

**WHITECAP RESOURCES INC.**  
BALANCE SHEET  
(unaudited)

As at (CAD \$000s)	June 30, 2012	December 31, 2011
<b>Assets</b>		
Current Assets		
Cash	12	13
Accounts receivable	37,889	32,753
Deposits and prepaid expenses	2,275	1,241
Risk management contracts [Notes 4 & 5]	16,666	-
	<b>56,842</b>	<b>34,007</b>
Risk management contracts [Notes 4 & 5]	4,607	
Property, plant and equipment [Notes 6 & 7]	1,252,802	549,161
Exploration and evaluation [Notes 6 & 8]	37,940	15,408
Goodwill [Notes 6 & 9]	87,666	43,095
	<b>1,439,857</b>	<b>641,671</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	62,467	62,014
Risk management contracts	-	5,318
	<b>62,467</b>	<b>67,332</b>
Bank debt [Note 10]	325,348	130,804
Decommissioning liability [Note 11]	59,587	23,259
Deferred income tax	106,842	39,913
	<b>554,244</b>	<b>261,308</b>
<b>Shareholders' Equity</b>		
Share capital [Note 12]	822,475	354,857
Contributed surplus [Note 12]	13,898	10,480
Retained earnings	49,240	15,026
	<b>885,613</b>	<b>380,363</b>
	<b>1,439,857</b>	<b>641,671</b>

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**  
For the three and six months ended June 30  
(unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
(CAD \$000s, except per share amounts)	<b>2012</b>	2011	<b>2012</b>	2011
<b>Revenue</b>				
Petroleum and natural gas sales	<b>69,478</b>	34,271	<b>126,130</b>	50,516
Royalties	<b>(8,296)</b>	(4,286)	<b>(15,254)</b>	(6,783)
Other income	<b>87</b>	226	<b>417</b>	340
	<b>61,269</b>	30,211	<b>111,293</b>	44,073
Gain on risk management contracts [Note 5]	<b>31,794</b>	9,737	<b>30,654</b>	7,126
	<b>93,063</b>	39,948	<b>141,947</b>	51,199
<b>Expenses</b>				
Operating	<b>14,730</b>	5,413	<b>25,066</b>	8,832
Transportation	<b>2,804</b>	1,079	<b>4,912</b>	1,567
General and administrative	<b>2,338</b>	1,269	<b>3,905</b>	1,975
Stock-based compensation	<b>742</b>	400	<b>1,523</b>	598
Transaction costs	<b>2,650</b>	1,273	<b>3,214</b>	1,273
Interest and financing	<b>3,750</b>	1,403	<b>5,358</b>	1,944
Depletion, depreciation and amortization [Note 7]	<b>29,076</b>	12,471	<b>49,358</b>	18,277
E&E expensed [Note 8]	<b>673</b>	-	<b>1,469</b>	-
	<b>56,763</b>	23,308	<b>94,805</b>	34,466
Net income before income taxes	<b>36,300</b>	16,640	<b>47,142</b>	16,733
<b>Taxes</b>				
Current income tax expense	<b>(355)</b>	(78)	<b>(355)</b>	(78)
Deferred income tax expense	<b>(9,409)</b>	(4,393)	<b>(12,573)</b>	(4,436)
Net income and other comprehensive income	<b>26,536</b>	12,169	<b>34,214</b>	12,219
<b>Retained earnings (deficit), beginning of period</b>	<b>22,704</b>	(10,436)	<b>15,026</b>	(10,486)
<b>Retained earnings (deficit), end of period</b>	<b>49,240</b>	1,733	<b>49,240</b>	1,733
<b>Net income per share (\$/share) [Note 13]</b>				
Basic	<b>0.22</b>	0.19	<b>0.35</b>	0.23
Diluted	<b>0.22</b>	0.18	<b>0.34</b>	0.22

*See accompanying notes to financial statements*

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

(CAD \$000s)	2012	2011
<b>Share Capital [Note 12(b)]</b>		
Balance, beginning of year	354,857	153,228
Issued on exercise of options/warrants	185	258
Contributed surplus adjustment on exercise of options/warrants	67	132
Issued on the acquisition of Compass Petroleum Ltd. ("Compass")	106,020	-
Issued for cash through public prospectus offering	120,008	149,600
Issued on the acquisition of Midway Energy Ltd. ("Midway")	246,427	-
Issued on the acquisition of Spry Energy Ltd.	-	57,596
Share issue costs, net of deferred income tax	(5,089)	(6,086)
Balance, end of period	822,475	354,728
<b>Contributed Surplus [Note 12(e)]</b>		
Balance, beginning of year	10,480	8,036
Option-based awards	2,295	807
Warrants acquired	1,190	-
Option/warrant exercises	(67)	(132)
Balance, end of period	13,898	8,711
<b>Retained earnings (deficit)</b>		
Balance, beginning of year	15,026	(10,486)
Net income	34,214	12,219
Balance, end of period	49,240	1,733

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

	Three months ended		Six months ended	
(CAD \$000s)	2012	2011	2012	2011
<b>Operating activities</b>				
Net income for the period	<b>26,536</b>	12,169	<b>34,214</b>	12,219
Items not affecting cash:				
Depletion, depreciation and amortization	<b>29,749</b>	12,471	<b>50,827</b>	18,277
Deferred income tax expense	<b>9,409</b>	4,393	<b>12,573</b>	4,436
Stock-based compensation	<b>742</b>	400	<b>1,523</b>	598
Non-cash financing expense [Note 11]	<b>278</b>	139	<b>447</b>	206
Unrealized gain on risk management contracts [Note 5]	<b>(29,232)</b>	(10,987)	<b>(29,395)</b>	(8,865)
Settlement of decommissioning liabilities [Note 11]	<b>(66)</b>	-	<b>(533)</b>	-
	<b>37,416</b>	18,585	<b>69,656</b>	26,871
Net change in non-cash working capital items [Note 14]	<b>(26,588)</b>	(1,291)	<b>(23,908)</b>	(285)
	<b>10,828</b>	17,294	<b>45,748</b>	26,586
<b>Financing Activities</b>				
Increase in bank debt	<b>214,979</b>	40,679	<b>194,544</b>	81,080
Issuance of share capital, net of share issue costs	<b>57,998</b>	145,239	<b>113,399</b>	141,690
	<b>272,977</b>	185,918	<b>307,943</b>	222,770
<b>Investing activities</b>				
Expenditures on property, plant and equipment	<b>(39,775)</b>	(19,164)	<b>(103,540)</b>	(40,869)
Net expenditures on property acquisitions	<b>(3,087)</b>	(9,947)	<b>(8,921)</b>	(35,114)
Expenditures on corporate acquisitions [Note 6]	<b>(224,701)</b>	(171,664)	<b>(234,006)</b>	(171,664)
Net change in non-cash working capital items [Note 14]	<b>(16,241)</b>	(2,433)	<b>(7,225)</b>	(1,704)
	<b>(283,804)</b>	(203,208)	<b>(353,692)</b>	(249,351)
Increase (decrease) in cash, during the period	<b>1</b>	4	<b>(1)</b>	5
Cash, beginning of period	<b>11</b>	11	<b>13</b>	10
Cash, end of period	<b>12</b>	15	<b>12</b>	15
<b>Cash interest paid</b>	<b>3,472</b>	1,264	<b>4,911</b>	1,738

See accompanying notes to financial statements

## NOTES TO FINANCIAL STATEMENTS

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### 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, 222-3<sup>rd</sup> Avenue SW, Calgary, Alberta, Canada, T2P 0B4.

### 2. BASIS OF PRESENTATION

These condensed interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles, specifically International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board. They are condensed as they do not include all of the information required for full annual financial statements, and they should be read in conjunction with the financial statements for the year ended December 31, 2011.

The policies applied in these condensed interim financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at August 7, 2012, the date the Audit Committee approved these statements on behalf of the Board of Directors.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim financial statements follow the same accounting policies as the most recent annual audited financial statements. The interim financial statements note disclosures do not include all of those required by IFRS applicable for annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company’s audited financial statements for the period ended December 31, 2011.

### 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 June 30, 2012 and December 31, 2011, 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

### 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 June 30, 2012:

(\$000s)	<1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	62,467	-	62,467
Bank debt	-	325,348	325,348
Total financial liabilities	62,467	325,348	387,815

### 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. Due to changes in the fair value of risk management contracts in place at June 30, 2012, the Company assesses the effects of movement in commodity prices on net income before tax, 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. A 10

percent increase in commodity price volatility would result in a negative impact of \$14.3 million, whereas a 10 percent decrease would result in a positive impact of \$14.1 million.

At June 30, 2012 the following risk management contracts were outstanding with a mark-to-market asset value of \$21.3 million:

#### Financial WTI Crude Oil Contracts

Term		Contract	Volume (bbl/d)	Sold Swap Price (\$/bbl)	Index
01-Jul-12	31-Dec-12	Swap	200	106.50	C\$WTI
01-Jul-12	31-Dec-12	Swap	200	102.49	C\$WTI
01-Jul-12	31-Dec-12	Swap	200	102.65	C\$WTI
01-Jul-12	31-Dec-12	Swap	400	100.44	C\$WTI
01-Jul-12	31-Dec-12	Swap	100	100.70	C\$WTI
01-Jul-12	31-Dec-12	Swap	100	103.15	C\$WTI
01-Jul-12	31-Dec-12	Swap	200	102.35	C\$WTI
01-Jul-12	31-Dec-12	Swap	200	97.50	C\$WTI
01-Jul-12	31-Dec-12	Swap	100	100.65	C\$WTI
01-Jul-12	31-Dec-12	Swap	500	109.00	C\$WTI
01-Jul-12	31-Dec-12	Swap	300	92.00	C\$WTI
01-Jul-12	31-Dec-12	Swap	200	107.00	C\$WTI
01-Jul-12	31-Dec-12	Swap	500	103.70	C\$WTI
01-Jul-12	28-Feb-13	Swap	300	102.00	C\$WTI
01-Jul-12	28-Feb-13	Swap	300	95.00	C\$WTI
01-Jul-12	30-Jun-13	Swap	500	102.52	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	106.38	C\$WTI
01-Jan-13	31-Dec-13	Swap <sup>(1)</sup>	400	103.10	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	102.60	C\$WTI

Term		Contract	Volume (bbl/d)	Bought Put Price (\$/bbl)	Sold Call Price (\$/bbl)	Index
01-Jul-12	31-Dec-12	Enhanced Collar <sup>(2)</sup>	600	80.00	108.00	C\$WTI
01-Jul-12	31-Mar-13	Collar	300	95.00	105.40	C\$WTI

Term		Contract	Volume (bbl/d)	Bought Call Price (\$/bbl)	Sold Call Price (\$/bbl)	Index
01-Jul-12	31-Dec-12	Call Option	400	95.00	100.00	C\$WTI

#### Financial Natural Gas Derivative Contracts

Term		Contract	Volume (GJ/d)	Sold Swap Price (\$/GJ)	Index
01-Jul-12	31-Oct-12	Swap	500	4.02	AECO
01-Jul-12	31-Dec-12	Swap	2,500	2.77	AECO
01-Jul-12	31-Dec-12	Swap	2,500	2.76	AECO
01-Jul-12	31-Dec-12	Swap	2,500	2.40	AECO
01-Jul-12	31-Dec-12	Swap	2,500	2.40	AECO
01-Jan-13	31-Dec-13	Swap	5,000	3.08	AECO
01-Jan-13	31-Dec-13	Swap	1,250	2.77	AECO
01-Jan-13	31-Dec-13	Swap	1,250	2.76	AECO

#### Financial Power Derivative Contracts

Term		Volume (MWh)	Average Swap Price (\$/MWh)	Index
01-Jul-12	31-Dec-12	2,196	65.00	AESO
01-Jan-13	31-Dec-13	8,760	66.00	AESO

Notes:

(1) Concurrent with entering into the swap, the Company sold a put at C\$74.60 WTI for 400 bbls/d in 2013.

(2) Between the period of July to December, for monthly settlements at or above the ceiling price of \$108.00/bbl, 1,200 bbl/d of volume will be settled for that month at an average price of \$94.00/bbl.

Subsequent to June 30, 2012, the Company entered into the following risk management contracts:

#### Financial Natural Gas Derivative Contracts

Term		Contract	Volume (GJ/d)	Sold Swap Price (\$/GJ)	Index
01-Aug-12	31-Dec-12	Swap	2,500	2.50	AECO

#### 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 June 30, 2012 were to have increased by 25 basis points (0.25 percent) it is estimated that the Company's annual cash flows would decrease approximately \$0.8 million (2011 - \$0.2 million).

When assessing the potential impact of interest rate changes on the Company's interest rate swaps, the Company believes one percent interest rate volatility is a reasonable measure. A one percent increase in interest rate volatility would result in a negative impact of \$0.1 million whereas a one percent decrease would result in a positive impact of \$0.1 million.

#### Interest Rate Contracts

Term		Amount C\$(\$000s)	Fixed Rate (%)	Index
01-Jul-12	31-Oct-12	90,000	1.02	CDOR
01-Jul-12	31-Oct-13	100,000	1.06	CDOR

#### Foreign Exchange Risk

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

#### Capital Management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include shareholders' equity, bank debt and working capital.



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

(\$000s)	June 30, 2012	December 31, 2011
Current assets	40,176	34,007
Current liabilities	(62,467)	(62,014)
Working capital deficit (excluding risk management contracts)	(22,291)	(28,007)
Bank debt	325,348	130,804
Shareholders' equity	885,613	380,363

## 6. ACQUISITIONS

### (a) Compass Petroleum Ltd.

On February 10, 2012, Whitecap acquired all the issued and outstanding shares of Compass for an aggregate purchase price of approximately \$121.7 million which included \$14.0 million payable in cash, assumed debt and working capital deficit of \$1.7 million and 10.9 million common shares issued. The common shares issued were valued using the share price of Whitecap on February 10, 2012 of \$9.74 per share.

The transaction closed on February 10, 2012 and had the acquisition been acquired as of January 1, 2012, an additional \$3.2 million in revenue (net of royalties) would have been recognized. Net income is not readily determinable.

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

#### Net assets acquired<sup>(1)</sup> (\$000s):

Working capital deficit	(1,666)
Petroleum and natural gas properties	116,996
Exploration and evaluation assets	5,557
Goodwill	9,790
Risk management asset	286
Decommissioning liability	(2,893)
Deferred income tax	(8,074)
	<b>119,996</b>

#### Consideration:

Issuance of shares	106,020
Cash consideration	13,976
Total consideration	<b>119,996</b>

Note:

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

### (b) Midway Energy Ltd.

On April 20, 2012, Whitecap acquired all the issued and outstanding shares of Midway for an aggregate purchase price of approximately \$490.2 million which included \$111.4 million payable in cash, assumed debt and working capital deficit of \$132.4 million and 32.1 million common shares issued. The common shares issued were valued using the share price of Whitecap on April 20, 2012 of \$7.68 per share.

The transaction closed on April 20, 2012 and had the acquisition been acquired as of January 1, 2012, an additional \$10.4 million in revenue (net of royalties) would have been recognized. Net income is not readily determinable.

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

**Net assets acquired<sup>(1)</sup> (\$000s):**

Working capital deficit	(7,146)
Petroleum and natural gas properties	509,161
Exploration and evaluation assets	13,908
Goodwill	34,781
Long term debt	(125,281)
Risk management liability	(3,090)
Decommissioning liability	(15,376)
Deferred income tax	(47,987)
	<b>358,970</b>

**Consideration:**

Issuance of shares	246,427
Warrants assumed	1,190
Cash consideration	111,353
Total consideration	<b>358,970</b>

Note:

<sup>(1)</sup> The above amounts are estimates, which were made by management at the time of the preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

**(c) Property acquisitions**

The Company acquired strategic properties and working interests that complement the existing assets in the West Central area of Alberta. The property acquisitions were accounted for as business combinations under IFRS 3. Had the properties been acquired as of January 1, 2012, an additional \$0.1 million in revenue (net of royalties) 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 statement of comprehensive income (loss) has not been disclosed separately as it is not determinable.

**Net assets acquired (\$000s):**

Petroleum and natural gas properties	8,920
Decommissioning liability	(56)
	<b>8,864</b>

**Consideration:**

Total consideration	<b>8,864</b>
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## 7. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2012	December 31, 2011
Net book value (\$000s)		
Petroleum and natural gas properties	1,361,761	608,891
Other assets	482	353
Property, plant and equipment, at cost	1,362,243	609,244
Less: accumulated depletion, depreciation and amortization	(109,441)	(60,083)
Total net carrying amount	1,252,802	549,161

Cost (\$000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2011	608,891	353	609,244
Acquisitions	635,044	-	635,044
Additions	117,826	129	117,955
Balance at June 30, 2012	1,361,761	482	1,362,243

Depletion, depreciation and amortization (\$000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2011	59,891	192	60,083
Depletion, depreciation and amortization	49,307	51	49,358
Balance at June 30, 2012	109,198	243	109,441

At June 30, 2012, \$24.6 million of salvage value (2011 – \$10.2 million) was excluded from the depletion calculation. Future development costs of \$354.2 million (2011 – \$272.5 million) were included in the depletion calculation. The Company capitalized \$1.9 million (2011 - \$1.8 million) of administrative costs directly relating to development activities which includes \$0.8 million (2011 - \$0.7 million) of stock-based compensation.

## 8. EXPLORATION AND EVALUATION

(\$000s)	June 30, 2012	December 31, 2011
Exploration and evaluation assets	40,310	16,309
Less: accumulated land expiries and write-offs	(2,370)	(901)
Total net carrying amount	37,940	15,408

(\$000s)	Undeveloped Land
Balance at December 31, 2011	16,309
Additions	4,928
Acquisitions	19,465
Transfers to property, plant and equipment	(392)
Balance at June 30, 2012	40,310

Land expiries and write-offs (\$000s)	Total
Balance at December 31, 2011	901
Land expiries and write-offs	1,469
Balance at June 30, 2012	2,370

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

## 9. GOODWILL

(\$000s)

Balance at December 31, 2011	43,095
Compass acquisition (Note 6a)	9,790
Midway acquisition (Note 6b)	34,781
Balance at June 30, 2012	87,666

Goodwill is a result of accounting for deferred taxes on corporate acquisitions.

## 10. CREDIT FACILITIES

As at June 30, 2012, the Company had a \$400 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, 2013 and then for a further year under the term out provisions. Such initial term out date may be extended for further 364-day periods at the request of the Company, subject to approval by the banks. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances. The applicable margin charged by the bank is dependent upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The credit facilities are secured by a fixed and floating charge debenture on the assets of the Company. As of June 30, 2012, the Company was compliant with all covenants provided for in the lending agreement. The borrowing base is subject to a semi-annual review by the bank with the next review scheduled for the fall of 2012.

## 11. DECOMMISSIONING LIABILITY

(\$000s)

Balance, December 31, 2011	23,259
Liabilities incurred	1,912
Liabilities acquired	18,325
Liabilities disposed	-
Liabilities settled	(533)
Revision in estimates	16,177
Accretion expense	447
Balance, June 30, 2012	59,587

The Company's decommissioning liability results from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The key assumptions, on which the carrying amount of the decommissioning liability is based, include a risk-free rate of 2.2 percent and inflation rate of 2.0 percent. The total undiscounted amount of the estimated cash flows required to settle the obligations was \$76.4 million (2011 – \$31.4 million). The expected timing of payment of the cash flows required for settling the obligations extends up to 45 years.

## 12. SHARE CAPITAL

### a) Authorized

Unlimited number of common shares without nominal or par value.

### b) Issued and outstanding

(000s)	Shares	\$
Balance, December 31, 2011	72,191	354,857
Issued on exercise of options/warrants	46	185
Contributed surplus adjustment on exercise of options/warrants	-	67
Issued on the acquisition of Compass <sup>(1)</sup>	10,885	106,020
Issued for cash through public prospectus offering <sup>(2)</sup>	11,882	120,008
Issued on the acquisition of Midway <sup>(3)</sup>	32,087	246,427
Share issue costs, net of deferred income tax	-	(5,089)
Balance, June 30, 2012	127,091	822,475

Notes:

- (1) On February 10, 2012, as part of the Compass acquisition 10.9 million Whitecap shares were issued to Compass shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on February 10, 2012 of \$9.74 per share.
- (2) On March 19, 2012, the Company completed a bought deal finance offering of 5.9 million units of Whitecap common shares at a price of \$20.20 per subscription receipt for total gross proceeds of \$120.0 million. Each unit is comprised of one subscription receipt at a price of \$10.10 per subscription receipt and one common share at a price of \$10.10 per common share. Each subscription receipt represents the right to acquire, without payment of additional consideration or further action, one common share upon closing of the previously announced plan of arrangement with Midway Concurrent with the close of Midway on April 20, 2012, the subscription receipts were exchanged for Whitecap common shares.
- (3) On April 20, 2012, as part of the Midway acquisition 32.1 million Whitecap shares were issued to Midway shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on April 20, 2012 of \$7.68 per share.

### 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, 2011	3,924	4.59
Granted	899	8.59
Exercised	(45)	4.06
Forfeited	(50)	5.82
Balance, June 30, 2012	4,728	5.34

Exercise Price (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise price (\$/share)	Number Exercisable	Weighted Average Exercise Price (\$/share)
2.00-3.49	1,574	1.4	2.56	1,012	2.56
3.50-5.99	1,049	3.0	5.39	64	4.57
6.00-10.00	2,105	3.1	7.39	310	6.48
2.00 – 10.00	4,728	2.5	5.34	1,386	3.53

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:

	2012	2011
Risk-free interest rate	1.4%	1.7%
Expected life (year)	4	4
Expected volatility	47%	51%
Forfeiture rate	3.7%	3.4%
Fair value (\$/option)	\$3.47	\$3.13

#### d) Warrants

On June 25, 2010, 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.

In connection with the acquisition of Midway, Whitecap entered into a supplemental warrant indenture whereby it assumed the obligations of Midway in respect of Midway's previously 3.0 million outstanding share purchase warrants that were issued by Midway in connection with a private placement completed in February 2012. As a result, each previously outstanding warrant to acquire a class A common share of Midway will now entitle the holder thereof to acquire 0.4802 of a Whitecap Common Share at a price of \$4.00 per 0.4802 of a Common Share (\$8.33 per whole Whitecap Common Share).

There are a total of 4.6 million warrants outstanding which are exchangeable for 3.0 million common shares.

(000s except per share amounts)	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2011	1,597	2.50
Assumed	1,379 <sup>(1)</sup>	8.33 <sup>(1)</sup>
Exercised	(1)	2.50
Balance, June 30, 2012	2,975	5.20

Exercise Price (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$/share)	Number Exercisable	Weighted Average Exercise Price (\$/share)
2.50-8.32	1,596	3.0	2.50	1,596	2.50
8.33-10.00	1,379 <sup>(1)</sup>	0.6	8.33 <sup>(1)</sup>	1,379	8.33
2.50-10.00	2,975	1.9	5.20	2,975	5.20

Note:

<sup>(1)</sup> For presentation purposes, the 3.0 million purchase warrants assumed from Midway have been presented at the exchange ratio of .4802 to one Whitecap share.

#### e) Contributed Surplus

(\$000s)	
Balance, December 31, 2011	10,480
Stock-based compensation	2,295
Warrants assumed	1,190
Option exercises	(63)
Warrant exercises	(4)
Balance, June 30, 2012	13,898

### 13. PER SHARE RESULTS

(000s except per share amounts)	Three months ended June 30		Six months ended June 30,	
	2012	2011	2012	2011
Per share income				
Basic	0.22	0.19	0.35	0.23
Diluted	0.22	0.18	0.34	0.22
Weighted average shares outstanding				
Basic	118,730	65,434	98,851	53,696
Diluted	120,968	67,440	101,348	55,692

### 14. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended		Six months ended	
	2012	June 30, 2011	2012	June 30, 2011
Accounts receivable	789	(862)	13,804	(478)
Prepaid and deposits	(600)	323	(649)	(517)
Accounts payable and accrued liabilities	(43,018)	(4,264)	(44,286)	(994)
Change in non-cash working capital	(42,829)	(3,725)	(31,133)	(1,989)
Related to:				
Operating Activities	(26,588)	(1,291)	(23,908)	(285)
Investing Activities	(16,241)	(2,433)	(7,225)	(1,704)

### 15. COMMITMENTS

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

(\$000s)	2012	2013	2014	2015+	Total
Operating lease - office building	452	905	905	2,370	4,632

As a result of flow-through shares issued by Midway, Whitecap is committed to spend approximately \$1.3 million on qualified exploration expenditures by December 31, 2012.