million common shares issued. The common shares issued were valued using the share price of Whitecap on April 20, 2011.

Asset Retirement Obligation

At June 30, 2011, the Company recorded an Asset Retirement Obligation ("ARO") of \$18.8 million for future abandonment and reclamation of the Company's properties. Included in the ARO balance are \$0.7 million related to liabilities incurred, \$11.1 million related to liabilities acquired from corporate and property acquisitions, accretion of \$0.2 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 June 30, 2011, the Company had a \$145 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. The 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 June 30, 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 August 9, 2011 there were 72.2 million common shares, 3.1 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 June 30, 2011 the Company had \$33.1 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 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 buildings	586	983	959	3,346	5,874

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 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.

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.

Summary of quarterly results (“unaudited”)

(\$000s, except as noted)	2011		2010 – IFRS Comparatives				2009 – Previous GAAP ⁽¹⁾	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Financial								
Total commodity revenue	34,271	16,245	9,746	7,778	3,999	4,468	3,731	1,068
Funds from operations ⁽⁵⁾	19,858	8,286	1,770	2,218	1,840	1,988	1,258	4
Basic (\$/share)	0.30	0.20	0.05	0.08	0.12	0.14	0.08	0.00
Diluted (\$/share)	0.29	0.19	0.05	0.07	0.09	0.14	0.08	0.00
Net income (loss)	12,169	50	(4,117)	(3,537)	(1,199)	532	(512)	(430)
Basic (\$/share)	0.19	0.00	(0.12)	(0.12)	(0.08)	0.04	(0.03)	(0.10)
Diluted (\$/share)	0.18	0.00	(0.12)	(0.12)	(0.08)	0.03	(0.03)	(0.10)
Development capital expenditures	19,156	21,705	15,741	14,513	7,154	3,722	411	2
Corporate and property acquisitions (cash-based)	182,504	25,167	8,729	41,957	8,203	1,584	(39)	56,550
Property dispositions	(885)	-	-	-	-	-	-	-
Total assets	550,497	255,626	211,893	188,598	111,169	65,495	59,060	60,307
Bank debt and working capital ⁽²⁾	111,888	71,680	29,545	46,674	21,014	13,574	10,315	11,965
Common shares outstanding (000s) ⁽³⁾	72,162	41,828	41,826	31,448	22,259	15,333	15,312	14,994
Operational								
Average daily production								
Crude oil (bbls/d)	3,155	1,645	973	861	343	337	308	108
NGLs (bbls/d)	223	181	145	121	89	94	86	24
Natural gas (Mcf/d)	11,770	6,666	5,379	4,828	3,192	3,131	2,470	922
Total (boe/d)	5,339	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 the 8.33 share exchange and 10 to 1 share consolidation.
- (4) 83 common shares were issued on incorporation.
- (5) Funds from operations is a non-GAAP measure. Refer to the non-GAAP measure section of the MD&A.

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.

In the second quarter of 2011, the Company completed a bought deal finance offering of 20.0 million subscription receipts of Whitecap common shares at a price of \$6.80 per subscription receipt for total gross proceeds of \$136.0 million and granted the underwriters an option to subscribe for an additional 2.0 million subscription receipts at a price of \$6.80 per subscription receipt within 30 days of the close of the offering. Concurrent with the closing of the Spry acquisition, the outstanding subscription receipts of Whitecap were exchanged for common shares of Whitecap effective April 20, 2011.

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 excluding transaction costs 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.

(\$000s)	Six months ended June 30	
	2011	2010
Cash flow from operating activities	26,586	(2,125)
Changes in non-cash working capital	285	4,880
Transaction costs	1,273	1,083
Funds from operations	28,144	3,838

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.