MANAGEMENT DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of financial condition and results of operations for Whitecap Resources Inc. (the "Company" or "Whitecap") is dated November 5, 2012 and should be read in conjunction with the Company's unaudited interim financial statements and related notes for the period ended September 30, 2012, as well as the audited annual financial statements and MD&A for the year ended December 31, 2011.

These financial statements have been prepared in accordance with IFRS in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual financial statements for the year ended December 31, 2011.

The MD&A contains certain measures that do not have any standardized meaning as prescribed by IFRS and therefore are considered non-GAAP measures. Readers are cautioned that the MD&A should be read in conjunction with Whitecap's disclosure under "Non-GAAP Measures" and "Forward-Looking Statements" included at the end of this MD&A.

DESCRIPTION OF BUSINESS

Whitecap is engaged in the acquisition, development, optimization and production of crude oil and natural gas in Western Canada.

2012 THIRD QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Crude oil (bbls/d)	9,672	3,805	7,971	2,876
NGLs (bbls/d)	1,183	355	906	253
Natural gas (Mcf/d)	29,642	13,951	25,075	10,822
Total (boe/d)	15,795	6,485	13,056	4,933
Production split (%)				
Crude oil and NGL	69	64	68	63
Natural gas	31	36	32	37
Total	100	100	100	100

Production averaged 15,795 boe/d in the third quarter of 2012 compared to 6,485 boe/d in 2011, an increase of 144 percent. Year to date, production volumes increased 165 percent to 13,056 boe/d in 2012 from 4,933 boe per day in 2011. The increases in production are mainly attributed to the acquisition of Compass Petroleum Ltd. ("Compass") in February 2012, the acquisition of Midway Energy Ltd ("Midway") in April 2012 and the significant organic growth we have achieved on existing and acquired properties.

The Company continues to focus its capital spending on light oil opportunities and has been successful in increasing its crude oil and NGL weighting to 68 percent of total production compared to 63 percent in the prior year.

Revenue

A breakdown of revenue is as follows:

	Three months ended September 30,		Nine months ended September 30,	
($000s)	2012	2011	2012	2011
Crude oil	74,132	31,248	183,950	72,544
NGLs	4,610	2,251	12,465	4,758
Natural gas	6,585	5,044	15,459	12,097
Petroleum and natural gas sales	85,327	38,543	211,874	89,399

Petroleum and natural gas sales for the third quarter of 2012 increased 121 percent to $85.3 million from $38.5 million in the third quarter of 2011, an increase of $46.8 million of which $50.3 million is attributed to higher production volumes offset by $3.5 million due to lower realized prices. Petroleum and natural gas sales year to date increased 137 percent to $211.9 million from $89.4 million. The increase of $122.5 million consists of $131.8 million attributed to higher production volumes offset by $9.3 million due to lower realized prices.

Average benchmark and realized prices are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Benchmark prices				
WTI (US$/bbl)[(1)]	92.22	89.40	96.21	95.28
US$/C$ foreign exchange rate	0.99	0.98	1.00	0.98
WTI (C$/bbl)	91.73	87.52	96.41	93.05
Edmonton Par (C$/bbl)	84.57	92.45	87.08	94.32
AECO natural gas ($/Mcf)[(2)]	2.28	3.66	2.11	3.76
Average realized prices[(3)]				
Crude oil ($/bbl)	83.32	89.90	84.09	92.14
NGLs ($/bbl)	42.26	68.69	50.18	68.54
Natural gas ($/Mcf)	2.41	3.92	2.25	4.08
Combined ($/boe)	58.72	64.60	59.23	66.38

Notes:
(1) WTI represents posting prices of West Texas Intermediate oil.
(2) Represents the AECO daily posting.
(3) Prior to hedging gains and losses.

Prior to hedging activities Whitecap's weighted average realized price was $58.72 per boe in the third quarter of 2012, a decrease of nine percent as compared to $64.60 per boe in 2011. The decrease is mainly attributed to a seven percent reduction to Whitecap's realized crude oil price and a 39 percent reduction in Whitecap's realized natural gas price. Year to date, Whitecap's weighted average realized price prior to the impact of hedging activities was $59.23 per boe compared to the prior period of $66.38 per boe. The 11 percent decrease is mainly attributed to an nine percent reduction to the Company's realized crude price and a 45 percent reduction to its realized natural gas price.

US$WTI oil prices remained strong in the third quarter of 2012 averaging US$92.22 per barrel, three percent higher than in the comparable period in 2011.

While WTI oil prices averaged one percent lower in the third quarter compared to the second quarter of 2012, average light sweet crude sales stream price differentials to WTI improved by $2.74 US/barrel resulting in an increased light sweet oil sales price at Edmonton.

Continued increased light oil supply throughout North America, coupled with global economic and geopolitical instability will cause WTI oil prices to remain subject to volatility in the short and medium term.

Light sweet oil differentials have improved significantly in recent months. Supply growth and North American refinery maintenance schedules in late 2012 and early 2013 may cause fluctuation in differentials month to month. Providing positive support for light oil differentials is the increased ability to move oil by rail to non-WTI price based markets. Opportunities to improve netbacks continue to grow in this market sector.

Natural gas fired power generation demand in the US, nuclear power generation outages and reduced gas production shut in during hurricane Isaac provided support for natural gas prices through the third quarter of 2012. Resulting lower gas storage injections have been encouraging for gas prices as the winter demand season nears and the likelihood of excessive storage volumes is diminished.

The AECO daily spot price averaged $2.25/Mcf compared to $4.08/Mcf in the comparable period. The Company's natural gas receives a modest premium to the Alberta natural gas spot benchmark price due to its higher heat content.

Natural gas liquids prices have decreased due to increased supply and reduced demand throughout North America.

Risk Management and Hedging Activities

Whitecap maintains an ongoing risk management program to reduce the volatility of revenues in order to fund capital expenditures and protect project economics as necessary. The total gain on risk management contracts was $31.3 million for the nine months ended, which includes $25.3 million of non-cash gains.

At September 30, 2012, the following risk management contracts were outstanding:

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 remaining 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.

Whitecap's risk management strategy is to transact with creditworthy counterparties to provide downside protection and minimize the price cap on its product. The Company has Board of Directors' approval to hedge up to 75 percent of its most recent quarter's average daily production, net of royalties.

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

Operating Netbacks

The components of operating netbacks are shown below:

	Three months ended September 30,		Nine months ended September 30,	
Netbacks ($/boe)	2012	2011	2012	2011
Petroleum and natural gas sales	58.72	64.60	59.23	66.38
Royalties	(5.80)	(7.81)	(6.72)	(8.50)
Operating expenses	(10.84)	(11.95)	(11.41)	(11.85)
Transportation expenses	(2.41)	(2.29)	(2.35)	(2.18)
Operating netbacks prior to hedging	39.67	42.55	38.75	43.85
Realized hedging gain	3.30	4.15	1.69	0.55
Operating netbacks[1]	42.97	46.70	40.44	44.40

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

For the three and nine months ended September 30, 2012, royalties as a percentage of revenue were 10 and 11 percent respectively compared to 12 and 13 percent respectively in the comparable periods. The decrease in the royalty rate was a result of new production from the Company's horizontal wells which qualified for the five percent royalty holiday under the Government of Alberta royalty framework. In addition, the Company recorded favorable annual adjustments to Crown Royalties in the third quarter.

The horizontal wells targeting the Montney Sexsmith pool at Peace River Arch qualify for the five percent royalty rate on up to 70,000 to 80,000 boe and for a maximum of 30 to 36 months depending on measured depth drilled. In West Central Alberta, the horizontal wells drilled qualify for the five percent royalty rate on up to 60,000 boe and for a maximum of 24 months. The horizontal wells targeting the Viking oil pool qualify for the Government of Saskatchewan's reduced royalty rate of 2.5 percent for up to 37,700 boe of oil produced from the well. The applicable new oil royalty rate will apply thereafter.

Operating costs for the three months ended September 30, 2012 decreased nine percent to $10.84 per boe compared to $11.95 per boe in the prior period. Operating costs for the nine months ended September 30, 2012 decreased four percent to $11.41 per boe compared to $11.85 per boe in the prior period. The decrease in operating costs on a per boe basis is attributed to the incremental organic production growth in our cost efficient core areas and continued focus on operational efficiencies.

Transportation costs for the three months ended September 30, 2012 increased five percent to $2.41 per boe compared to $2.29 per boe in the prior period. Transportation costs for the nine months ended September 30, 2012 increased eight percent to $2.35 per boe compared to $2.18 per boe in the prior period. The increase in transportation costs over the comparable periods in 2011 is attributed to the west central Saskatchewan and Swan Hills properties acquired in 2012 which have higher transportation cost per boe.

The operating netback decreased eight percent in the third quarter to $42.97 per boe compared to $46.70 per boe in the prior period. Year to date the operating netback decreased nine percent to $40.44 per boe compared to $44.40 per boe in the prior period. The decreases are mainly due to lower realized crude oil and natural gas prices offset by hedging gains and decreased royalty and operating costs per boe in 2012.

General and administrative ("G&A")

($000s)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
G&A – gross	4,549	1,676	11,606	5,165
Overhead recoveries	(1,502)	(645)	(3,560)	(1,686)
Capitalized	(499)	(300)	(1,593)	(772)
Net G&A	2,548	731	6,453	2,707
Net G&A ($/boe)	1.75	1.22	1.80	2.01

Net G&A per boe increased to $1.75/boe for the three months ended September 30, 2012 compared to $1.22/boe in 2011. The increase is due to the growth in staff as a result of the acquisitions in the first half of 2012. Net G&A decreased to $1.80 per boe for the nine months ended September 30, 2012 compared to $2.01 per boe in 2011. On a year to date basis, the decrease was mainly attributed to higher production volumes and increased overhead recoveries which have offset the increase to gross G&A.

Option-based Awards

($000s)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Stock-based compensation	1,410	736	3,705	1,544
Capitalized stock-based compensation	(196)	(202)	(968)	(413)
	1,214	534	2,737	1,131

As at September 30, 2012, the Company had 5.8 million stock options and 1.6 million performance warrants outstanding. The options and warrants were issued at an average exercise price of $5.53 per option and $2.50 per warrant. Stock-based compensation expense of $1.4 million and $3.7 million for the three and nine months ended September 30, 2012, respectively was recognized with the offsetting amount recorded in contributed surplus.

In connection with the acquisition of Midway, Whitecap entered into a supplemental warrant indenture whereby it assumed the obligations of Midway in respect of 3.0 million outstanding share purchase warrants that were issued 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.

Stock-based compensation expense is the amortization over the vesting period of the fair value of stock options granted to employees, consultants and directors of the Company. Stock options granted under the stock option plan have a term of four years to expiry and performance warrants granted have a term of five years to expiry. The fair value of all options granted is estimated at the grant date using the Black-Scholes option pricing model.

Transaction Costs

($000s)	Three months ended September 30, 2012	2011	Nine months ended September 30, 2012	2011
Total transaction costs	147	53	3,361	1,324

Transaction costs are the incremental costs incurred related to an acquisition, such as finder's fees, advisory, legal and other professional fees. Transaction costs incurred are mainly attributable to costs incurred for the acquisition of Compass and Midway.

Interest and Financing Expenses

	Three months ended September 30,		Nine months ended September 30,	
($000s)	2012	2011	2012	2011
Interest and fees on bank debt	2,997	1,147	7,910	2,885
Non-cash accretion expense	343	116	789	322
Total interest and financing charges	3,340	1,263	8,699	3,207

Interest expense has increased compared to the prior periods as a result of higher levels of bank debt from our development capital program and acquisitions, the cost of which exceeded funds from operations.

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	2012	2011	2012	2011
Depletion, depreciation and amortization	34,638	14,069	83,997	32,346
$ per boe	23.80	23.84	23.48	24.01

The DD&A rate will fluctuate from one period to the next depending on the amount and type of capital spending and the amount of reserves added. The depletion rate is calculated on proved and probable oil and natural gas reserves, taking into account the future development costs to produce the reserves. The increase to the DD&A rate is mainly attributed to the cost of the acquired reserves as well as higher future development costs relative to the initial reserve assignments.

Exploration and Evaluation Asset expiries

During the three and nine month period ended September 30, 2012, $1.2 million and $2.7 million of costs associated with expired mineral leases were recognized as an expense compared to the prior periods of nil. The expired mineral leases are mainly attributed to non-core areas. The Company added $5.6 million and $13.9 million, respectively in undeveloped land in connection with the Compass and Midway acquisitions in 2012.

Taxes

The Company has a deferred income tax expense of $4.5 million and $17.1 million for the three and nine months ended September 30, 2012, respectively.

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

($000s)	September 30, 2012	December 31, 2011
Undepreciated capital cost	166,832	89,770
Canadian development expense	360,012	125,779
Canadian exploration expense	25,323	11,331
Canadian oil and gas property expense	200,404	103,274
Non-capital loss carry forward	71,571	33,796
Share issue costs	16,944	10,894
Total	841,086	374,844

Cash Flow and Net Income

Cash flow from operating activities for the three months ended September 30, 2012 was $44.1 million compared to prior year cash flow of $24.9 million. For the nine months ended September 30, 2012, cash

flow from operating activities was $89.9 million compared to prior year cash flow of $51.5 million. The significant increases in cash flow are a result of the Company's growth in production volumes.

Net income for the three months ended was $10.7 million compared to a net income of $10.1 million in the comparable period. Net income for the nine months ended September 30, 2012 was $44.9 million compared to $22.3 million in the first nine months of 2011. The significant improvement to earnings is mainly attributed to increased production volumes and unrealized gains on financial instruments.

Capital Expenditures

	Three months ended September 30,		Nine months ended September 30,	
($000s)	2012	2011	2012	2011
Land and lease	1,717	1,609	3,478	1,908
Geological and geophysical	148	54	1,505	579
Drilling and completions net of drilling credits	66,518	33,315	158,633	65,897
Investment in facilities	5,867	9,358	12,950	16,341
Capitalized administration	499	358	1,593	830
Development capital	74,749	44,694	178,159	85,555
Office and other	276	59	405	67
Net property acquisitions	(101)	6,405	8,819	41,519
Corporate acquisitions	-	-	645,622	219,692
Total capital expenditures	74,924	51,158	833,005	346,833

For the three and nine months ended September 30, 2012, capital expenditures, excluding acquisitions, totaled $74.7 million and $178.2 million respectively with over 96 percent spent on drilling, completions and facilities.

West Central Alberta

Whitecap continued to develop the Cardium resource play in the third quarter by drilling 19 (13.7 net) horizontal multi-fracture light oil wells. This includes 7 (6.0 net) wells drilled in the Garrington field. Whitecap will continue to manage 2-3 drilling rigs in the area to drill Cardium horizontal wells. The Company has 8 (7.0) net Cardium horizontal oil wells planned for the remainder of 2012.

Peace River Arch Alberta

Whitecap drilled 2 (1.5 net) Doe Creek horizontal oil wells and competed 6 (4.3 net) wells including 2 (1.0 net) Montney Sexsmith wells which are the most prolific Montney Sexsmith wells the Company has drilled to date. The Company has concluded its 2012 drilling program in the Peace River Arch and will use the remainder of 2012 to monitor the results of the Montney waterflood and recent drills to optimize our next phase of development in early 2013.

West Central Saskatchewan

Whitecap drilled 17 (16.2 net) horizontal Viking oil wells in the Dodsland area while lowering capital costs and significantly improving the IP (30) rates for this light oil resource play. Total drilling and completion costs per well have continued to decrease, currently $0.9 million from $1.1 million, a 24 percent reduction. The Company has 9.0 (9.0) net Viking horizontal oil wells planned for the remainder of 2012.

Decommissioning Liability

At September 30, 2012, the Company recorded decommissioning liabilities of $61.8 million for future abandonment and reclamation of the Company's properties. Included in the decommissioning liability balance is $3.7 million related to liabilities incurred, $18.3 million related to liabilities acquired from corporate and property acquisitions, accretion of $0.8 million and revisions to estimates of $16.3 million. Estimates are based on both operational knowledge of the properties and industry guidance provided by the ERCB. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined.

Capital Resources and Liquidity

Credit Facility

As at 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.

Equity

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.

On March 19, 2012, the Company completed a bought deal finance offering of 5.9 million units at a price of $20.20 per unit for total gross proceeds of $120.0 million. Each unit was 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. The proceeds from the sale of the subscription receipts were held in escrow pending the completion of the acquisition of Midway. Upon closing of the Midway acquisition on April 20, 2012, each subscription converted to one common share of Whitecap.

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.

The Company is authorized to issue an unlimited number of common shares. As at November 6, 2012 there were 127.1 million common shares, 5.8 million stock options and 4.6 million warrants outstanding. The warrants outstanding are exchangeable for 3.0 million common shares.

Liquidity

The Company generally relies on operating cash flows, equity issuances and its credit facility to fund its capital requirements and provide liquidity. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds from operations, existing credit facilities and the ability to access debt and equity markets. Bank debt is classified as a long-term liability as it is a revolving facility with no expected repayment requirements for the next year. The Company generates positive operating cash flow. At September 30, 2012 the Company had $33.1 million of unutilized credit to cover any working capital deficiencies. The Company believes that it is well positioned to take advantage of its internally developed opportunities funded through available credit facilities combined with anticipated funds from operations. Present sources of capital are currently anticipated to be sufficient to satisfy the Company's current capital program for the remainder of the 2012 fiscal year.

Contractual Obligations

Whitecap has contractual obligations in the normal course of business which may include purchase of assets and services, operating agreements, transportation commitments, sales commitments, royalty obligations, lease rental obligations and employee agreements. These obligations are of a recurring, consistent nature and impact Whitecap's cash flows in an ongoing manner. The Company is committed to future payments under the following agreements:

($000s)	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.

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.

Off Balance Sheet Arrangements

The Company does not have any special purpose entities nor is it party to any arrangements that would be excluded from the balance sheet.

Critical Accounting Estimates

Whitecap's financial and operating results may incorporate certain estimates including:

- estimated revenues, royalties and operating expenses on production as at a specific reporting date but for which actual revenues and expenses have not yet been received;
- estimated capital expenditures on projects that are in progress;
- estimated depletion, depreciation and accretion that are based on estimates of oil and gas reserves that the Company expects to recover in the future, commodity prices, estimated future salvage values and estimated future capital costs;
- estimated fair values of derivative contracts that are subject to fluctuation depending upon the underlying commodity prices and foreign exchange rates;
- estimated value of decommissioning liabilities that are dependent upon estimates of future costs, timing of expenditures and the risk free rate;
- estimated income and other tax liabilities requiring interpretation of complex laws and regulations. All tax filings are subject to audit and potential reassessment after the lapse of considerable time;
- estimated stock-based compensation expense using the Black-Scholes option pricing model.
- estimated fair value of business combinations and goodwill requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E and E&E assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices, and discount rates.

The Company has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for

the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates.

Business Risks

Whitecap's exploration and production activities are concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different-sized companies. Whitecap is subject to a number of risks that are also common to other organizations involved in the oil and gas industry. Such risks include finding and developing oil and gas reserves at economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, financial and liquidity risks and environmental and safety risks.

In order to reduce exploration risk, Whitecap employs or contracts highly qualified and motivated professionals who have demonstrated the ability to generate quality proprietary geological and geophysical prospects.

Whitecap has retained an independent engineering consulting firm that assists the Company in evaluating recoverable amounts of oil and gas reserves. Values of recoverable reserves are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and government regulations. Such estimates may vary from actual results.

The Company mitigates its risk related to producing hydrocarbons through the utilization of current technology and information systems. In addition, Whitecap strives to operate the majority of its prospects, thereby maintaining operational control. When the Company does not operate, it relies on its partners in jointly-owned properties to maintain operational control.

Whitecap is exposed to market risk to the extent that the demand for oil and gas produced by the Company exists within Canada and the United States. External factors beyond the Company's control may affect the marketability of oil and gas produced. These factors include commodity prices and variations in the Canada–United States currency exchange rate, which in turn responds to economic and political circumstances throughout the world. Oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are affected by North American supply and demand fundamentals. Whitecap uses futures and options contracts to hedge its exposure to the potential adverse impact of commodity price volatility.

Exploration and production for oil and gas is capital intensive. In addition to funds from operations, the Company accesses the equity markets as a source of new capital. In addition, Whitecap utilizes bank financing to support ongoing capital investments, which exposes the Company to fluctuations in interest rates on its bank debt. Funds from operations also provide Whitecap with capital required to grow in its business. Funds from operations also fluctuate with changing commodity prices. Equity and debt capital are subject to market conditions and availability may increase or decrease from time to time.

Environmental Risks

Oil and gas exploration and production can involve environmental risks such as litigation, physical and regulatory risks. Physical risks include the pollution of the environment and destruction of natural habitat, as well as safety risks such as personal injury. The Company works hard to understand the sensitivities of the environments in which it operates and its responsibilities from the beginning to the end. It also strives to identify the potential environmental impacts of its new projects in the planning stage and during operations. The Company conducts its operations with high standards in order to protect the environment, its employees and consultants, and the general public. Whitecap maintains current insurance coverage for comprehensive and general liability as well as limited pollution liability. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations. Without such insurance, and if the Company becomes subject to environmental liabilities, the payment of such liabilities could reduce or eliminate its available funds or could exceed the funds the Company has available and result in financial distress.

Summary of quarterly results ("unaudited")

	2012			2011				2010
($000s, except as noted)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial								
Petroleum and natural gas sales	85,327	69,565	56,982	48,033	38,543	34,497	16,359	9,972
Funds from operations[(1)]	56,894	40,132	33,271	32,962	26,059	19,858	8,286	3,554
Basic ($/share)	0.45	0.34	0.42	0.46	0.36	0.30	0.20	0.11
Diluted ($/share)	0.44	0.33	0.41	0.44	0.35	0.29	0.19	0.10
Net income (loss)	10,678	26,536	7,678	3,228	10,063	12,169	50	(4,117)
Basic ($/share)	0.08	0.22	0.10	0.04	0.14	0.19	0.00	(0.12)
Diluted ($/share)	0.08	0.22	0.09	0.04	0.14	0.18	0.00	(0.12)
Development capital expenditures	74,749	39,667	63,747	54,839	44,694	19,156	21,705	15,875
Net property acquisitions	(101)	3,087	5,833	(136)	6,405	9,947	25,167	8,728
Corporate acquisitions	-	523,069	122,553	-	-	219,692	-	-
Total assets	1,496,308	1,439,857	823,679	641,671	593,930	550,497	255,626	211,893
Bank debt and working capital[(2)]	366,899	347,639	156,411	158,811	137,045	111,888	71,680	29,545
Common shares outstanding (000s)	127,098	127,091	89,056	72,191	72,168	72,162	41,828	41,826[(3)]
Operational								
Average daily production								
Crude oil (bbls/d)	9,672	8,057	6,168	4,474	3,805	3,155	1,645	973
NGLs (bbls/d)	1,183	1,073	457	474	355	223	181	145
Natural gas (Mcf/d)	29,642	26,573	18,959	17,150	13,951	11,770	6,666	5,379
Total (boe/d)	15,795	13,559	9,785	7,806	6,485	5,339	2,937	2,014

Notes:
(1) Funds from operations are a non-GAAP measure. Refer to the Non-GAAP Measures section of the MD&A.
(2) Excludes risk management contracts.
(3) Reflects the 8.33 share exchange and 10 to 1 share consolidation.

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

In the first quarter of 2011, the Company completed the acquisition of a partner's working interest in the Peace River Arch area of Alberta. The transaction created common ownership with one partner in the pool.

In the third quarter of 2011, the Company completed a bought deal finance offering of 20.0 million subscription receipts of Whitecap common shares at a price of $6.80 per subscription receipt for total gross proceeds of $136.0 million and granted the underwriters an option to subscribe for an additional 2.0 million subscription receipts at a price of $6.80 per subscription receipt within 30 days of the close of the offering. Concurrent with the closing of the Spry Energy Ltd. ("Spry") acquisition, the outstanding subscription receipts of Whitecap were exchanged for common shares of Whitecap effective April 20, 2011. The Spry acquisition increased our presence in the Cardium resource play and provided a significant increase in revenue and net income.

In the first quarter of 2012, the Company acquired Compass for total consideration of approximately $120.0 million providing us with an initial entry into the light oil Viking resource play and increasing our low risk drilling opportunities. Additionally, the Company completed a bought deal finance offering of 5.9 million units at a price of $20.20 per unit for gross proceeds of $120 million. Each unit was 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.

In the second quarter of 2012, the Company acquired Midway for total consideration of approximately $357.8 million providing us a significant increase in our Cardium inventory and increasing our low risk drilling opportunities.

In the third quarter of 2012, the Company executed a $75.0 million development capital program focused on crude oil opportunities within our core areas. In addition, the Company successfully integrated the assets acquired in the first half of 2012 highlighted by organic production gains and operating cost reductions in the acquired areas.

NON-GAAP MEASURES

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

	Three months ended September 30,		Nine months ended September 30,	
($000s)	2012	2011	2012	2011
Cash flow from operating activities	44,099	24,909	89,846	51,496
Changes in non-cash working capital	12,524	1,076	36,433	1,360
Transaction costs	147	53	3,361	1,324
Settlement of decommissioning liabilities	124	21	657	21
Funds from operations	56,894	26,059	130,297	54,201

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P) and internal controls over financial reporting ("ICOFR") as defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The DC&P have been designed to provide reasonable assurance that material information relating to Whitecap is made known to the CEO and CFO by others and that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by Whitecap under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Company's CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the interim filings that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer, is made known to them by others within the Company.

The CEO and CFO are required to cause the Company to disclose any change in the Company's ICOFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Company's ICOFR. No changes in ICOFR were identified during such period that have materially affected or are reasonably likely to materially affect, the Company's ICOFR.

It should be noted a control system, including the Company's DC&P and ICOFR can provide only reasonable, not absolute, assurance that the objective of the control system will be met and it should not be expected that DC&P and ICOFR will prevent all errors or fraud.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "strategy" and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this MD&A contains forward-looking information and statements pertaining to the following: the volume and product mix of Whitecap's oil and gas production; future oil and natural gas prices and Whitecap's commodity risk management programs; the amount of future decommissioning liabilities; future liquidity and financial capacity; future results from operations and operating costs and metrics; future costs, expenses and royalty rates; future development, exploration, acquisition and development activities, plans and focus (including drilling and development plans) and related capital expenditures, Whitecap's ability to fund its current capital program for the remainder of the year, anticipated scheduling of Whitecap's review of its credit arrangements with its lenders, future taxes payable by Whitecap and Whitecap's tax pools.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of Whitecap including, without limitation: that Whitecap will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of Whitecap's reserve and resource volumes; the impact of increasing competition; the general stability of the economic and political environment in which Whitecap operates; the ability of Whitecap to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; field production rates and decline rates; the ability to reduce operating costs; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; the ability of the Company to secure adequate product transportation; future petroleum and natural gas prices; currency, exchange and interest rates; and the continued availability of adequate debt and equity financing and cash flow to fund its planned expenditures; Whitecap believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Whitecap's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Whitecap or by third party operators of Whitecap's properties, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of acquisitions, delays resulting from or inability to obtain require regulatory approvals, increased debt levels or debt service requirements; inaccurate estimation of Whitecap's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Whitecap's public disclosure documents (including, without limitation, those risks identified in this MD&A) and may be accessed through the SEDAR website (www.sedar.com).

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