MANAGEMENT'S 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 July 30, 2018 and should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes for the period ended June 30, 2018, as well as the audited annual consolidated financial statements and related notes for the year ended December 31, 2017. These unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual consolidated financial statements for the year ended December 31, 2017 and Note 3 of the unaudited interim consolidated financial statements for the period ended June 30, 2018. The MD&A should also be read in conjunction with Whitecap's disclosure under "Non-GAAP Measures" and "Forward-Looking Information and Statements" below. Additional information respecting Whitecap, is available on SEDAR at www.sedar.com and on our website at www.wcap.ca.

The unaudited interim consolidated financial statements of Whitecap have been prepared by management and approved by the Company's Board of Directors.

DESCRIPTION OF BUSINESS

Whitecap is a Calgary based oil and gas company that is engaged in the business of acquiring, developing and holding interests in petroleum and natural gas properties and assets. Whitecap's common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol WCP.

2018 SECOND QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Crude oil (bbls/d)	59,786	43,204	58,886	42,817
NGLs (bbls/d)	4,461	3,333	4,233	3,259
Natural gas (Mcf/d)	69,393	58,373	68,129	60,006
Total (boe/d)	75,813	56,266	74,474	56,077
Production split (%)				
Crude oil and NGLs	85	83	85	82
Natural gas	15	17	15	18
Total	100	100	100	100

Average production volumes increased 35 percent to 75,813 boe/d in the second quarter of 2018 from 56,266 boe/d in the second quarter of 2017. Year to date, average production volumes increased 33 percent to 74,474 boe/d from 56,077 boe/d for the same period in 2017. The increases are primarily attributed to the acquisition of oil-weighted assets in southeast Saskatchewan (the "Southeast Saskatchewan Acquisition") that closed on December 14, 2017 and the Company's successful execution of its development capital program, partially offset by natural declines.

Our crude oil and NGLs weighting in the second quarter of 2018 has increased two percent compared to the second quarter of 2017. The increase is primarily attributed to the assets acquired in the Southeast Saskatchewan Acquisition which have a higher oil-weighting than the Company average.

Petroleum and Natural Gas Revenues

A breakdown of petroleum and natural gas revenues is as follows:

	Three months ended June 30		Six months ended June 30	
($000s)	2018	2017	2018	2017
Crude oil	410,014	226,131	750,666	449,038
NGLs	15,560	7,952	28,532	16,427
Natural gas	7,806	17,308	22,232	35,229
Petroleum and natural gas revenues	433,380	251,391	801,430	500,694

Petroleum and natural gas revenues in the second quarter of 2018 increased 72 percent to $433.4 million from $251.4 million in the second quarter of 2017. The increase of $182.0 million consists of $92.8 million attributed to higher production volumes and $89.2 million attributed to higher realized prices. Year to date petroleum and natural gas sales increased 60 percent to $801.4 million from $500.7 million for the same period in 2017. The increase of $300.7 million consists of $178.2 million attributed to higher production volumes and $122.5 million attributed to higher realized prices.

Benchmark and Realized Prices

Average benchmark and realized prices are as follows:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Benchmark prices				
WTI (US$/bbl) [(1)]	67.88	48.28	65.37	50.10
Exchange rate (US$/C$)	1.29	1.34	1.28	1.33
WTI (C$/bbl)	87.64	64.95	83.59	66.80
MSW Par at Edmonton ($/bbl) [(2)]	80.62	61.84	76.40	62.85
Fosterton Par at Regina ($/bbl)	68.90	53.32	62.47	53.22
Midale Par at Cromer ($/bbl)	82.96	66.50	78.18	66.79
AECO natural gas ($/Mcf) [(3)]	1.18	2.78	1.63	2.74
Average realized prices [(4)]				
Crude oil ($/bbl)	75.36	57.52	70.43	57.94
NGLs ($/bbl)	38.33	26.22	37.24	27.85
Natural gas ($/Mcf)	1.24	3.26	1.80	3.24
Combined ($/boe)	62.82	49.10	59.45	49.33

Notes:

(1) WTI represents the calendar month average of West Texas Intermediate oil.

(2) Mixed Sweet Blend (“MSW”)

(3) AECO represents the AECO 5A Daily Index price.

(4) Prior to the impact of hedging activities and tariffs.

Whitecap’s weighted average realized price prior to the impact of hedging activities and tariffs increased 28 percent to $62.82 per boe in the second quarter of 2018 compared to $49.10 per boe in the second quarter of 2017. Year to date, Whitecap’s weighted average realized price prior to the impact of hedging activities and tariffs increased 21 percent to $59.45 per boe compared to $49.33 per boe for the same period in 2017.

The US$ WTI price increased 41 percent to average US$67.88 per barrel in the second quarter of 2018 compared to US$48.28 per barrel in the second quarter of 2017. The US$ WTI price increased by 30 percent to average US$65.37 per barrel for the first half of 2018 compared to US$50.10 per barrel for the first half of 2017. The increases are primarily due to continued decline in global crude oil inventories and geopolitical supply related risks.

The MSW par oil price at Edmonton increased 30 percent to average $80.62 per barrel in the second quarter of 2018 compared to $61.84 per barrel in the second quarter of 2017. MSW par oil prices increased by 22 percent to average $76.40 in the first half of 2018 compared to $62.85 in the first half of 2017. The increase is primarily due to increased WTI pricing.

The Company's realized crude oil prices in southwest Saskatchewan are based on Fosterton oil prices at Regina. Fosterton par oil prices increased 29 percent to average $68.90 per barrel in the second quarter of 2018 compared to $53.32 per barrel in the second quarter of 2017. Fosterton par oil prices increased 17 percent to average $62.47 per barrel for the first half of 2018 compared to $53.22 per barrel for the first half of 2017. The increases are primarily due to increased WTI pricing.

The Company's realized crude oil prices in southeast Saskatchewan are based on Midale par oil prices at Cromer. Midale par oil prices increased 25 percent to average $82.96 per barrel in the second quarter of 2018 compared to $66.50 per barrel in the second quarter of 2017. Midale par oil prices increased 17 percent to average $78.18 per barrel for the first half of 2018 compared to $66.79 per barrel for the first half of 2017. The increases are primarily due to increased WTI pricing.

The AECO daily spot price decreased 58 percent to average $1.18 per Mcf in the second quarter of 2018 compared to an average of $2.78 per Mcf in the second quarter of 2017. The decrease was primarily due to North American gas supply in excess of demand as well as insufficient export pipeline capacity. The AECO daily spot price decreased 41 percent to average $1.63 per Mcf for the first half of 2018 compared to an average of $2.74 per Mcf for the first half of 2017. The decrease was primarily due to ongoing supply growth outpacing export pipeline capacity and demand.

The natural gas liquids realized price increased 46 percent to average $38.33 per barrel in the second quarter of 2018 compared to $26.22 per barrel in the second quarter of 2017. The increase was primarily attributed to improving crude oil prices and natural gas liquids demand. The natural gas liquids realized price increased 34 percent to average $37.24 per barrel for the first half of 2018 compared to $27.85 per barrel for the first half of 2017. The increase was primarily attributed to stronger propane demand and improved butane and condensate prices in conjunction with higher oil prices.

Net Blending Revenue

	Three months ended June 30		Six months ended June 30	
($000s, except per boe amounts)	2018	2017	2018	2017
Net blending revenue	1,093	-	1,093	-
$ per boe	0.16	-	0.08	-

In the second quarter of 2018, the Company began generating net blending revenue, primarily from the blending facility at Weyburn. Crude oil blending can occur when there is a sufficiently large variance between crude oil sales stream prices and where there is both sufficient facility and pipeline capacity. Net blending revenue is a non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A.

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 pay cash dividends to shareholders. The Company has the approval of the Board of Directors to hedge a forward position of up to three years and up to 75 percent of its most recent quarter's average daily production, net of royalties.

The Company realized a loss of $41.2 million and $56.6 million on its commodity and foreign exchange ("FX") risk management contracts for the three and six months ended June 30, 2018, respectively. The unrealized gains and losses are a result of the non-cash change in the mark-to-market values period over period. The significant assumptions made in determining the fair value of financial instruments are disclosed in Note 4 to the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2018.

	Three months ended June 30		Six months ended June 30	
Risk Management Contracts ($000s)	2018	2017	2018	2017
Realized loss on commodity and FX contracts	(41,214)	(6,560)	(56,621)	(12,546)
Unrealized gain (loss) on commodity and FX contracts	(69,253)	38,388	(117,021)	95,894
Net gain (loss) on commodity and FX contracts	(110,467)	31,828	(173,642)	83,348
Realized loss on interest rate contracts [1]	(568)	(1,333)	(1,229)	(2,555)
Unrealized gain on interest rate contracts [1]	368	2,777	960	3,719
Net gain (loss) on risk management contracts	(110,667)	33,272	(173,911)	84,512

Note:

(1) The gain (loss) on interest rate risk management contracts is included in interest and financing expense.

At June 30, 2018, the following risk management contracts were outstanding with an asset fair market value of $0.6 million and a liability fair market value of $155.9 million:

WTI Crude Oil Derivative Contracts

Type	**Term**	**Volume (bbls/d)**	**Sold Put Price ($/bbl)**	**Bought Put Price ($/bbl) [1]**	**Sold Call Price ($/bbl) [1]**	**Swap Price ($/bbl) [1]**
Swap	2018 Jul – Dec	21,500				C$72.51
Collar	2018 Jul – Dec	2,000		C$75.00	C$92.93	
Swap	2018 Jul – Dec	6,250				US$51.39
Sold put/call	2018 Jul – Dec	3,000	US$60.00		US$85.83	
Swap [2]	2019 Jan – Jun	12,500				C$73.63
Collar	2019 Jan – Jun	7,000		C$70.36	C$89.09	
Swap	2019 Jul – Dec	6,000				C$72.85
Collar	2019 Jul – Dec	5,000		C$70.00	C$86.77	
Swap	2019	2,000				C$72.74
Collar	2020 Jan – Jun	5,000		C$67.00	C$85.93	

Notes:

(1) Prices reported are the weighted average prices for the period.

(2) 2,000 bbls/d at $74.00/bbl are extendable through the second half of 2019 at the option of the counterparties through the exercise of a one-time option on June 28, 2019.

WTI Crude Oil Differential Derivative Contracts

Type	**Term**	**Volume (bbls/d)**	**Basis [1][2]**	**Swap Price (C$/bbl) [3]**
Swap	2018 Jul – Dec	10,000	MSW	4.51
Swap	2018 Jul – Dec	7,000	WCS	19.39

Notes:

(1) Mixed Sweet Blend ("MSW").

(2) Western Canadian Select ("WCS").

(3) Prices reported are the weighted average prices for the period.

Power Derivative Contracts

Type	**Term**	**Volume (MWh)**	**Fixed Rate ($/MWh) [1]**
Swap	2018 Jul – Dec	22,080	47.19
Swap	2019	8,760	43.30

Note:

(1) Prices reported are the weighted average prices for the period.

Interest Rate Contracts

Type	Term		Amount ($000s)	Fixed Rate (%)	Index [1]
Swap	03-Oct-13	03-Oct-18	200,000	2.45	CDOR
Swap	01-May-14	01-May-19	200,000	1.97	CDOR

Note:

(1) Canadian Dollar Offered Rate ("CDOR").

Foreign exchange contracts

Type	Term	Monthly Notional Amount	Floor [1]	Ceiling [1]	Conditional Ceiling [1] [2]
Average rate variable collar	2018 Jul – Dec	US$11.0 million	1.2500	1.4359	1.3071

Notes:

(1) Rates reported are the weighted average rates for the period.

(2) If the USD/CAD average monthly rate settles above the ceiling rate the settlement amount is based on the conditional ceiling.

Contracts entered into subsequent to June 30, 2018

WTI Crude Oil Derivative Contracts

Type	Term	Volume (bbls/d)	Sold Call Price (C$/bbl) [1]	Bought Put Price (C$/bbl) [1]
Collar	2019 Jul – Dec	1,000	96.16	70.00

Note:

(1) Prices reported are the weighted average prices for the period.

Physical Purchase and Sale Contracts

WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis [1]	Swap Price (C$/bbl) [2]
Swap	2018 Jul – Dec	3,000	MSW	4.15

Notes:

(1) Mixed Sweet Blend ("MSW").

(2) Prices reported are the weighted average prices for the period.

Royalties

	Three months ended June 30		Six months ended June 30	
($000s, except per boe amounts)	2018	2017	2018	2017
Royalties	75,799	36,669	144,180	72,480
As a % of petroleum and natural gas revenues	17	15	18	14
$ per boe	10.99	7.16	10.70	7.14

Royalties as a percentage of revenues in the second quarter of 2018 were 17 percent compared to 15 percent in the second quarter of 2017. Year to date, royalties as a percentage of revenues were 18 percent compared to 14 percent for the same period in 2017. The increases are primarily attributed to the Southeast Saskatchewan Acquisition which has higher royalty rates than the Company average. Additionally, higher realized prices in the three and six months ended June 30, 2018 increased the royalties paid when compared to the same periods in 2017. The increases were partially offset by lower royalty rates on new production additions in West Central Saskatchewan, Southwest Saskatchewan and Deep Basin. Whitecap pays royalties to the provincial governments and mineral owners in Alberta, Saskatchewan and British Columbia. Each province has separate royalty regimes which impact Whitecap's overall corporate royalty rate.

Net Operating Expenses

($000s, except per boe amounts)	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
Operating expenses	81,359	56,754	161,367	110,326
Less processing income	(3,463)	(2,267)	(6,850)	(4,143)
Net operating expenses	77,896	54,487	154,517	106,183
$ per boe	11.29	10.64	11.46	10.46

Net operating expenses per boe in the second quarter of 2018 increased six percent to $11.29 per boe compared to $10.64 per boe in the second quarter of 2017. Year to date, net operating expenses per boe increased 10 percent to $11.46 per boe compared to $10.46 per boe for the same period in 2017. The increases in net operating expenses per boe are primarily attributed to the properties acquired in the Southeast Saskatchewan Acquisition which have higher net operating expenses per boe than the Company average and one-time favorable cost adjustments on acquired properties recognized in the first half of 2017. Net operating expenses is a non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A.

Transportation Expenses Plus Tariffs

($000s, except per boe amounts)	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
Transportation expenses plus tariffs	20,525	15,709	39,961	31,044
$ per boe	2.98	3.07	2.96	3.06

Transportation expenses plus tariffs in the second quarter of 2018 decreased three percent to $2.98 per boe compared to $3.07 per boe in the second quarter of 2017. Transportation expenses plus tariffs in the first half of 2018 decreased three percent to $2.96 per boe compared to $3.06 per boe in the first half of 2017. The decreases were primarily due to properties acquired in the Southeast Saskatchewan Acquisition which have lower transportation expenses plus tariffs per boe than the Company average. Transportation expenses plus tariffs is a non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A.

Transportation expenses and tariffs per boe will fluctuate quarterly based on pipeline connectivity or downtime, weather, shipper status and pipeline shipping arrangements. When Whitecap has shipper status, pipeline tariffs incurred by the Company are included in transportation expenses. When Whitecap does not have shipper status, pipeline tariffs incurred by commodity purchasers and marketing companies subsequent to the delivery of the Company's product are charged back to Whitecap and are netted against petroleum and natural gas sales.

General and Administrative ("G&A") Expenses

($000s, except per boe amounts)	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
G&A costs net of recoveries	10,692	8,678	21,448	17,708
Capitalized G&A	(1,946)	(1,971)	(4,476)	(4,311)
G&A expenses	8,746	6,707	16,972	13,397
$ per boe	1.27	1.31	1.26	1.32

G&A expenses per boe in the second quarter of 2018 decreased three percent to $1.27 per boe compared to $1.31 per boe in the second quarter of 2017. Year to date, G&A expenses per boe decreased five percent to $1.26 per boe compared to $1.32 per boe for the same period in 2017. The decreases on a per boe basis are primarily attributed to higher production volumes which was partially offset by the absolute increase in G&A expenses. The increase in G&A costs net of recoveries is primarily attributed to higher salaries and benefits associated with new staff additions as a result of the Southeast Saskatchewan Acquisition, partially offset by increased recoveries from higher development capital spending.

Share-based Awards

	Three months ended	June 30	Six months ended	June 30
($000s, except per boe amounts)	2018	2017	2018	2017
Stock-based compensation	6,101	7,428	14,644	14,159
Capitalized stock-based compensation	(1,582)	(2,557)	(4,200)	(4,675)
Stock-based compensation expenses	4,519	4,871	10,444	9,484
$ per boe	0.66	0.95	0.77	0.93

In the three and six months ended June 30, 2018, the Company recorded stock-based compensation of $6.1 million and $14.6 million, respectively, with the offsetting amounts recorded in contributed surplus. Stock-based compensation will fluctuate with changes to the expected payout multipliers associated with the performance awards, vesting of existing grants and additional grants under the Award Incentive Plan.

Award Incentive Plan

The Company implemented an Award Incentive Plan effective April 30, 2013. The Award Incentive Plan has time-based awards and performance awards which may be granted to directors, officers, employees of the Company and other service providers. Effective January 1, 2017, independent outside directors will receive only time-based awards as the primary form of long-term compensation. As at June 30, 2018, the maximum number of common shares issuable under the plan shall not at any time exceed 3.755 percent of the total common shares outstanding. Vesting is determined by the Company's Board of Directors. Currently, time-based and performance share awards issued to employees of the Company vest three years from date of grant. Time-based awards issued to independent outside directors and performance awards issued to officers of the Company vest in two tranches with one half of such awards vesting February 1 of the third year following the grant date and one half vesting October 1 of the third year following the grant date.

Each time-based award may in our sole discretion, entitle the holder to be issued the number of common shares designated in the time-based award plus dividend equivalents. Performance awards are also subject to a performance multiplier. This multiplier, ranging from zero to two, will be applied on vesting and is dependent on the performance of the Company relative to predefined corporate performance measures set by the Board of Directors for the associated period.

A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of awards that vest. Awards are measured at fair value on the date of grant, and the resulting stock-based compensation expense is recognized on a straight-line basis over the vesting period. Upon the vesting of the awards, the associated amount in contributed surplus is recorded as an increase to share capital.

As at June 30, 2018, the Company had 6.4 million awards outstanding.

Transaction Costs

	Three months ended	June 30	Six months ended	June 30
($000s, except per boe amounts)	2018	2017	2018	2017
Total transaction costs	-	-	200	-
$ per boe	-	-	0.01	-

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 in 2018 are mainly attributable to costs incurred for the acquisition of Capio Energy Inc. (the "Capio Acquisition") during the period.

Interest and Financing Expenses

($000s, except per boe amounts)	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Interest and financing expenses	13,387	6,067	26,297	14,269
Add back unrealized gain on interest rate contracts	368	2,777	960	3,719
Interest and finance expenses excluding unrealized gain on interest rate contracts	13,755	8,844	27,257	17,988
$ per boe	1.99	1.73	2.02	1.77

Interest and finance expenses excluding the unrealized gain on interest rate contracts increased 15 percent to $1.99 per boe in the second quarter of 2018 compared to $1.73 per boe in the second quarter of 2017. Year to date, interest and finance expenses excluding the unrealized gain on interest rate contracts increased 14 percent to $2.02 per boe compared to $1.77 per boe for the same period in 2017. The increases on a per boe basis were mainly attributed to higher outstanding debt balances and interest rates in the first half of 2018 compared to the same period in 2017, partially offset by higher production volumes. Interest and finance expenses excluding unrealized gain on interest rate contracts is a non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A.

Netbacks

The components of operating and funds flow netbacks are shown below:

Netbacks ($/boe)	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Petroleum and natural gas revenues	62.82	49.10	59.45	49.33
Net blending revenue (1)	0.16	-	0.08	-
Realized hedging loss	(5.97)	(1.28)	(4.20)	(1.24)
Royalties	(10.99)	(7.16)	(10.70)	(7.14)
Net operating expenses (1)	(11.29)	(10.64)	(11.46)	(10.46)
Transportation expenses plus tariffs (1)	(2.98)	(3.07)	(2.96)	(3.06)
Operating netbacks (1)	31.75	26.95	30.21	27.43
G&A expenses	(1.27)	(1.31)	(1.26)	(1.32)
Interest and financing expenses excluding unrealized gain on interest rate contracts (1)	(1.99)	(1.73)	(2.02)	(1.77)
Funds flow netbacks (1)	28.49	23.91	26.93	24.34

Note:

(1) Net blending revenue, net operating expenses, transportation expenses plus tariffs, operating netbacks, interest and financing expenses excluding unrealized gain on interest rate contracts and funds flow netbacks are non-GAAP measures, which are defined under the Non-GAAP Measures section of this MD&A.

Operating netbacks in the second quarter of 2018 increased 18 percent to $31.75 per boe compared to $26.95 per boe in the second quarter of 2017. The increase on a per boe basis was primarily due to higher petroleum and natural gas revenues and net blending revenue and lower transportation expenses plus tariffs, partially offset by higher realized hedging losses, royalties and net operating expenses. Year to date, operating netbacks increased 10 percent to $30.21 per boe compared to $27.43 per boe for the same period in 2017. The increase on a per boe basis was primarily due to higher petroleum and natural gas revenues and net blending revenue and lower transportation expenses plus tariffs, partially offset by higher royalties, realized hedging losses and net operating expenses.

Funds flow netbacks in the second quarter of 2018 increased 19 percent to $28.49 per boe compared to $23.91 per boe in the second quarter of 2017. Year to date, funds flow netbacks increased 11 percent to $26.93 per boe compared to $24.34 per boe for the same period in 2017. The increases on a per boe basis were primarily due to higher operating netbacks and lower G&A expenses offset partially by higher interest and financing expenses excluding the unrealized gain on interest rate contracts.

Depletion, Depreciation and Amortization

($000s, except per boe amounts)	Three months ended June 30 2018	2017	Six months ended June 30 2018	2017
Depletion, Depreciation and Amortization ("DD&A")	121,906	93,991	237,875	185,779
$ per boe	17.67	18.36	17.65	18.30

DD&A per boe in the second quarter of 2018 decreased four percent to $17.67 per boe compared to $18.36 per boe in the second quarter of 2017. Year to date, DD&A per boe decreased four percent to $17.65 per boe compared to $18.30 per boe for the same period in 2017. The decreases on a per boe basis are mainly attributed to impairments to property, plant and equipment ("PP&E") recognized in the fourth quarter of 2017. DD&A per boe will fluctuate from one period to the next depending on the amount and type of capital spending, the amount of reserves added and production volumes. The depletion rates are calculated on proved and probable oil and natural gas reserves, taking into account the future development costs to produce the reserves.

Exploration and Evaluation ("E&E") Asset Expiries

During the three and six months ended June 30, 2018, the Company recognized costs associated with expired mineral leases of nil and $0.9 million as expenses, respectively, compared to $0.6 million and $1.5 million for the same periods in 2017, respectively. During the three and six months ended June 30, 2018, the Company added $0.2 million and $1.3 million of undeveloped land, respectively, as a result of property acquisitions completed in the period and the Capio Acquisition completed in the first quarter.

Taxes

During the three and six months ended June 30, 2018, the Company recognized a deferred income tax expense of $1.0 million and $1.3 million, respectively, compared to a deferred income tax expense of $16.2 million and $40.0 million, respectively, for the same periods in 2017.

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

($000s)	June 30 2018	December 31 2017
Undepreciated capital cost	617,518	613,427
Canadian development expense	619,145	499,521
Canadian oil and gas property expense	1,854,893	1,951,708
Non-capital loss carry forward	907,517	1,007,769
Share issue costs	34,543	47,575
Total	4,033,616	4,120,000

Net Income (Loss)

For the three and six months ended June 30, 2018, the Company recognized a net loss of $3.6 million and $11.4 million, respectively, compared to net income of $44.5 million and $104.1 million for the same periods in 2017, respectively. The following changes impacted net income:

($000s)	Three months ended June 30	Six months ended June 30
2017 Net Income	44,541	104,072
Change in gain (loss) on risk management contracts	(142,295)	(256,990)
Increased royalties	(39,130)	(71,700)
Increased depletion, depreciation and amortization	(27,915)	(52,096)
Increased operating expenses	(24,605)	(51,041)
Increased transportation expenses	(8,824)	(15,119)
Increased interest and financing expenses	(7,320)	(12,028)
Increased petroleum and natural gas sales	190,693	313,145
Decreased deferred income tax expense	15,253	38,611
Other net changes	(4,013)	(8,224)
2018 Net Loss	(3,615)	(11,370)

The factors causing these changes are discussed in the preceding sections.

Funds Flow and Payout Ratios

The following table reconciles cash flow from operating activities (a GAAP measure) to funds flow (a non-GAAP measure) and free funds flow (a non-GAAP measure):

	Three months ended June 30		Six months ended June 30	
($000s)	2018	2017	2018	2017
Cash flow from operating activities	225,933	146,526	383,495	261,624
Changes in non-cash working capital	(30,117)	(24,656)	(22,880)	(15,519)
Settlement of decommissioning liabilities	722	545	2,200	951
Transaction costs	-	-	200	-
Funds flow (1)	196,538	122,415	363,015	247,056
Dividends paid or declared	32,719	25,820	64,906	51,599
Development capital (1)	66,328	67,654	248,699	191,715
Free funds flow (1)	97,491	28,941	49,410	3,742
Basic payout ratio (%) (1)	17	21	18	21
Total payout ratio (%) (1)	50	76	86	98
Funds flow per share, basic (1)	0.47	0.33	0.87	0.67
Funds flow per share, diluted (1)	0.47	0.33	0.86	0.67
Dividends paid or declared per share (1)	0.08	0.07	0.16	0.14

Note:

(1) Funds flow, development capital, free funds flow, basic payout ratio, total payout ratio, funds flow per share and dividends paid or declared per share are non-GAAP measures which are defined under the Non-GAAP Measures section of this MD&A.

Dividends are only declared once they are approved by the Company's Board of Directors. The Board of Directors reviews Whitecap's ability to pay a dividend on a monthly basis.

Cash flow from operating activities for the three and six months ended June 30, 2018 was $225.9 million and $383.5 million, respectively, compared to $146.5 million and $261.6 million for the same periods in 2017. The increases in cash flow from operating activities are primarily attributed to the increases in funds flow and the impact of changes in non-cash working capital.

Funds flow for the three and six months ended June 30, 2018, was $196.5 million and $363.0 million, respectively, compared to $122.4 million and $247.1 million for the same periods in 2017. The increases in funds flow are primarily attributed to higher production volumes and higher operating netbacks.

Capital Expenditures

	Three months ended June 30		Six months ended June 30	
($000s)	2018	2017	2018	2017
Land and geological	185	701	270	973
Drilling and completions	54,874	58,422	225,378	173,173
Investment in facilities	9,323	6,560	18,575	13,258
Capitalized administration	1,946	1,971	4,476	4,311
Development capital [1]	66,328	67,654	248,699	191,715
Corporate and other assets	116	280	360	315
Property acquisitions	1,108	(923)	1,723	6,906
Property dispositions	(1,585)	(2,498)	(1,712)	(5,821)
Corporate acquisition	-	-	53,166	-
Total capital expenditures	65,967	64,513	302,236	193,115

Note:
[1] Development capital is a non-GAAP measure which is defined under the Non-GAAP Measures section of this MD&A.

For the second quarter of 2018, development capital totaled $66.3 million with 97 percent spent on drilling, completions and facilities.

Whitecap drilled 47 (42.0 net) wells in the second quarter of 2018, including 34 (33.3 net) horizontal Viking oil wells in west central Saskatchewan, 1 (0.7 net) horizontal Cardium well in west central Alberta, 11 (7.0 net) wells in southwest Saskatchewan and 1 (1.0 net) well in northwest Alberta.

Corporate Acquisition

On February 22, 2018, the Company completed the acquisition of all of the issued and outstanding common shares of Capio Energy Inc. for $56.8 million in cash, net of acquired working capital.

Decommissioning Liability

At June 30, 2018, the Company's decommissioning liability balance was $711.7 million ($683.0 million as at December 31, 2017) for future abandonment and reclamation of the Company's properties. Estimates are based on both operational knowledge of the properties and updated industry guidance provided by the Alberta Energy Regulator and the Saskatchewan Ministry of the Economy. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined.

Capital Resources and Liquidity

Credit Facilities

As at June 30, 2018, the Company had a $1.105 billion credit facility with a syndicate of Canadian and American banks. The credit facility consists of a $1.03 billion revolving syndicated facility and a $75 million revolving operating facility, with a termination date of May 31, 2022. Prior to any anniversary date, being May 31 of each year, Whitecap may request an extension of the then current termination date, subject to approval by the banks. Following the granting of such extension, the term to maturity of the credit facilities shall not exceed four years. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. The credit facility bears interest at the bank's prime lending or bankers' acceptance rates plus applicable margins. The applicable margin charged by the bank is dependent upon the Company's debt to earnings before interest, taxes, depreciation and amortization "EBITDA" ratio for the most recent quarter. The bankers' acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's debt to EBITDA ratio. The credit facilities are secured by a floating charge debenture on the assets of the Company. In the second quarter of 2017, Whitecap repaid its $372 million term loan facility with banker's acceptances under the Company's revolving production facility.

In the second quarter of 2018, as part of our annual credit facility review, the credit facility transitioned from a borrowing-based structure with lending capacity re-determined on a semi-annual basis, to a financial covenant-based structure with an extendible four year term governed by our existing financial covenants. The credit facility has two financial covenants, whereby the Company's ratio of debt to EBITDA shall not exceed 4.00:1.00 (1.74:1.00 as at June 30, 2018) and the ratio of EBITDA to interest expense shall not be less than 3.50:1.00 (15.99:1.00 as at June 30, 2018). The EBITDA used in the covenant calculation is adjusted for non-cash items, transaction costs and extraordinary and non-recurring items. The debt used in the covenant calculation includes bank indebtedness, letters of credit and dividends declared. As of June 30, 2018, the Company was compliant with all covenants provided for in the lending agreement.

Senior Secured Notes

As at June 30, 2018, the Company had issued $595 million senior secured notes. The notes rank equally with Whitecap's obligations under its credit facility. The terms, rates, principals and carrying amounts of the Company's outstanding senior notes are detailed below:

($000s)			
Issue Date	Maturity Date	Coupon Rate	Principal
January 5, 2017	January 5, 2022	3.46%	200,000
May 31, 2017	May 31, 2024	3.54%	200,000
December 20, 2017	December 20, 2026	3.90%	195,000
Balance at June 30, 2018			595,000

The senior secured notes are subject to the same debt to EBITDA ratio and EBITDA to interest expense ratio described under the credit facility. As of June 30, 2018, the Company was compliant with all covenants provided for in the lending agreements.

Equity

On May 16, 2017, the Company announced the approval of its normal course issuer bid ("NCIB") by the TSX (the "2017 NCIB"). The 2017 NCIB allowed the Company to purchase up to 18,457,076 common shares over a period of twelve months commencing on May 18, 2017.

On May 16, 2018, the Company announced the approval of its renewed NCIB by the TSX (the "2018 NCIB"). The 2018 NCIB allows the Company to purchase up to 20,864,806 common shares over a period of twelve months commencing on May 18, 2018.

Purchases are made on the open market through the TSX or alternative platforms at the market price of such common shares. All common shares purchased under the NCIB are cancelled. The total cost paid, including commissions and fees, are first charged to share capital to the extent of the average carrying value of Whitecap's common shares and the excess is charged to contributed surplus.

The following table summarizes the share repurchase activities during the period:

	Three months ended June 30		Six months ended June 30	
(000s except per share amounts)	2018	2017	2018	2017
Shares repurchased	635	339	1,945	339
Average cost ($/share)	8.85	9.18	8.78	9.18
Amounts charged to				
Share capital	5,605	3,103	17,059	3,103
Contributed surplus	11	6	11	6
Share repurchase cost	5,616	3,109	17,070	3,109

On December 4, 2017, the Company closed a bought deal public financing of approximately 37.8 million subscription receipts at a price of $8.80 per subscription receipt for gross proceeds of approximately $332.5 million and a private placement of approximately 10.5 million subscription receipts at a price of $8.80 per subscription receipt for gross proceeds of approximately $92.5 million. The total proceeds of $425 million were used to partially fund the Southeast Saskatchewan Acquisition. Each subscription receipt was converted to one common share on December 14, 2017.

The Company is authorized to issue an unlimited number of common shares. As at July 30, 2018, there were 417.5 million common shares and 6.4 million share awards outstanding.

Liquidity

The Company generally relies on funds flow, equity issuances and its credit facility to fund its capital requirements, dividend payments 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 flow, existing credit facilities and the ability to access debt and equity markets. All repayments on the revolving production and operating facilities are due at the term maturity date. As none of the facilities mature within the next year, the liabilities are considered to be non-current. The Company generates positive funds flow. At June 30, 2018, the Company had $418 million of unutilized credit to cover any working capital deficiencies. The Company believes that available credit facilities combined with anticipated funds flow will be sufficient to satisfy Whitecap's 2018 development capital program and dividend payments for the 2018 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, employee agreements and debt. 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)	2018	2019	2020	2021+	Total
Operating leases	7,800	15,638	15,629	93,688	132,755
Transportation agreements	10,450	18,479	16,517	45,360	90,806
Long-term debt (1)	10,891	21,605	21,605	1,358,149	1,412,250
Total	29,141	55,722	53,751	1,497,197	1,635,811

Note:
(1) These amounts include the notional principal and interest payments.

Related Party Transactions

The Company has retained the law firm of Burnet, Duckworth & Palmer LLP ("BD&P") to provide Whitecap with legal services. A director of Whitecap is a partner of this firm. During the three and six months ended June 30, 2018, the Company incurred $0.1 million and $0.6 million for legal fees and disbursements, respectively (nil and $0.1 million for the three and six months ended June 30, 2017, respectively). These amounts have been recorded at the amounts that have been agreed upon by the two parties. The Company expects to retain the services of BD&P from time to time. As of June 30, 2018 a nil payable balance (nil – June 30, 2017) was outstanding.

Changes in Accounting Policies Including Initial Adoption

IFRS 9 Financial Instruments ("IFRS 9")

Whitecap retrospectively applied the requirements of IFRS 9 on January 1, 2018, and the adoption did not result in a change in the carrying value of any of the Company's financial instruments on transition date.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39 *Financial Instruments: recognition and measurement* ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, and IFRS 9 has introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not result in a material change on the financial statements of the Company, however, there are additional required disclosures which have been included in Note 5 of the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2018.

IFRS 9 also contains a new hedge accounting model, however, the Company did not apply hedge accounting to any of its commodity price risk management contracts. In addition, IFRS 9 includes amended guidance for the classification and measurement of financial assets by introducing a fair value through other comprehensive income category for certain debt instruments. Whitecap does not have any investments in debt instruments for which this guidance applies to.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
Whitecap adopted the requirements of IFRS 15 on January 1, 2018 using the modified retrospective approach. Whitecap management reviewed its revenue streams and major contracts with customers using the IFRS 15 five step model and there were no material changes to net earnings or timing of petroleum and natural gas sales revenue recognized. As part of the adoption of the standard, Whitecap has used the practical expedient to not restate contracts that are completed contracts at the beginning of the earliest period presented. Refer to Note 14 of the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2018 for more information including additional disclosures as required under IFRS 15.

Revenue from the sale of crude oil, natural gas and natural gas liquids is measured based on the consideration specified in contracts with customers. Whitecap recognizes revenue when control of the product transfers to the buyer and collection is reasonably assured. This is generally at the point in time when the customer obtains legal title to the product which is when it is physically transferred to the pipeline or other transportation method agreed upon. Revenues from processing activities are recognized over time as processing occurs, and are generally billed monthly.

Whitecap has applied the practical expedient to recognize revenue in the amount to which the Company has the right to invoice. As such, no disclosure is included relating to the amount of transaction price allocated to remaining performance obligations and when these amounts are expected to be recognized as revenue.

Standards Issued but not yet Effective

The Company has reviewed the new and revised accounting pronouncements listed below that have been issued, but are not yet effective. There are no other standards or interpretations issued, but not yet adopted, that are anticipated to have a material effect on the reported net income (loss) or net assets of the Company.

IFRS 16 Leases ("IFRS 16")
IFRS 16 was issued in January 2016 and replaces IAS 17 *Leases* and related interpretations. The standard is required to be adopted either retrospectively or by recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15 has also been adopted. Whitecap is currently evaluating the impact of the standard including identifying and reviewing contracts that are impacted. The Company expects that the standard will have a material impact on the consolidated financial statements.

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 other than commitments disclosed in Note 17 to the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2018.

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; and
- estimated recoverable amounts are based on estimated proved plus probable reserves, production rates, oil and gas prices, future costs, discount rates and other relevant assumptions.

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. Furthermore, 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, stock market volatility, debt service which may limit timing or amount of dividends as well as market price of shares, 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. The primary objective of the risk management program is to provide a measure of stability to Whitecap dividends and its capital development program.

Exploration and production for oil and gas is capital intensive. In addition to funds flow, 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 flow also fluctuates 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, climate change 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

	2018		2017				2016	
($000s, except as noted)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Financial								
Petroleum and natural gas revenues	433,380	368,050	291,376	239,170	251,391	249,303	217,958	187,697
Funds flow [1]	196,538	166,477	144,548	119,760	122,415	124,641	118,421	106,563
Basic ($/share) [1]	0.47	0.40	0.38	0.32	0.33	0.34	0.32	0.29
Diluted ($/share) [1]	0.47	0.40	0.38	0.32	0.33	0.34	0.32	0.29
Net income (loss)	(3,615)	(7,755)	(231,729)	3,689	44,541	59,531	191,104	6,350
Basic ($/share)	(0.01)	(0.02)	(0.61)	0.01	0.12	0.16	0.52	0.02
Diluted ($/share)	(0.01)	(0.02)	(0.61)	0.01	0.12	0.16	0.51	0.02
Development capital [1]	66,328	182,371	57,162	89,903	67,654	124,061	79,651	32,945
Property acquisitions	1,108	615	939,015	24,962	(923)	7,829	12,043	987
Property dispositions	(1,585)	(127)	(8,777)	-	(2,498)	(3,323)	35	(281)
Corporate acquisition	-	53,166	-	-	-	-	-	-
Total assets	6,136,672	6,165,095	5,961,347	5,194,875	5,194,640	5,204,068	5,134,940	4,798,265
Net debt [1]	1,323,093	1,414,606	1,295,906	842,897	820,295	848,228	818,580	821,731
Common shares outstanding (000s)	417,485	417,255	418,029	369,818	369,797	369,045	368,351	367,655
Dividends paid or declared per share [1]	0.08	0.08	0.07	0.07	0.07	0.07	0.07	0.07
Operational								
Average daily production								
Crude oil (bbls/d)	59,786	57,976	44,699	44,001	43,204	42,425	37,072	36,094
NGLs (bbls/d)	4,461	4,002	3,634	3,503	3,333	3,185	3,247	2,991
Natural gas (Mcf/d)	69,393	66,852	68,244	62,362	58,373	61,657	61,756	60,994
Total (boe/d)	75,813	73,120	59,707	57,898	56,266	55,886	50,612	49,251

Note:
(1) Funds flow, funds flow per share, development capital, net debt and dividends paid or declared per share are non-GAAP measures, which are defined under the Non-GAAP Measures section of this MD&A.

Over the past eight quarters, fluctuations in production volumes and realized commodity prices have impacted the Company's petroleum and natural gas revenues and funds flow. Net income (loss) has fluctuated due to changes in funds flow, impairment expense (reversal) and unrealized derivative gains and losses which fluctuate with the changes in forward commodity prices and exchange rates. Capital expenditures and production volumes have fluctuated over time as a result of the timing of acquisitions and the impact of market conditions on the Company's development capital expenditures.

The following outlines the significant events over the past eight quarters:

In the fourth quarter of 2017, the Company closed the Southeast Saskatchewan Acquisition for cash consideration of $938.2 million. The purchase price was partially funded by the issuance of approximately 48.3 million subscription receipts at a price of $8.80 per subscription receipt for aggregate gross proceeds of approximately $425 million. Each subscription receipt was converted to one common share on December 14, 2017. The Company also closed an issuance of $195 million senior secured notes which have an annual coupon rate of 3.90% and mature on December 20, 2026. Additionally, as a result of lower forecast benchmark commodity prices at December 31, 2017 compared to December 31, 2016, the Company recognized an impairment of $347.4 million attributed to PP&E.

In the second quarter of 2017, the Company closed an issuance of $200 million senior secured notes which have an annual coupon rate of 3.54% and mature on May 31, 2024. The notes were issued by way of a private placement, pursuant to a note purchase agreement and rank equally with Whitecap's obligations under its credit facility. The proceeds of this private placement were used to repay indebtedness under the Company's credit facility.

In the first quarter of 2017, the Company closed an issuance of $200 million senior secured notes which have an annual coupon rate of 3.46% and mature on January 5, 2022. The notes were issued by way of a private placement, pursuant to a note purchase and private shelf agreement and rank equally with Whitecap's obligations under its credit facility. The proceeds of this private placement were used to repay indebtedness under the Company's credit facility.

In the fourth quarter of 2016, as a result of lower forecast benchmark commodity prices at December 31, 2016 compared to December 31, 2015, an impairment test on the Company's PP&E assets was performed. The impairment test concluded that the estimated recoverable amount of all cash generating units exceeded their carrying amount and the Company recognized a PP&E impairment reversal of $284.8 million.

INTERNAL CONTROLS UPDATE

Whitecap is required to comply with National Instrument 52-109 Certification of Disclosure on Issuers' Annual and Interim Filings ("NI 52-109"). NI 52-109 requires that Whitecap disclose in its interim MD&A any material weaknesses in Whitecap's internal control over financial reporting and/or any changes in Whitecap's internal control over financial reporting that occurred during the period that have materially affected, or are reasonably likely to materially affect Whitecap's internal controls over financial reporting. Whitecap confirms that no material weaknesses or such changes were identified in Whitecap's internal controls over financial reporting during the second quarter of 2018.

NON-GAAP MEASURES

This MD&A includes non-GAAP measures as further described herein. These non-GAAP measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable with the calculation of similar measures by other companies. Management believes that the presentation of these non-GAAP measures provides useful information to investors and shareholders as the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

"Basic payout ratio" is calculated as dividends paid or declared divided by funds flow.

"Dividends paid or declared per share" represents cash dividends declared or paid per share by Whitecap.

"Development capital" represents expenditures on PP&E excluding corporate and other assets.

The following table reconciles expenditures on PP&E (a GAAP measure) to development capital (a non-GAAP measure):

	Three months ended June 30		Six months ended June 30	
($000s)	2018	2017	2018	2017
Expenditures on PP&E	66,444	67,934	249,059	192,030
Expenditures on corporate and other assets	(116)	(280)	(360)	(315)
Development capital	66,328	67,654	248,699	191,715

"Free funds flow" represents funds flow less dividends paid or declared and development capital.

"Funds flow" represents cash flow from operating activities adjusted for changes in non-cash working capital, settlement of decommissioning liabilities and transaction costs.

"Funds flow netbacks" are determined by deducting cash general and administrative expenses and interest and financing expenses excluding unrealized gain on interest rate contracts from operating netbacks.

"**Funds flow per share**" represents funds flow divided by the basic or diluted weighted average shares outstanding in the period. Management considers funds flow and funds flow per share to be key measures as they demonstrate Whitecap's ability to generate the cash necessary to pay dividends, repay debt, make capital investments, fund decommissioning liabilities and/or to repurchase common shares under the

Company's NCIB. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds flow provides a useful measure of Whitecap's ability to generate cash that is not subject to short-term movements in non-cash operating working capital. Refer to the "Funds Flow and Payout Ratios" section of this report for the reconciliation of cash flow from operating activities to funds flow.

"Interest and finance expenses excluding unrealized gain on interest rate contracts" are determined by adding back (deducting) unrealized gains (losses) on interest rate contracts included in interest and finance expenses. Management believes that interest and finance expenses excluding unrealized gain on interest rate contracts provides a useful measure of Whitecap's cash interest expenditures.

"Net blending revenue" is calculated as blending revenue less blending expenses.

The following table reconciles blending revenue (a GAAP measure) to net blending revenue (a non-GAAP measure):

	Three months ended June 30		Six months ended June 30	
($000s)	2018	2017	2018	2017
Blending revenue	3,500	-	3,500	-
Blending expense	(2,407)	-	(2,407)	-
Net blending revenue	1,093	-	1,093	-

"Net debt" is calculated as long-term debt plus working capital surplus or deficit adjusted for risk management contracts.

The following table reconciles long-term debt (a GAAP measure) to net debt (a non-GAAP measure):

($000s)	June 30 2018	December 31 2017
Long-term debt	1,281,524	1,284,232
Current liabilities	348,653	211,285
Current assets	(177,079)	(161,650)
Risk management contracts	(130,005)	(37,961)
Net debt	1,323,093	1,295,906

"Net operating expenses" are determined by deducting processing income primarily generated by processing third party volumes at processing facilities where the Company has an ownership interest. Management believes that net operating expenses provide a useful measure of the Company's operating expenses, net of related processing income.

"Operating netbacks" are determined by adding net blending revenue, deducting realized hedging losses or adding realized hedging gains and deducting royalties, net operating expenses and transportation expenses plus tariffs from petroleum and natural gas revenues. Operating netbacks are per boe measures used in operational and capital allocation decisions.

"Transportation expenses plus tariffs" are determined by adding tariffs netted against petroleum and natural gas sales to transportation expenses. Management believes that transportation expenses plus tariffs provides a useful measure of Whitecap's cost of transporting products to market.

The following table reconciles transportation expenses (a GAAP measure) to transportation expenses plus tariffs (a non-GAAP measure):

	Three months ended June 30		Six months ended June 30	
($000s)	2018	2017	2018	2017
Transportation expenses	16,419	7,595	28,921	13,802
Tariffs	4,106	8,114	11,040	17,242
Transportation expenses plus tariffs	20,525	15,709	39,961	31,044

"Total payout ratio" is calculated as dividends paid or declared plus development capital, divided by funds flow.

BOE PRESENTATION

Boe means barrel of oil equivalent. All boe conversions in this MD&A are derived by converting gas to oil at the ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("Bbl") of oil. Boe may be misleading, particularly if used in isolation. A Boe conversion rate of 1 Bbl : 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 Bbl : 6 Mcf, utilizing a conversion ratio of 1 Bbl : 6 Mcf may be misleading as an indication of value.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements and are based on Whitecap's beliefs and assumptions based on information available at the time the assumption was made. By its nature, such forward-looking information involves 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 statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

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", "estimate", "objective", "ongoing", "may", "will", "project", "believe", "measure", "stability", "depends", "could", "sustainability" 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: Whitecap's focus, Whitecap's commodity risk management program and the benefits to be derived therefrom; the amount of future decommissioning liabilities; future liquidity and financial capacity; sources of funding the Company's capital program and dividends; future operating expenses, transportation expenses, stock-based compensation expenses; Whitecap's ability to fund its current capital program and dividend payments for 2018, and Whitecap's deductions available for deferred income tax purposes.

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 or improvement in 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 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 in a safe, efficient and effective manner; field production 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; the continued availability of adequate debt and equity financing and cash flow to fund Whitecap's planned expenditures; and the ability to maintain dividends. 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 Whitecap's development plans 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; 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 volumes; limited, unfavourable 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 Whitecap does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.