

WHITECAP RESOURCES INC.
BALANCE SHEET
(unaudited)

As at (CAD \$000s)	September 30, 2011	December 31, 2010 <small>Restated (Note 17)</small>	January 1, 2010 <small>Restated (Note 17)</small>
Assets			
Current Assets			
Cash	12	10	5
Accounts receivable [Note 5]	19,598	10,212	1,886
Deposits and prepaid expenses	1,224	727	434
Risk management contracts [Notes 4 & 5]	5,802	-	24
	26,636	10,949	2,349
Property, plant and equipment [Notes 6 & 7]	508,236	191,984	55,292
Exploration and evaluation [Notes 6 & 8]	15,963	8,960	757
Goodwill	43,095	-	932
	593,930	211,893	59,330
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	53,066	22,941	2,060
Risk management contracts [Notes 4 & 5]	-	1,977	-
Bank debt	-	17,553	10,580
	53,066	42,471	12,640
Bank debt [Note 10]	104,813	-	-
Convertible debentures	-	-	9,594
Asset retirement obligation [Note 11]	21,207	6,730	2,391
Deferred income tax [Note 14]	38,855	11,914	-
	217,941	61,115	24,625
Shareholders' Equity			
Share capital [Note 12]	354,754	153,228	36,104
Equity component of debentures	-	-	425
Contributed surplus [Note 12]	9,437	8,036	341
Earnings (Deficit)	11,798	(10,486)	(2,165)
	375,989	150,778	34,705
	593,930	211,893	59,330

See accompanying notes to 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.
STATEMENT OF COMPREHENSIVE INCOME AND LOSS
For the three and nine months ended September 30
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(CAD \$000s, except per share amounts)	2011	2010	2011	2010
	Restated (Note 17)		Restated (Note 17)	
Revenue				
Petroleum and natural gas sales	38,372	7,778	88,888	16,245
Royalties	(4,583)	(1,120)	(11,445)	(2,692)
Other income	171	34	511	110
	33,960	6,692	77,954	13,663
Gain on risk management contracts [Note 5]	4,939	(242)	12,066	482
	38,899	6,450	90,020	14,145
Expenses				
Operating	7,132	1,680	15,964	3,390
Transportation	1,368	214	2,935	510
General and administrative	731	605	2,707	1,464
Stock-based compensation	534	3,259	1,131	3,928
Transaction costs	53	380	1,324	1,463
Interest and financing	1,263	658	3,207	1,368
Depletion, depreciation and amortization [Note 7]	14,069	3,038	32,346	5,667
	25,150	9,834	59,614	17,790
Net income (loss) before income taxes	13,749	(3,384)	30,406	(3,645)
Taxes				
Deferred income tax expense [Note 14]	3,686	152	8,122	558
Net income (loss) and other comprehensive income (loss)	10,063	(3,536)	22,284	(4,203)
Earnings (Deficit), beginning of period	1,735	(2,832)	(10,486)	(2,165)
Earnings (Deficit), end of period	11,798	(6,368)	11,798	(6,368)
Net income (loss) per share (\$/share) [Note 13]				
Basic	0.14	(0.12)	0.37	(0.21)
Diluted	0.14	(0.12)	0.36	(0.21)

See accompanying notes to financial statements

WHITECAP RESOURCES INC.
STATEMENT OF CHANGES IN EQUITY
For the nine months ended September 30
(unaudited)

(CAD \$000s)	2011	2010
		Restated (Note 17)
Share Capital [Note 12(b)]		
Balance, beginning of year	153,228	36,104
Issued for cash through private offering	-	7,800
Issued on exercise of options/warrants	275	867
Contributed surplus adjustment on exercise of options/warrants	143	227
Issued for cash through public prospectus offering	149,600	40,050
Issued on the acquisition of Spry Energy Ltd. ("Spry")	57,596	-
Reverse takeover bid of Spitfire Energy Ltd. ("Spitfire")	-	21,235
Share issue costs, net of deferred income tax	(6,088)	(1,892)
Balance, end of period	354,754	104,391
Contributed Surplus [Note 12(e)]		
Balance, beginning of year	8,036	341
Option-based awards	1,544	4,140
Option/warrant exercises	(143)	(227)
Balance, end of period	9,437	4,254
Earnings (Deficit)		
Balance, beginning of year	(10,486)	(2,165)
Net income (loss)	22,284	(4,203)
Balance, end of period	11,798	(6,368)

WHITECAP RESOURCES INC.
STATEMENT OF CASH FLOWS
For the nine months ended September 30
(unaudited)

(CAD \$000s)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	Restated (Note 17)		Restated (Note 17)	
Operating activities				
Net income for the period	10,063	(3,536)	22,284	(4,203)
Items not affecting cash:				
Depletion, depreciation and amortization	14,069	3,038	32,346	5,667
Deferred income tax expense	3,686	152	8,122	558
Stock-based compensation	534	3,259	1,131	3,928
Non-cash financing expense [Note 11]	116	79	322	206
Unrealized gain on risk management contracts [Note 5]	(2,462)	493	(11,328)	88
Asset retirement settlement [Note 11]	(21)	-	(21)	-
	25,985	3,485	52,856	6,244
Net change in non-cash working capital items [Note 15]	(1,076)	823	(1,360)	(4,058)
	24,909	4,308	51,496	2,186
Financing Activities				
Increase in bank debt	6,181	22,003	87,260	33,530
Issuance of share capital, net of share issue costs	15	38,280	141,705	46,160
	6,196	60,283	228,965	79,690
Investing activities				
Expenditures on property, plant and equipment	(44,753)	(14,512)	(85,622)	(25,390)
Net expenditures on property acquisitions	(6,405)	(1,424)	(41,519)	(3,311)
Expenditures on corporate acquisitions [Note 6]	-	(49,608)	(171,664)	(57,508)
Net change in non-cash working capital items [Note 15]	20,050	952	18,346	4,332
	(31,108)	(64,592)	(280,459)	(81,877)
Increase (decrease) in cash, during the period	(3)	(1)	2	(1)
Cash, beginning of period	15	5	10	5
Cash, end of period	12	4	12	4
Cash interest paid	1,147	579	2,885	1,162

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

Whitecap Resources Inc. (also referred to herein as “Whitecap” or “the Company”) is an oil and natural gas exploration, development and production company based and incorporated in Calgary, Alberta, Canada. The Company’s operations are in Alberta and Saskatchewan. The registered office is located at 500, 222-3rd Avenue SW, Calgary, Alberta, Canada, T2P 0B4.

On June 25, 2010, the Company completed the reverse takeover of Spitfire Energy Ltd. 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; (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.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2010, these interim financial statements present Whitecap's initial financial results of operations and financial position under International Financial Reporting Standards (“IFRS”) as at and for the three and nine months ended September 30, 2011, including 2010 comparative periods. As a result, they have been prepared in accordance with IFRS 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”). These interim financial statements do not include all the necessary annual disclosures in accordance with IFRS. Previously, the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

The preparation of these interim financial statements resulted in selected changes to Whitecap's accounting policies as compared to those disclosed in the Company's annual audited financial statements for the period ended December 31, 2010 issued under Canadian GAAP. A summary of the significant changes to Whitecap's accounting policies is disclosed in Note 18 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at and for the three and nine months ended September 30, 2010.

The financial statements were authorized for issue by the Board of Directors on November 8, 2011.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments and share-based transactions which are measured at fair value. The methods used to measure fair values are discussed in Note 4.

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting year. Actual results could differ from those estimated.

The amounts recorded for the fair value of financial instruments, stock-based compensation, depreciation, depletion, the provision for ARO and the provision for deferred taxes are based on estimates. In addition, the impairment calculation is based on estimates of proved plus probable reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Jointly Controlled Assets and Operations

Substantially all of the Company's exploration and production activities are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These financial statements reflect only the Company's share of these jointly controlled assets and, once production commences, a proportionate share of the relevant revenue and related costs.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or when the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Cash, trade receivables, loans and other receivables

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments. Trade receivables, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payment terms and are not quoted in an active market, are classified as loans and receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Company's cash, loans and receivables comprise cash and accounts receivable on the balance sheet.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or significant delinquency in payments are considered indicators that a trade receivable is impaired.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- (i) Financial assets carried at amortized cost: The amount of the impairment is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income.

- (ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive income.

Oil and Gas Exploration and Evaluation Expenditures

Oil and gas exploration and evaluation (“E&E”) expenditures are accounted for in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*, whereby costs associated with the exploration for and evaluation of oil and gas reserves are accumulated on an area-by-area basis and are capitalized as either tangible or intangible E&E assets when incurred. Costs incurred in advance of land acquisition are charged to the statement of comprehensive income; however, all other costs, including directly attributable general and administrative costs, are added to E&E assets.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and transferred to property, plant and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue to work in the area, the unrecoverable costs are charged to net income as E&E expense.

No depletion or depreciation is provided for E&E assets.

Property, Plant and Equipment (“PP&E”)

PP&E, which includes oil and natural gas development and production assets, represents costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves. Future decommissioning costs, related to producing assets, are also capitalized to PP&E. PP&E is carried at cost, less accumulated depletion, depreciation and amortization and accumulated impairment losses.

Gains and losses on disposal of PP&E are determined as the difference between proceeds from disposal and the carrying amount of the asset sold and is recognized as other income or other expense in the statement of comprehensive income.

Depletion, Depreciation and Amortization (“DD&A”)

The net carrying value of the intangible oil and gas assets is depleted using the unit-of-production method based on estimated proven and probable oil and natural gas reserves, taking into account the future development costs required to produce the reserves.

Proven and probable reserves are determined by independent engineers in accordance with Canadian National Instrument 51-101. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations do not give rise to prior year adjustments and are dealt with on a prospective basis.

Capitalized plant turnarounds and major inspections will be depreciated over a straight-line basis over their estimated useful life. Any remaining costs from a previous turnaround or inspection will be de-recognized. Depreciation rates, useful lives and residual values are reviewed at each reporting date.

Goodwill

The Company records goodwill relating to a business combination when the purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired business. Goodwill is reported at cost less any impairment. Goodwill impairments are not reversed.

Impairment

The carrying amounts of PP&E are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, PP&E assets including E&E assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or group of assets (the “cash generating unit” or “CGU”). The recoverable amount of an

asset or CGU is the greater of its fair value less cost to sell (“FVLCTS”) and its value in use (“VIU”). FVLCTS is the amount obtainable from the sale of an asset or CGU in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or cash generating unit. An impairment loss is recognized in the statement of comprehensive income if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses previously recognized are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed to the extent that the asset’s new carrying amount does not exceed the original carrying amount, net of related accumulated depletion, depreciation and amortization, if there has been an increase in the estimate of the recoverable amount. An impairment loss in respect of goodwill is not reversed.

Asset Retirement Obligation (“ARO”)

AROs include present obligations where the Company will be required to retire tangible long-lived assets. ARO is measured at the present value of the expenditure expected to be incurred. The associated cost is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows, or changes in the discount rate are recognized as a change in the ARO liability.

Amortization of asset retirement costs are included in depreciation, depletion and amortization in the statement of comprehensive income. Increases resulting from the passage of time are recorded as financing charges in the statement of comprehensive income.

Actual expenditures incurred are charged against the accumulated ARO liability.

Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of assets that require greater than a year to be ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of comprehensive income in the period in which they are incurred.

Option-based awards

The Company has issued options to acquire common shares to directors, officers, employees and consultants of the Company. These options are accounted for using the fair-value method which estimates the value of the options at the date of the grant using the Black-Scholes option pricing model. The fair value thus established is recognized as compensation expense over the vesting period of the options with an equivalent increase to contributed surplus. Awards which have vested and exercised are equity settled. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

Income Tax

Income tax comprises current and deferred taxes. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in other comprehensive income or elsewhere in shareholders’ equity, in which case the related income tax expense or recovery is also recognized directly in other comprehensive income or elsewhere in shareholders’ equity.

Current tax expense is the expected cash tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax expense and related liability is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to continue to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Revenue

Revenue from the sale of crude oil, natural gas and natural gas liquids (“NGLs”) is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline.

Processing fees charged to other entities for use of facilities owned by the Company are recognized as revenue as they accrue in accordance with the terms of the service agreements. Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

Share Capital

Proceeds from the issuance of common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Net Income Per Share

Net income per share is calculated by dividing the net income for the period by the weighted average number of common shares outstanding during the period.

Diluted net income per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company’s potentially dilutive common shares comprise stock options and warrants granted to employees and directors. The number of shares included with respect to options and warrants is computed using the treasury stock method.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2011, the IASB issued the following new and amended standards:

- IFRS 10, “Consolidated Financial Statements” (“IFRS 10”) replaces IAS 27, “Consolidated and Separate Financial Statements” (“IAS 27”) and Standing Interpretations Committee (“SIC”) 12, “Consolidation – Special Purpose Entities”. IFRS 10 revises the definition of control and focuses on the need to have power and variable returns for control to be present. IFRS 10 provides guidance on participating and protective rights and also addresses the notion of “de facto” control. It also includes guidance related to an investor with decision-making rights to determine if it is acting as a principal or agent.
- IFRS 11, “Joint Arrangements” (“IFRS 11”) replaces IAS 31, “Interest in Joint Ventures” (“IAS 31”) and SIC 13, “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. IFRS 11 defines a joint arrangement as an arrangement where two or more parties have joint control. A joint arrangement is classified as either a “joint operation” or a “joint venture” depending on the facts and circumstances. A joint operation is a joint arrangement where the parties that have joint control have rights to the assets and obligations for the liabilities, related to the arrangement. A joint operator accounts for its share of the assets, liabilities, revenues and expenses of the joint

arrangement. A joint venturer has the rights to the net assets of the arrangement and accounts for the arrangement as an investment using the equity method.

- IFRS 12, “Disclosure of Interest in Other Entities” (“IFRS 12”) replaces the disclosure requirements previously included in IAS 27, IAS 31, and IAS 28, “Investments in Associates”. It sets out the extensive disclosure requirements relating to an entity’s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. An entity is required to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements.
- IAS 27, “Separate Financial Statements” has been amended to conform to the changes made in IFRS 10 but retains the current guidance for separate financial statements.
- IAS 28, “Investments in Associates and Joint Ventures” has been amended to conform to the changes made in IFRS 10 and IFRS 11.

The above standards are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, providing the five standards are adopted concurrently. The Company is currently evaluating the impact of adopting these standards on its financial statements.

Employee Benefits

In June 2011, the IASB amended IAS 19, “Employee Benefits” (“IAS 19”). The amendment eliminates the option to defer the recognition of actuarial gains and losses, commonly known as the corridor approach, rather it requires an entity to recognize actuarial gains and losses in Other Comprehensive Income (“OCI”) immediately. In addition, the net change in the defined benefit liability or asset must be disaggregated into three components: service cost, net interest and remeasurements. Service cost and net interest will continue to be recognized in net earnings while remeasurements, which include changes in estimates or the valuation of plan assets, will be recognized in OCI. Furthermore, entities will be required to calculate net interest on the net defined benefit liability or asset using the same discount rate used to measure the defined benefit obligation. The amendment also enhances financial statement disclosures. This amended standard is effective for annual periods beginning on or after January 1, 2013, with modified retrospective application. Earlier adoption is permitted. This amendment will not impact the Company’s financial statements.

Fair Value Measurement

In May 2011, the IASB issued IFRS 13, “Fair Value Measurement” (“IFRS 13”) which provides a consistent and less complex definition of fair value, establishes a single source for determining fair value and introduces consistent requirements for disclosures related to fair value measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and applies prospectively from the beginning of the annual period in which the standard is adopted. Early adoption is permitted. The Company is currently evaluating the impact of adopting IFRS 13 on its financial statements.

Financial Instruments

The IASB intends to replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”) with IFRS 9, “Financial Instruments” (“IFRS 9”). IFRS 9 will be published in three phases, of which the first phase has been published. The first phase addresses the accounting for financial assets and financial liabilities. The second phase will address the impairment of financial instruments and the third phase will address hedge accounting.

For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. For financial liabilities, although the classification criteria for financial liabilities will not change under IFRS 9, the

approach to the fair value option for financial liabilities may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013 with different transitional arrangements depending on the date of initial application. The Company is currently evaluating the impact of adopting these standards on its financial statements.

Presentation of Items of Other Comprehensive Income

In June 2011, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements" ("IAS 1") requiring companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. This amendment to IAS 1 is effective for annual periods beginning on or after July 1, 2012 with full retrospective application. Early adoption is permitted. The Company is currently evaluating the impact of adopting this amendment on its 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) and E&E assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports.

(ii) Cash and cash equivalents, trade and other receivables, bank debt and trade payables:

The fair value of cash and cash equivalents, trade and other receivables, bank overdraft and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At September 30, 2011 and December 31, 2010, the fair value of these balances approximated their carrying value due to their short term to maturity.

(iii) Derivatives:

The fair value of forward contracts and swaps is determined by the difference between the contracted prices and published forward price curves as at the balance sheet date, using the remaining contracted oil and natural gas volumes.

(iv) Stock options:

The fair value of employee stock options is 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.

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 are based on

inputs including quoted forward prices for commodities, 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 and cash equivalents, trade and other receivables, bank debt and trade and other payables 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.

5. FINANCIAL RISK MANAGEMENT

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 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:

	September 30, 2011	December 31, 2010
Cash	12	10
Accounts receivable	19,598	10,212
Risk management contracts	5,802	-
	25,412	10,222

The majority of the credit exposure on accounts receivable at September 30, 2011 pertains to accrued revenue for September 2011 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. Joint interest receivables are typically collected within one to three months following production. At September 30, 2011, no one counterparty accounted for more than 25 percent of the total accounts receivable balance.

Whitecap has not experienced any material credit loss in the collection of receivables during 2011.

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 September 30, 2011, there was \$0.6 million (December 31, 2010 – \$0.6 million) of receivables aged over 90 days. Subsequent to September 30, 2011, approximately \$0.1 million (December 31, 2010 – \$0.5 million) has been collected and the remaining balance is not considered to be a credit risk.

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 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 September 30, 2011:

(\$000s)	<1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	53,066	-	53,066
Bank debt	-	104,813	104,813
Total financial liabilities	53,066	104,813	157,879

Market Risk

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. The following table illustrates the effects of movement in commodity prices on net income before tax due to changes in the fair value of risk management contracts in place at September 30, 2011, with all other variables held constant. When assessing the potential impact of these commodity price changes, the Company believes 10 percent volatility is a reasonable measure.

(\$000s impact on net income before tax)	10% increase	10% decrease
Crude oil price	(5,101)	4,774
Natural gas price	(107)	107
	(5,208)	4,881

At September 30, 2011 the following risk management contracts were outstanding with a mark-to-market asset value of \$5.8 million:

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 Oct to Dec	2,000	103.66	-	-	C\$WTI
2011 Oct to Dec	800	-	81.88	106.63	C\$WTI
2012 Jan to Dec	200	106.50	-	-	C\$WTI
2012 Jan to Mar ⁽²⁾	300	-	80.00	105.00	C\$WTI
2012 Jan to Dec ⁽³⁾	600	-	80.00	108.00	C\$WTI

Financial Natural Gas Derivative Contracts⁽¹⁾

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

Financial Power Derivative Contracts

Term	Volume (MWh)	Average Swap Price (\$/MWh)	Index
2011 Oct to Dec	4,645	48.73	AESO
2012 Jan to Dec	2,196	65.00	AESO

Interest Rate Contracts

Term	Amount C\$((\$000s)	Fixed Rate (%)	Index
2011 Oct to 2012 Oct	90,000	1.02	CDOR

Subsequent to September 30, 2011, the Company entered into the following risk management contracts:

Term	Volume (bbl/d)	Average Swap Price (\$/bbl)	Average Collar Bought Put Price (\$/bbl)	Average Collar Sold Call Price (\$/bbl)	Index
2012 Jan to June	400	90.00	-	-	C\$WTI
2012 Jan to June ⁽⁴⁾	200	91.00	-	-	C\$WTI
2012 Jan to June ⁽⁵⁾⁽⁶⁾	200	96.25	-	-	US\$WTI

Notes:

- (1) The volumes and prices reported are the weighted average volumes and prices for the period.
- (2) For monthly settlements at or above the ceiling price of \$105.00/bbl, the hedge volume is doubled for that month at an average price of \$92.50/bbl.
- (3) For monthly settlements at or above the ceiling price of \$108.00/bbl, the hedge volume is doubled for that month at an average price of \$94.00/bbl.
- (4) The counterparty has the option on June 29, 2012 to extend the risk management contract to December 31, 2012 at \$91.00 C\$WTI.
- (5) The institution has the option on June 29, 2012 to extend the risk management contract to December 31, 2012 at \$96.25 US\$WTI.
- (6) Whitecap has fixed the revenue associated with the production hedged at an exchange rate of 1.015 US\$/C\$ which equates to a C\$WTI price of \$97.69/bbl.

Interest Rate Risk

The Company is exposed to fluctuations in interest rates on its bank debt. Changes to interest rates would impact the Company's future cash flows. 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 September 30, 2011 were to have increased by 25 basis points (0.25 percent) it is estimated that the Company's annual cash flows would decrease approximately \$0.3 million (2010 - \$0.1 million). When assessing the potential impact of interest price changes, the Company believes 1 percent volatility is a reasonable measure.

(\$000s impact on net income before tax)	1% increase	1% decrease
Interest rate swaps	848	(859)

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.

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)	2011	2010
Current assets	20,834	10,949
Current liabilities	(53,066)	(22,941)
Working capital deficit (excluding risk management contracts)	(32,232)	(11,992)
Bank debt	104,813	17,553
Shareholders' equity	375,989	150,778

6. ACQUISITIONS

(a) Spry Energy Ltd.

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.

The transaction closed on April 20, 2011 and had the acquisition been acquired as of January 1, 2011, an additional \$8.2 million in revenue net of royalties and \$1.5 million in operating expenses would have been recognized. Net income is not readily determinable.

The income or loss relating to Spry since the acquisition date included in the interim statement of comprehensive income (loss) has not been disclosed separately as it is not readily determinable.

Net assets acquired (\$000s):

Working capital deficit	(44,023)
Petroleum and natural gas properties	212,925
Exploration and evaluation assets	6,767
Goodwill	43,095
Risk management liability	(3,549)
ARO	(5,821)
Deferred income tax	(20,901)
	188,494

Consideration:

Issuance of shares	57,596
Cash consideration	130,898
Total consideration	188,494

(b) Property acquisitions

The Company acquired strategic properties and working interests that complement the existing assets in the Peace River Arch area and West Central area of Alberta for total cash consideration of \$43.9 million. The property acquisitions were accounted for as business combinations under IFRS 3. Had the properties been acquired as of January 1, 2011, an additional \$3.1 million in revenue net of royalties and \$0.4 million in operating expenses would have been recognized. Net income is not readily determinable.

The income or loss relating to the properties acquired since their acquisition dates included in the interim statement of comprehensive income (loss) has not been disclosed separately as it is not readily determinable.

Net assets acquired (\$000s):

Petroleum and natural gas properties	43,932
ARO	(889)
	43,043

Consideration:

Total consideration	43,043
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7. PROPERTY, PLANT AND EQUIPMENT

(\$000s)	September 30, 2011	December 31, 2010
Petroleum and natural gas properties	552,244	203,713
Other assets	346	279
Property, plant and equipment, at cost	552,590	203,992
Less: accumulated depletion, depreciation and amortization	(44,354)	(12,008)
Total net carrying amount	508,236	191,984

Cost

(\$000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2010	203,713	279	203,992
Acquisitions	256,857	-	256,857
Additions	94,087	67	94,154
Disposals	(2,413)	-	(2,413)
Balance at September 30, 2011	552,244	346	552,590

Depletion, depreciation, and amortization

(\$000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2010	11,908	100	12,008
Depletion, depreciation and amortization	32,280	66	32,346
Disposals	-	-	-
Balance at September 30, 2011	44,188	166	44,354

At September 30, 2011, \$9.7 million of salvage value (2010 – \$2.5 million) was excluded from the depletion calculation. Future development costs of \$178.2 million (2010 – \$114.7 million) were included in the depletion calculation. The Company capitalized \$1.2 million (2010 - \$1.7 million) of administrative costs directly relating to development activities which includes \$0.4 million (2010 - \$1.1 million) of stock-based compensation.

8. EXPLORATION AND EVALUATION

(\$000s)	2011	2010
Exploration and evaluation assets	15,963	8,960
Less: amortization and impairment	-	-
Total net carrying amount	15,963	8,960

(\$000s)	Undeveloped Land	Other intangible assets	Total
Balance at December 31, 2010	8,960	-	8,960
Additions	2,393	-	2,393
Acquisitions	6,767	-	6,767
Disposals / land expiries	(1,589)	-	(1,589)
Transfers to property, plant and equipment	(568)	-	(568)
Balance at September 30, 2011	15,963	-	15,963

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. Approximately \$1.6 million of lands expired or were disposed of in the period.

9. GOODWILL

(\$000s)	
Balance at December 31, 2010	-
Spry acquisition (note 6)	43,095
Balance at September 30, 2011	43,095

Goodwill from the Spry acquisition is a result of additional operating synergies and potential future reserve value additions.

10. CREDIT FACILITIES

As at September 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 May 31, 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 credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances. The applicable margin charged by the bank is dependent upon the Company's net debt to annualized most recent quarter's cash flow ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's net debt to annualized most recent quarter's cash flow ratio. The credit facilities are secured by a fixed and floating charge debenture on the assets of the Company. As of September 30, 2011, the Company was compliant with all covenants set in the lending agreement. Subsequent to September 30, 2011, the Company's syndicated credit facility was increased to \$190 million. The borrowing base is subject to a semi-annual review by the bank with the next review scheduled for May 31, 2012.

11. ASSET RETIREMENT OBLIGATIONS

(\$000s)	
Balance, December 31, 2010	6,730
Liabilities incurred	1,580
Liabilities acquired	12,512
Liabilities disposed	(661)
Liabilities settled	(21)
Revision in estimates	745
Accretion expense	322
Balance, September 30, 2011	21,207

The Company's ARO result from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total ARO 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. The key assumptions, on which the carrying amount of

the ARO is based, include a risk-free rate of 2.7 percent and inflation rate of 2.0 percent. The total undiscounted amount of the estimated cash flows required to settle the obligations was \$30.0 million (2010 – \$11.6 million). The expected timing of payment of the cash flows required for settling the obligations extends up to 47 years.

12. SHARE CAPITAL

On June 25, 2010, as a result of the reverse takeover of Spitfire, each Whitecap share was exchanged for 8.33 Spitfire shares. On July 1, 2010, Spitfire amalgamated with its wholly-owned subsidiary Whitecap and changed its name to Whitecap Resources Inc. On October 18, 2010, Whitecap consolidated its common shares on a 10 to 1 basis. All figures have been presented as if the 8.33 exchange ratio and 10 to 1 share consolidation occurred on January 1, 2009.

a) Authorized

Unlimited number of common shares without nominal or par value.

b) Issued and outstanding

(000s)	Shares	\$
Balance, December 31, 2010	41,826	153,228
Issued on exercise of options/warrants	114	275
Contributed surplus adjustment on exercise of options/warrants	-	143
Issued for cash through public prospectus offering ⁽¹⁾	22,000	149,600
Issued on the acquisition of Spry Energy Ltd. ⁽²⁾	8,228	57,596
Share issue costs, net of deferred income tax	-	(6,088)
Balance, September 30, 2011	72,168	354,754

⁽¹⁾ On April 20, 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 over-allotment option was exercised, and all of the outstanding subscription receipts of Whitecap were exchanged for common shares of Whitecap effective April 20, 2011.

⁽²⁾ As part of the Spry acquisition an additional 8.2 million Whitecap shares were issued to Spry shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on April 20, 2011.

c) 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.

(000s except per share amounts)	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2010	2,014	2.82
Granted	1,282	6.50
Exercised	(111)	2.40
Forfeited	(25)	4.50
Balance, September 30, 2011	3,160	4.32

Exercise Price (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise price (\$/share)	Number Exercisable	Weighted Average Exercise Price (\$/share)
2.40 - 2.99	1,213	1.9	2.40	711	2.40
3.00 - 4.49	417	2.6	3.00	139	3.00
4.50 - 7.00	1,530	3.7	6.20	62	4.50
2.40 - 7.00	3,160	2.9	4.32	912	2.63

A forfeiture rate of 3.4 percent (2010 - nil) is used when recording stock-based compensation. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants in the period is as follows:

	2011	2010
Risk-free interest rate	2.06%	2.15%
Expected life (year)	4	4
Expected volatility	49%	65%
Expected dividend yield	-	-
Fair value (\$/option)	\$2.95	\$1.79

d) Warrants

On June 25, 2010, performance warrants were granted to certain employees in conjunction with the reverse take-over of Spitfire. A total of 1.6 million performance warrants were issued, entitling the holders thereof to purchase one common share at a price of \$2.50 for a period of 5 years following the date of issuance. The performance warrants will vest and become exercisable as to one-third upon the 20 day weighted average trading price of the common shares (the "Trading Price") equaling or exceeding \$4.00, an additional one-third upon the Trading Price equaling or exceeding \$5.00 and a final one-third upon the Trading Price equaling or exceeding \$6.00. The performance warrants are measured at their fair value on the date of grant and recognized as an expense over a two year vesting period. All performance warrants met their vesting requirements in 2010.

(000s except per share amounts)	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2010	1,600	2.50
Exercised	(3)	2.50
Balance, September 30, 2011	1,597	2.50

Exercise Price (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$/share)	Number Exercisable	Weighted Average Exercise Price (\$/share)
2.50	1,597	3.8	2.50	1,597	2.50

The fair value of each warrant granted was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

Risk-free interest rate	2.20%
Expected life (years)	5
Expected volatility	65%
Weighted average fair value (\$/warrant)	\$4.08

e) Contributed Surplus

(\$000s)

Balance, December 31, 2010	8,036
Stock-based compensation – Options	1,544
Option exercises	(130)
Warrant exercises	(13)
Balance, September 30, 2011	9,437

13. PER SHARE RESULTS

(000s except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010 ⁽¹⁾
Per share income				
Basic	0.14	(0.12)	0.37	(0.21)
Diluted	0.14	(0.12)	0.36	(0.21)
Weighted average shares outstanding				
Basic	72,167	28,321	59,921	19,835
Diluted	74,131	32,347	61,883	23,310

⁽¹⁾ Prior period comparatives have been restated to reflect the 8.33 exchange ratio and 10 to 1 share consolidation.

14. INCOME TAXES

The Company's provision for income taxes differs from the result that would be obtained by applying the combined Canadian Federal and Provincial statutory income tax rate of 27 percent (2010 – 28 percent) to income before taxes. This difference results from the following:

(\$000s)	Nine months ended September 30,	
	2011	2010
Computed expected provision for income taxes	8,132	(664)
Increase (decrease) resulting from		
Change in statutory rate and other	(311)	63
Non-deductible stock-based compensation	301	1,159
Income tax expense	8,122	558

The significant components of the deferred income tax liability are as follows:

(\$000s)	September 30, 2011	December 31, 2010
Capital assets in excess of tax value	53,117	21,886
Risk management asset (liability)	1,544	(526)
Asset retirement obligation	(5,330)	(1,697)
Non-capital loss carry forward	(7,521)	(6,460)
Share issue costs	(2,955)	(1,289)
Deferred income tax liability	38,855	11,914

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

(\$000s)	September 30, 2011	December 31, 2010
Undepreciated capital cost	82,835	26,288
Canadian development expense	112,574	30,824
Canadian exploration expense	11,091	6,062
Canadian oil and gas property expense	104,811	49,510
Non-capital loss carry forward	29,957	25,687
Share issue costs	11,594	5,056
Total	352,862	143,427

At September 30, 2011, the Company has recognized the benefit of tax loss carry forwards of \$30.0 million.

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Nine months ended September 30,	
	2011	2010
Accounts receivable	(2,888)	(4,645)
Prepaid and deposits	(680)	(225)
Accounts payable and accrued liabilities	20,554	5,144
Change in non-cash working capital	16,986	274
Related to:		
Operating Activities	(1,360)	(4,058)
Investing Activities	18,346	4,332

16. COMMITMENTS

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

(\$000s)	2011	2012	2013	2014+	Total
Operating lease - office building	254	983	959	3,346	5,542

17. SUBSEQUENT EVENTS

On October 12, 2011 the Company's syndicated credit facility was increased to \$190 million. The new facility consists of a \$20 million operating line and a \$170 million syndicated facility. The facility is a borrowing base facility subject to semi-annual review by the bank with the next review scheduled for May 31, 2012.

18. TRANSITION TO IFRS

As disclosed in Note 2, these interim financial statements represent Whitecap's initial presentation of the financial results of operations and financial position under IFRS for the period ended September 30, 2011 in conjunction with the Company's annual audited financial statements to be issued under IFRS as at and for the year ended December 31, 2011. As a result, these interim financial statements have been prepared 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 interim and annual financial statements in accordance with Canadian GAAP.

IFRS 1 requires the presentation of comparative information as at the January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs.

IFRS 1 exemptions utilized:

- 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 following reconciliations present the adjustments made to the Company's Canadian GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations. Reconciliations include the Company's Balance Sheet as at January 1 and December 31, 2010, and the Statements of Comprehensive Income and Loss for the three and nine months ended September 30, 2010.

IFRS Opening Balance Sheet
As at January 1, 2010

(\$000s)	Canadian GAAP	IFRS Adjustments		IFRS
		ARO Note A	E&E Note B	
Assets				
Current Assets				
Cash	5			5
Accounts receivable	1,886			1,886
Deposits and prepaid expenses	434			434
Risk management contracts	24			24
	2,349			2,349
Property, plant and equipment	56,049		(757)	55,292
Exploration and evaluation	-		757	757
Deferred income tax	662	270		932
	59,060	270	-	59,330
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	2,060			2,060
Bank debt	10,580			10,580
	12,640			12,640
Convertible debentures	9,594			9,594
Asset retirement obligation	1,309	1,082		2,391
	23,543	1,082	-	24,625
Shareholders' Equity				
Share capital	36,104			36,104
Equity component of debentures	425			425
Contributed surplus	341			341
Deficit	(1,353)	(812)		(2,165)
	35,517	(812)	-	34,705
	59,060	270	-	59,330

IFRS Balance sheet
As at December 31, 2010

(\$000s)	IFRS Adjustments							IFRS
	Canadian GAAP	ARO Note A	E&E Note B	Transaction Costs Note D	Bus. Devel. Costs Note E	DD&A Note C	FIT Note F	
Assets								
Current Assets								
Cash	10							10
Accounts receivable	10,212							10,212
Deposits and prepaid expenses	727							727
	10,949							10,949
Property, plant and equipment	196,475	1,507	(8,960)	(310)	(1,470)	5,469	(727)	191,984
Exploration and evaluation	-		8,960					8,960
	207,424	1,507	-	(310)	(1,470)	5,469	(727)	211,893
Liabilities								
Current Liabilities								
Accounts payable and accrued liabilities	22,941							22,941
Risk management contract	1,977							1,977
Bank debt	17,553							17,553
	42,471							42,471
Asset retirement obligation	4,180	2,550						6,730
Deferred income tax	11,719	(270)		(81)			546	11,914
	58,370	2,280	-	(81)	-	-	546	61,115
Shareholders' Equity								
Share capital	151,994			1,234				153,228
Contributed surplus	8,036							8,036
Deficit	(10,976)	(773)	-	(1,463)	(1,470)	5,469	(1,273)	(10,486)
	149,054	(773)	-	(229)	(1,470)	5,469	(1,273)	150,778
	207,424	1,507	-	(310)	(1,470)	5,469	(727)	211,893

Statement of Comprehensive Income and Loss
Three months ended September 30, 2010

(\$000s, except per share amounts)	Canadian GAAP	IFRS Adjustments					IFRS
		ARO Note A	PPA Note D	Bus. Devel. Costs Note E	DD&A Note C	FIT Note F	
Revenue							
Revenue	7,778						7,778
Royalties	(1,120)						(1,120)
Other income	34						34
	6,692						6,692
Realized gain on risk management contracts	251						251
Unrealized gain on risk management contracts	(493)						(493)
	6,450						6,450
Expenses							
Operating	1,680						1,680
Transportation	214						214
General and administrative	3,667		380	197			4,244
Interest and financing	615	43					658
Depletion, depreciation and amortization	5,190	(62)			(2,090)		3,038
	11,366	(19)	380	197	(2,090)	0	9,834
Net income (loss) before income taxes	(4,916)	19	(380)	(197)	2,090	0	(3,384)
Taxes							
Deferred income tax expense	343					(495)	(152)
Net income (loss) and other comprehensive income (loss)	(4,573)	19	(380)	(197)	2,090	(495)	(3,536)
Net loss per share							
Basic and diluted (\$/share)	(0.02)						(0.12)

Statement of Comprehensive Income and Loss
Nine months ended September 30, 2010

(\$000s, except per share amounts)	Canadian GAAP	IFRS Adjustments					IFRS
		ARO	PPA	Bus. Devel. Costs	DD&A	FIT	
		Note A	Note D	Note E	Note C	Note F	
Revenue							
Revenue	16,245						16,245
Royalties	(2,692)						(2,692)
Other income	110						110
	13,663						13,663
Realized gain on risk management contracts	570						570
Unrealized gain on risk management contracts	(88)						(88)
	14,145						14,145
Expenses							
Operating	3,390						3,390
Transportation	510						510
General and administrative	4,909		1,463	483			6,855
Interest and financing	1,277	91					1,368
Depletion, depreciation and amortization	9,658	(116)			(3,875)		5,667
	19,744	(25)	1,463	483	(3,875)	0	17,790
Net income (loss) before income taxes	(5,599)	25	(1,463)	(483)	3,875	0	(3,645)
Taxes							
Deferred income tax expense	337					(895)	(558)
Net income (loss) and other comprehensive income (loss)	(5,262)	25	(1,463)	(483)	3,875	(895)	(4,203)
Net loss per share							
Basic and diluted (\$/share)	(0.03)						(0.21)

The following discussion explains the significant differences between Whitecap's Canadian GAAP accounting policies and those applied by the Company under IFRS. 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 descriptive notes below correspond to the adjustments presented in the reconciliations.

IFRS Adjustments

A) Asset Retirement Obligation ("ARO")

Under Canadian GAAP, the ARO 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 ARO is measured as the best estimate of the expenditure to be incurred and requires that the ARO be remeasured using the period end discount rate.

Under IFRS 1 Whitecap was required to remeasure its ARO 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 ARO 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 ARO. As at September 30, 2010, excluding the January 1, 2010 adjustment, Whitecap's ARO increased by \$1.3 million, which primarily reflects the remeasurement of the obligation using a risk free rate of 3.3 percent as at September 30, 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 and nine months ended September 30, 2010.

B) Exploration and Evaluation ("E&E")

E&E 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 E&E assets on Whitecap's Balance Sheet as at January 1, 2010. As at September 30, 2010, the Company's E&E assets were \$9.4 million. The remaining full cost pool was allocated to the development assets pro rata using the estimated proven plus probable reserve values.

Under Canadian GAAP, E&E 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 E&E assets. Once technical feasibility and commercial viability of the area has been determined, the capitalized costs are transferred from E&E assets to property, plant and equipment. Under IFRS, unrecoverable E&E costs associated with an area and costs incurred prior to obtaining the legal rights to explore are expensed.

C) 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 proven reserves and calculated for the full cost pool. Under IFRS, development costs are depleted using the unit-of-production method based on estimated proven 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. Depleting based on estimated proven plus probable reserves and at an area level under IFRS resulted in a \$2.1 million and \$3.9 million decrease to Whitecap's DD&A expense for the three and nine months ended September 30, 2010, respectively.

D) 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	34,554
ARO	(635)
Deferred income tax	(4,112)
	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	62,928
ARO	(692)
Deferred income tax	(10,744)
	40,534

Consideration:

Cash consideration paid	40,534
	40,534

E) Business Development Costs

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

F) 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 \$0.5 million increase in the deferred income tax asset. For the nine months ended September 30, 2010, the application of the IFRS adjustments as discussed above resulted in a \$0.9 million increase to the Company's deferred income tax liability and a corresponding decrease to the Company's net earnings.

Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that, under IFRS, cash flows relating to interest are classified in a consistent manner as operating, investing or financing each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.