

WHITECAP RESOURCES INC.
BALANCE SHEET
(unaudited)

As at (CAD \$000s)	September 30, 2012	December 31, 2011
Assets		
Current Assets		
Cash	11	13
Accounts receivable	55,799	32,753
Deposits and prepaid expenses	2,702	1,241
Risk management contracts [Notes 4 & 5]	15,958	-
	74,470	34,007
Risk management contracts and other [Notes 4, 5 & 16]	2,179	-
Property, plant and equipment [Notes 6 & 7]	1,293,945	549,161
Exploration and evaluation [Notes 6 & 8]	38,048	15,408
Goodwill [Notes 6 & 9]	87,666	43,095
	1,496,308	641,671
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	81,728	62,014
Risk management contracts	-	5,318
	81,728	67,332
Bank debt [Note 10 & 17]	343,683	130,804
Decommissioning liability [Note 11]	61,766	23,259
Deferred income tax	111,391	39,913
	598,568	261,308
Shareholders' Equity		
Share capital [Note 12]	822,534	354,857
Contributed surplus [Note 12]	15,288	10,480
Retained earnings	59,918	15,026
	897,740	380,363
	1,496,308	641,671

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 nine months ended September 30
(unaudited)

(CAD \$000s, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenue				
Petroleum and natural gas sales	85,327	38,543	211,874	89,399
Royalties	(8,426)	(4,583)	(24,035)	(11,445)
	76,901	33,960	187,839	77,954
Gain on risk management contracts [Note 5]	663	4,939	31,317	12,066
	77,564	38,899	219,156	90,020
Expenses				
Operating	15,758	7,132	40,822	15,964
Transportation	3,503	1,368	8,415	2,935
General and administrative	2,548	731	6,453	2,707
Stock-based compensation	1,214	534	2,737	1,131
Transaction costs	147	53	3,361	1,324
Interest and financing	3,340	1,263	8,699	3,207
Depletion, depreciation and amortization [Note 7]	34,638	14,069	83,997	32,346
Exploration and evaluation [Note 8]	1,189	-	2,658	-
	62,337	25,150	157,142	59,614
Net income before income taxes	15,227	13,749	62,014	30,406
Taxes				
Deferred income tax expense	4,549	3,686	17,122	8,122
Net income and other comprehensive income	10,678	10,063	44,892	22,284
Retained earnings (deficit), beginning of period	49,240	1,735	15,026	(10,486)
Retained earnings, end of period	59,918	11,798	59,918	11,798
Net income per share (\$/share) [Note 13]				
Basic	0.08	0.14	0.41	0.37
Diluted	0.08	0.14	0.41	0.36

See accompanying notes to financial statements

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

(CAD \$000s)	2012	2011
Share Capital [Note 12(b)]		
Balance, beginning of year	354,857	153,228
Issued on exercise of options/warrants	224	275
Contributed surplus adjustment on exercise of options/warrants	87	143
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)	(6,088)
Balance, end of period	822,534	354,754
Contributed Surplus [Note 12(e)]		
Balance, beginning of year	10,480	8,036
Option-based awards	3,705	1544
Warrants acquired	1,190	-
Option/warrant exercises	(87)	(143)
Balance, end of period	15,288	9,437
Retained earnings (deficit)		
Balance, beginning of year	15,026	(10,486)
Net income	44,892	22,284
Balance, end of period	59,918	11,798

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

(CAD \$000s)	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Operating activities				
Net income for the period	10,678	10,063	44,892	22,284
Items not affecting cash:				
Depletion, depreciation and amortization	35,827	14,069	86,655	32,346
Deferred income tax expense	4,549	3,686	17,122	8,122
Stock-based compensation	1,214	534	2,737	1,131
Non-cash financing expense [Note 11]	343	116	789	322
Unrealized loss (gain) on risk management contracts [Note 5]	4,136	(2,462)	(25,259)	(11,328)
Settlement of decommissioning liabilities [Note 11]	(124)	(21)	(657)	(21)
	56,623	25,985	126,279	52,856
Net change in non-cash working capital items [Note 14]	(12,524)	(1,076)	(36,433)	(1,360)
	44,099	24,909	89,846	51,496
Financing Activities				
Increase in bank debt	18,336	6,181	212,880	87,260
Issuance of share capital, net of share issue costs	39	15	113,438	141,705
	18,375	6,196	326,318	228,965
Investing activities				
Expenditures on property, plant and equipment	(75,025)	(44,753)	(178,564)	(85,622)
Net expenditures on property acquisitions	101	(6,405)	(8,819)	(41,519)
Expenditures on corporate acquisitions [Note 6]	-	-	(234,006)	(171,664)
Net change in non-cash working capital items [Note 14]	12,449	20,050	5,223	18,346
	(62,475)	(31,108)	(416,166)	(280,459)
Increase (decrease) in cash, during the period	(1)	(3)	(2)	2
Cash, beginning of period	12	15	13	10
Cash, end of period	11	12	11	12
Cash interest paid	2,997	1,147	7,910	2,885

See accompanying 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.

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 November 5, 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) are estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The market value of E&E assets are estimated with reference to the market values of current arm’s length transactions in comparable locations.

(ii) Cash and cash equivalents, trade and other receivables, bank overdraft 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, 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 September 30, 2012:

(\$000s)	<1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	81,728	-	81,728
Bank debt	-	343,683	343,683
Total financial liabilities	81,728	343,683	425,411

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 September 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 \$24.8 million, whereas a 10 percent decrease would result in a positive impact of \$25.4 million.

At September 30, 2012 the following risk management contracts were outstanding with a mark-to-market asset value of \$17.1 million:

Financial WTI Crude Oil Contracts

The Company has hedged 7,000 bbl/d of oil for the fourth quarter of 2012 at a weighted average price of \$97.99/bbl. In 2013, the Company has hedged approximately 5,000 bbl/d at a weighted average price of \$99.77/bbl.

Term		Contract	Volume (bbl/d)	Sold Swap Price (\$/bbl)	Index
01-Oct-12	31-Dec-12	Swap	200	106.50	C\$WTI
01-Oct-12	31-Dec-12	Swap	200	102.49	C\$WTI
01-Oct-12	31-Dec-12	Swap	200	102.65	C\$WTI
01-Oct-12	31-Dec-12	Swap	400	100.44	C\$WTI
01-Oct-12	31-Dec-12	Swap	100	100.70	C\$WTI
01-Oct-12	31-Dec-12	Swap	100	103.15	C\$WTI
01-Oct-12	31-Dec-12	Swap	200	102.35	C\$WTI
01-Oct-12	31-Dec-12	Swap	200	97.50	C\$WTI
01-Oct-12	31-Dec-12	Swap	100	100.65	C\$WTI
01-Oct-12	31-Dec-12	Swap	500	109.00	C\$WTI
01-Oct-12	31-Dec-12	Swap	300	92.00	C\$WTI
01-Oct-12	31-Dec-12	Swap	200	107.00	C\$WTI
01-Oct-12	31-Dec-12	Swap	500	93.55	C\$WTI
01-Oct-12	31-Dec-12	Swap	500	93.50	C\$WTI
01-Oct-12	31-Dec-12	Swap	800	96.60	C\$WTI
01-Oct-12	31-Dec-12	Swap	500	103.70	C\$WTI
01-Oct-12	28-Feb-13	Swap	300	102.00	C\$WTI
01-Oct-12	28-Feb-13	Swap	300	95.00	C\$WTI
01-Oct-12	30-Jun-13	Swap	500	102.52	C\$WTI
01-Jan-13	30-Jun-13	Swap	1,000	97.50	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	106.38	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	95.18	C\$WTI
01-Jan-13	31-Dec-13	Swap ⁽¹⁾	400	103.10	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	102.60	C\$WTI
01-Jan-13	31-Dec-13	Swap	1,000	100.85	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	97.10	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	97.00	C\$WTI
01-Jul-13	31-Dec-13	Swap	500	95.00	C\$WTI
01-Jan-14	30-Jun-14	Swap	1,000	94.10	C\$WTI

Term		Contract	Volume (bbl/d)	Bought Put Price (\$/bbl)	Sold Call Price (\$/bbl)	Index
01-Oct-12	31-Dec-12	Enhanced Collar ⁽²⁾	600	80.00	108.00	C\$WTI
01-Oct-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-Oct-12	31-Dec-12	Call Option	400	95.00	100.00	C\$WTI

Financial Natural Gas Derivative Contracts

The Company has hedged approximately 12,700 GJ/d of natural gas for the fourth quarter of 2012 at a weighted average price of \$2.58/GJ. For 2013, the Company has hedged 11,500 GJ/d at a weighted average price of \$3.09/GJ.

Term		Contract	Volume (GJ/d)	Sold Swap Price (\$/GJ)	Index
01-Oct-12	31-Oct-12	Swap	500	4.02	AECO
01-Oct-12	31-Dec-12	Swap	2,500	2.77	AECO
01-Oct-12	31-Dec-12	Swap	2,500	2.76	AECO
01-Oct-12	31-Dec-12	Swap	2,500	2.40	AECO
01-Oct-12	31-Dec-12	Swap	2,500	2.40	AECO
01-Oct-12	31-Dec-12	Swap	2,500	2.50	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
01-Jan-13	31-Dec-13	Swap	5,000	3.08	AECO

Subsequent to the quarter, the Company entered into the following natural gas derivative contracts:

Term		Contract	Volume (GJ/d)	Sold Swap Price (\$/GJ)	Index
01-Jan-13	31-Dec-13	Swap	2,000	3.24	AECO
01-Jan-13	31-Dec-13	Swap	2,000	3.40	AECO

Financial Power Derivative Contracts

Term		Volume (MWh)	Average Swap Price (\$/MWh)	Index
01-Oct-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 October 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.

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, 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 \$0.9 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 or decrease in interest rate volatility would result in an impact of \$0.1 million.

Interest Rate Contracts

Term		Amount C\$(000s)	Fixed Rate (%)	Index
01-Oct-12	31-Oct-12	90,000	1.02	CDOR
01-Oct-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)	September 30, 2012	December 31, 2011
Current assets	58,512	34,007
Current liabilities	(81,728)	(62,014)
Working capital deficit (excluding risk management contracts)	(23,216)	(28,007)
Bank debt	343,683	130,804
Shareholders' equity	897,740	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⁽¹⁾ (\$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)
	119,996

Consideration:

Issuance of shares	106,020
Cash consideration	13,976
Total consideration	119,996

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⁽¹⁾ (\$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)
	358,970

Consideration:

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

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.

(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	1,934
Exploration and evaluation assets	7,101
Decommissioning liability	(56)
	8,979

Consideration:

Total consideration	8,979
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7. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2012	December 31, 2011
Net book value (\$000s)		
Petroleum and natural gas properties	1,437,267	608,891
Other assets	758	353
Property, plant and equipment, at cost	1,438,025	609,244
Less: accumulated depletion, depreciation and amortization	(144,080)	(60,083)
Total net carrying amount	1,293,945	549,161

Cost (\$000s)	Oil and natural gas properties	Other assets	Total
Balance at December 31, 2011	608,891	353	609,244
Acquisitions	628,091	-	628,091
Additions	200,251	405	200,656
Disposals	34	-	34
Balance at September 30, 2012	1,437,267	758	1,438,025

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	83,898	99	83,997
Balance at September 30, 2012	143,789	291	144,080

At September 30, 2012, \$25.4 million of salvage value (2011 – \$10.2 million) was excluded from the depletion calculation. Future development costs of \$279.7 million (2011 – \$272.5 million) were included in the depletion calculation. The Company capitalized \$2.6 million (2011 - \$1.8 million) of administrative costs directly relating to development activities which includes \$1.0 million (2011 - \$0.7 million) of stock-based compensation.

8. EXPLORATION AND EVALUATION

(\$000s)	September 30, 2012	December 31, 2011
Exploration and evaluation assets	41,607	16,309
Less: accumulated land expiries and write-offs	(3,559)	(901)
Total net carrying amount	38,048	15,408

(\$000s)	Undeveloped Land
Balance at December 31, 2011	16,309
Acquisitions	26,566
Disposal	(250)
Transfers to property, plant and equipment	(1,018)
Balance at September 30, 2012	41,607

Land expiries and write-offs (\$000s)	Total
Balance at December 31, 2011	901
Land expiries and write-offs	2,658
Balance at September 30, 2012	3,559

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 September 30, 2012	87,666

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

10. CREDIT FACILITIES

As at September 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 September 30, 2012, the Company was compliant with all covenants provided for in the lending agreement. Subsequent to September 30, 2012 the borrowing base of Whitecap's syndicated credit facility has been increased from \$400 million to \$450 million. The new facility consists of a \$25 million operating line and a \$425 million syndicated facility. The next review is scheduled on or before May 31, 2013. (See note 17)

11. DECOMMISSIONING LIABILITY

(\$000s)

Balance, December 31, 2011	23,259
Liabilities incurred	3,749
Liabilities acquired	18,325
Liabilities settled	(657)
Revision in estimates	16,301
Accretion expense	789
Balance, September 30, 2012	61,766

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 \$78.8 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	53	224
Contributed surplus adjustment on exercise of options/warrants	-	87
Issued on the acquisition of Compass ⁽¹⁾	10,885	106,020
Issued for cash through public prospectus offering ⁽²⁾	11,882	120,008
Issued on the acquisition of Midway ⁽³⁾	32,087	246,427
Share issue costs, net of deferred income tax	-	(5,089)
Balance, September 30, 2012	127,098	822,534

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	2,086	7.63
Exercised	(51)	4.27
Forfeited	(147)	6.23
Balance, September 30, 2012	5,812	5.53

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	1,573	1.2	2.56	1,365	2.52
3.50-5.99	1,040	2.8	5.39	126	4.54
6.00-10.00	3,199	3.2	7.04	376	6.48
2.00 – 10.00	5,812	2.6	5.53	1,867	3.46

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	1.6%	1.7%
Expected life (year)	4	4
Expected volatility	46%	51%
Forfeiture rate	2.6%	3.4%
Fair value (\$/option)	\$2.30	\$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 entitles 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). The share purchase warrants are fully vested and expire February 15, 2013.

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 ⁽¹⁾	8.33 ⁽¹⁾
Exercised	(2)	2.50
Balance, September 30, 2012	2,974	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	1,595	2.7	2.50	1,595	2.50
8.33	1,379 ⁽¹⁾	0.4	8.33 ⁽¹⁾	1,379	8.33
2.50-8.33	2,974	1.6	5.20	2,974	5.20

Note:

⁽¹⁾ 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	3,705
Warrants assumed	1,190
Option exercises	(79)
Warrant exercises	(8)
Balance, September 30, 2012	15,288

13. PER SHARE RESULTS

(000s except per share amounts)	Three months ended September 30		Nine months ended September 30,	
	2012	2011	2012	2011
Per share income				
Basic	0.08	0.14	0.41	0.37
Diluted	0.08	0.14	0.41	0.36
Weighted average shares outstanding				
Basic	127,094	72,167	108,334	59,921
Diluted	129,233	74,131	110,711	61,883

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Accounts receivable	(18,691)	(2,410)	(4,891)	(2,888)
Prepaid and deposits	(645)	(163)	(1,294)	(680)
Accounts payable and accrued liabilities	19,261	21,547	(25,025)	20,554
Change in non-cash working capital	(75)	18,974	(31,210)	16,986
Related to:				
Operating Activities	(12,524)	(1,076)	(36,433)	(1,360)
Investing Activities	12,449	20,050	5,223	18,346

15. COMMITMENTS

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

(\$000s)	2012	2013	2014	2015+	Total
Operating lease - office building	230	922	922	2,387	4,461

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.

16. RELATED PARTY TRANSACTIONS

In September 2012, the Company advanced \$1.0 million as loans to certain officers and employees of Whitecap, excluding the Chief Executive Officer, to purchase common shares of the Company on the Toronto Stock Exchange. Each interest free loan is secured by the common shares acquired with the loan proceeds and also a personal guarantee by each individual. Fifty percent of each loan is repayable in 18 months with the remaining balance repayable in 24 months.

17. SUBSEQUENT EVENTS

Non-core property dispositions

Subsequent to the quarter end, the Company entered into definitive agreements to dispose of properties in its non-core areas for total proceeds of \$56.4 million, subject to normal closing adjustments. The assets sold have production of approximately 680 boe/d. The transactions are expected to close in November, 2012.

Credit facility increase

Subsequent to the quarter end, the borrowing base of Whitecap's syndicated credit facility was increased from \$400 million to \$450 million, post the non-core dispositions. The new facility consists of a \$25 million operating line and a \$425 million syndicated facility. The next review is scheduled on or before May 31, 2013.