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 31, 2017 and should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes for the period ended June 30, 2017, as well as the audited annual consolidated financial statements and related notes for the year ended December 31, 2016. 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, 2016. 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.

2017 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	
	2017	2016	2017	2016
Crude oil (bbls/d)	43,204	26,771	42,817	28,166
NGLs (bbls/d)	3,333	3,231	3,259	3,218
Natural gas (Mcf/d)	58,373	62,315	60,006	61,931
Total (boe/d)	56,266	40,388	56,077	41,706
Production split (%)				
Crude oil and NGLs	83	74	82	75
Natural gas	17	26	18	25
Total	100	100	100	100

Average production volumes increased 39 percent to 56,266 boe/d in the second quarter of 2017 from 40,388 boe/d in the second quarter of 2016. Year to date, average production volumes increased 34 percent to 56,077 boe/d from 41,706 boe/d for the same period in 2016. The increases are primarily attributed to the acquisition of oil-weighted assets in southwest Saskatchewan (the "Southwest Saskatchewan Acquisition") that closed in June 2016, as well as the Company's successful execution of its development capital program partially offset by natural declines. Additionally, production volumes in the second quarter of 2017 were negatively impacted by an unexpected shut-in of the Coleville gas plant in west central Saskatchewan and unexpected third party facility downtime at Deep Basin and Boundary Lake.

Our crude oil and NGLs weighting in the second quarter of 2017 has increased nine percent compared to the second quarter of 2016. The increase is primarily attributed to the oil-weighted properties acquired through the Southwest Saskatchewan Acquisition and the Company's development capital program.

Petroleum and Natural Gas Sales

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

	Three months ended June 30		Six months ended June 30	
($000s)	2017	2016	2017	2016
Crude oil	220,164	122,240	436,190	220,546
NGLs	7,932	5,096	16,379	8,214
Natural gas	15,181	8,217	30,883	18,899
Petroleum and natural gas sales	243,277	135,553	483,452	247,659

Petroleum and natural gas sales in the second quarter of 2017 increased 79 percent to $243.3 million from $135.6 million in the second quarter of 2016. The increase of $107.7 million consists of $74.7 million attributed to higher production volumes and $33.0 million attributed to higher realized prices. Year to date petroleum and natural gas sales increased 95 percent to $483.5 million from $247.7 million for the same period in 2016. The increase of $235.8 million consists of $122.2 million attributed to higher realized prices and $113.6 million attributed to higher production volumes.

Benchmark and Realized Prices

Average benchmark and realized prices are as follows:

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Benchmark prices				
WTI (US$/bbl) (1)	48.28	45.59	50.10	39.52
Exchange rate (USD/CAD)	1.34	1.29	1.33	1.33
WTI (C$/bbl)	64.95	58.76	66.80	52.37
Edmonton Par (C$/bbl)	61.84	54.68	62.85	47.67
Western Canadian Select (C$/bbl)	49.99	41.68	49.68	34.00
AECO natural gas ($/Mcf) (2)	2.78	1.40	2.74	1.62
Average realized prices (3)				
Crude oil ($/bbl)	56.00	50.18	56.28	43.02
NGLs ($/bbl)	26.15	17.33	27.77	14.02
Natural gas ($/Mcf)	2.86	1.45	2.84	1.68
Combined ($/boe)	47.51	36.88	47.63	32.63

Notes:

(1) WTI represents posting prices of West Texas Intermediate oil.

(2) Represents the AECO daily posting.

(3) Prior to the impact of hedging activities.

Whitecap's weighted average realized price prior to the impact of hedging activities increased 29 percent to $47.51 per boe in the second quarter of 2017 compared to $36.88 per boe in the second quarter of 2016. Year to date, Whitecap's weighted average realized price prior to the impact of hedging activities increased 46 percent to $47.63 per boe compared to $32.63 per boe in same period in 2016.

The US$ WTI price increased six percent to average US$48.28 per barrel in the second quarter of 2017 compared to US$45.59 per barrel in second quarter of 2016. The US$ WTI price increased by 27 percent to average US$50.10 per barrel for the first half of 2017 compared to US$39.52 per barrel for the first half of 2016. The increases are primarily due to the impact of announced production cuts by OPEC and certain non-OPEC producers in the first half of 2017 as well as high refinery utilization rates.

The Edmonton light sweet crude oil price differential to WTI decreased by 27 percent to average US$2.26 per barrel in the second quarter of 2017 compared to an average of US$3.08 per barrel in the second quarter of 2016. The Edmonton light sweet crude oil price differential to WTI decreased by 14 percent to average US$2.90 per barrel for the first half of 2017 compared to an average of US$3.39 per barrel for the first half of 2016. The decreases are primarily attributed to stronger refinery demand, partially offset by reduced availability of synthetic crude oil caused by facility disruptions throughout most of the second quarter of 2017.

The Company's realized crude oil prices in southwest Saskatchewan are based on Fosterton oil prices, which receive an average premium to Western Canadian Select ("WCS"). The Fosterton premium decreased 14 percent to average US$0.96 for the second quarter of 2017 compared to US$1.11 for the second quarter of 2016. The Fosterton premium decreased 28 percent to average US$1.11 for the first half of 2017 compared to US$1.55 for the first half of 2016. The decreases are primarily attributed to downstream competition with other lower priced conventional heavy crude streams and reduced demand from local refiners undergoing planned maintenance in the second quarter.

The WCS crude oil price differential to WTI decreased 16 percent to average US$11.13 per barrel in the second quarter of 2017 compared to an average of US$13.26 per barrel in the second quarter of 2016. The WCS crude oil price differential to WTI decreased seven percent to average US$12.85 per barrel for the first half of 2017 compared to US$13.75 per barrel for the first half of 2016. The decreases are primarily attributable to stronger refinery demand through the first half of 2017 as well as decreased heavy oil supply as a result of a reduced availability of synthetic crude oil used for diluent in the second quarter of 2017.

The AECO daily spot price increased 99 percent to average $2.78 per Mcf in the second quarter of 2017 compared to an average of $1.40 per Mcf in the second quarter of 2016. The AECO daily spot price increased 69 percent to average $2.74 per Mcf for the first half of 2017 compared to $1.62 per Mcf for the first half of 2016. The increases are primarily attributed to stronger weather demand and Alberta gas pipeline capacity restrictions.

Natural gas liquids component prices increased 51 percent to average $26.15 per barrel in the second quarter of 2017 compared to $17.33 per barrel in the second quarter of 2016. Natural gas liquids component prices increased 98 percent to average $27.77 per barrel for the first half of 2017 compared to $14.02 per barrel for the first half of 2016. Market prices for propane and butane continued to improve through the first half of 2017 as high US inventory levels declined steadily. Butane and condensate prices continue to fluctuate in conjunction with WTI and Edmonton Par oil prices.

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 provide a measure of stability to Whitecap dividends. 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 $6.6 million and $12.5 million on its commodity and foreign exchange ("FX") risk management contracts for the three and six months ended June 30, 2017, 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, 2017.

	Three months ended June 30		Six months ended June 30	
Risk Management Contracts ($000s)	2017	2016	2017	2016
Realized gain (loss) on commodity and FX contracts	(6,560)	27,488	(12,546)	51,974
Unrealized gain (loss) on commodity and FX contracts	38,388	(42,432)	95,894	(22,331)
Net gain (loss) on commodity and FX contracts	31,828	(14,944)	83,348	29,643
Realized loss on interest rate contracts [1]	(1,333)	(1,265)	(2,555)	(2,546)
Unrealized gain on interest rate contracts [1]	2,777	1,352	3,719	2,037
Net gain (loss) on risk management contracts	33,272	(14,857)	84,512	29,134

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

At June 30, 2017, the following risk management contracts were outstanding with a mark-to-market liability value of $24.8 million:

WTI Crude Oil Derivative Contracts

Type	Term	Volume (bbls/d)	Sold Call Price ($/bbl) (1)	Sold Put Price ($/bbl)	Bought Put Price ($/bbl)	Swap Price ($/bbl) (1)
Swap	2017 Jul – Dec	4,000				C$69.80
Swap (2)	2017 Jul – Dec	10,450				US$50.40
Sold put/call (3)	2017 Jul – Dec	3,000	US$85.83	US$60.00		
Collar	2017 Jul – Dec	1,000	C$82.83		C$60.00	
Swap	2018	4,000				US$53.28
Sold put/call (3)	2018	3,000	US$85.83	US$60.00		

Notes:

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

(2) 1,500 bbls/d at US$48.00/bbl and 1,500 bbls/d at US$48.05/bbl are extendable through 2018 at the option of the counterparties through the exercise of a one-time option on December 29, 2017.

(3) In the third quarter of 2015, Whitecap optimized its previous 6,000 bbls/d sold puts with an average strike price of US$66.68/bbl in 2016 by lowering the strike price to US$50.00/bbl and concurrently sold 2017 and 2018 put and call options with strike prices of US$60.00/bbl and US$85.83/bbl respectively. The optimization was completed on a costless basis.

WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis (1)(2)	Swap Price (C$/bbl) (3)
Swap	2017 Jul – Dec	19,000	MSW	$4.19 (4)
Swap	2018	3,000	MSW	$4.68
Swap	2017 Jul – Dec	8,000	WCS	$20.16 (4)
Swap	2018 Jan – Jun	4,000	WCS	$19.45
Swap	2018	2,000	WCS	$20.90

Notes:

(1) Mixed Sweet Blend (“MSW”).

(2) Western Canadian Select (“WCS”).

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

(4) Contracts executed in USD were converted to CAD through a foreign exchange contract.

Natural Gas Derivative Contracts

Type	Term	Volume (GJ/d)	Sold Call Price ($/GJ)	Bought Put Price ($/GJ)	Swap Price ($/GJ) (1)
Swap	2017 Jul – Sep	5,000			2.51
Swap	2017 Jul – Dec	31,000			2.96
Collar	2017 Oct – 2018 Mar	2,500	3.47	2.75	
Collar	2018 Jan – Jun	2,500	3.08	2.55	

Note:

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

Power Derivative Contracts

Type	Term	Volume (MWh)	Fixed Rate ($/MWh) (1)
Swap	2017 Jul – Dec	26,496	43.15
Swap	2018	43,800	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	USD/CAD (1)
Monthly average rate forward	2017 Jul – Dec	US$5.0 million	1.2580
Monthly average rate forward	2018 Jan – Jun	US$6.0 million	1.2436
Monthly average rate forward	2018 Jul – Dec	US$5.0 million	1.2459

Note:

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

Type	Term	Monthly Notional Amount	Floor (1)	Ceiling (1)	Conditional Ceiling (1) (2)
Average rate variable collar	2017 Jul – Dec	US$11.0 million	1.2482	1.3188	1.2614
Average rate variable collar	2018 Jan – Jun	US$8.0 million	1.2535	1.3914	1.2858
Average rate variable collar	2018 Jul – Dec	US$12.0 million	1.2500	1.4353	1.3065

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, 2017

WTI Crude Oil Derivative Contracts

Type	Term	Volume (bbls/d)	Swap Price (C$/bbl) (1)
Swap	2018	2,000	61.98

Note:

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

WTI Crude Oil Differential Derivative Contracts

Type	Term	Volume (bbls/d)	Basis (1)	Swap Price (C$/bbl) (2)
Swap	2018 Jul – Dec	2,000	WCS	20.00

Notes:

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

(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)	2017	2016	2017	2016
Royalties	36,669	16,960	72,480	31,625
As a % of petroleum and natural gas sales	15	13	15	13
$ per boe	7.16	4.61	7.14	4.17

Royalties as a percentage of sales in the three and six months ended June 30, 2017 were 15 percent, respectively, compared to 13 percent for the same periods in 2016. The increases are primarily attributed to properties acquired in the Southwest Saskatchewan Acquisition, which have higher royalty rates than the Company average and higher realized commodity prices in the three and six months ended June 30, 2017, compared to the same periods in 2016. 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.

Operating Expenses

($000s, except per boe amounts)	Three months ended June 30 2017	Three months ended June 30 2016	Six months ended June 30 2017	Six months ended June 30 2016
Operating expenses	54,487	35,778	106,183	71,324
$ per boe	10.64	9.73	10.46	9.40

Operating expenses per boe in the second quarter of 2017 increased nine percent to $10.64 per boe compared to $9.73 per boe in the second quarter of 2016. Year to date, operating expenses increased 11 percent to $10.46 per boe compared to $9.40 per boe for the same period in 2016. The increases in operating expenses per boe are primarily attributed properties acquired in the Southwest Saskatchewan Acquisition, which had higher per boe operating expenses than the Company average.

Transportation Expenses

($000s, except per boe amounts)	Three months ended June 30 2017	Three months ended June 30 2016	Six months ended June 30 2017	Six months ended June 30 2016
Transportation expenses	7,595	3,294	13,802	6,790
$ per boe	1.48	0.90	1.36	0.89

Transportation expenses in the second quarter of 2017 increased 64 percent to $1.48 per boe compared to $0.90 per boe in the second quarter of 2016. Year to date, transportation expenses increased 53 percent to $1.36 per boe compared to $0.89 per boe for the same period in 2016. The increases in transportation expenses per boe are primarily attributed to increased shipper status across Whitecap's core areas, which resulted in an increase in transportation expenses with a corresponding decrease in certain transportation charges netted against petroleum and natural gas sales. In addition, pipeline restrictions at Boundary Lake resulted in higher trucking costs to get production to market and increased clean oil hauling at Deep Basin.

Transportation expense per boe will fluctuate quarterly based on pipeline connectivity or downtime, weather, shipper status and pipeline shipping arrangements. In the first half of 2017, Whitecap had shipper status across the Company's core areas.

General and Administrative ("G&A") Expenses

($000s, except per boe amounts)	Three months ended June 30 2017	Three months ended June 30 2016	Six months ended June 30 2017	Six months ended June 30 2016
G&A costs net of recoveries	8,678	6,068	17,708	12,422
Capitalized G&A	(1,971)	(1,071)	(4,311)	(2,142)
G&A expenses	6,707	4,997	13,397	10,280
$ per boe	1.31	1.36	1.32	1.35

G&A expenses per boe in the second quarter of 2017 decreased four percent to $1.31 per boe compared to $1.36 per boe in the second quarter of 2016. Year to date, G&A expenses per boe decreased two percent to $1.32 per boe compared to $1.35 per boe for the same period in 2016. The decreases on a per boe basis are primarily attributed to higher production volumes, which more than offset the absolute increase in G&A expenses. The increases in G&A costs net of recoveries is primarily attributed to G&A cost increases due to the Southwest Saskatchewan Acquisition, partially offset by higher capital spending.

Share-based and Option-based Awards

($000s, except per boe amounts)	Three months ended June 30 2017	2016	Six months ended June 30 2017	2016
Stock-based compensation	7,428	5,960	14,159	17,134
Capitalized stock-based compensation	(2,557)	(1,831)	(4,675)	(5,553)
Stock-based compensation expenses	4,871	4,129	9,484	11,581
$ per boe	0.95	1.12	0.93	1.53

In the three and six months ended June 30, 2017, the Company recorded stock-based compensation of $7.4 million and $14.2 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 the directors, officers and employees of the Company. As at June 30, 2017, 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 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 grant date and one half vesting October 1 of the third year following the grant date.

Each time-based award may 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 pre-defined 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, 2017, the Company had 4.7 million awards outstanding.

Interest and Financing Expenses

($000s, except per boe amounts)	Three months ended June 30 2017	2016	Six months ended June 30 2017	2016
Interest and financing expenses	6,067	7,330	14,269	16,250
Add back unrealized gain on interest rate contracts	2,777	1,352	3,719	2,037
Interest and finance expenses excluding unrealized gain on interest rate contracts	8,844	8,682	17,988	18,287
$ per boe	1.73	2.36	1.77	2.41

Interest and finance expenses excluding the unrealized gain on interest rate contracts decreased 27 percent to $1.73 per boe in the second quarter of 2017 compared to $2.36 per boe in the second quarter of 2016. Year to date, interest and finance expenses excluding the unrealized gain on interest rate contracts decreased 27 percent to $1.77 per boe compared to $2.41 per boe for the same period in 2016. The decreases on a per boe basis were mainly attributed to higher production volumes compared to the same periods in 2016.

Netbacks

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

	Three months ended June 30		Six months ended June 30	
Netbacks ($/boe)	2017	2016	2017	2016
Petroleum and natural gas sales	47.51	36.88	47.63	32.63
Realized hedging gain (loss)	(1.28)	7.48	(1.24)	6.85
Royalties	(7.16)	(4.61)	(7.14)	(4.17)
Operating expenses	(10.64)	(9.73)	(10.46)	(9.40)
Transportation expenses	(1.48)	(0.90)	(1.36)	(0.89)
Operating netbacks [(1)]	26.95	29.12	27.43	25.02
G&A expenses	(1.31)	(1.36)	(1.32)	(1.35)
Interest and financing expenses	(1.73)	(2.36)	(1.77)	(2.41)
Transaction costs [(2)]	-	(0.07)	-	(0.05)
Settlement of decommissioning liabilities [(3)]	(0.11)	(0.04)	(0.09)	(0.05)
Funds flow netbacks [(1)]	23.80	25.29	24.25	21.16

Notes:

(1) Operating netbacks and funds flow netbacks are non-GAAP measures, which are defined under the Non-GAAP Measures section of this MD&A.

(2) Transaction costs in the three and six months ended June 30, 2017, were nil compared to $0.3 million and $0.4 million for the same periods in 2016, respectively.

(3) Decommissioning liabilities settled in the three and six months ended June 30, 2017, were $0.5 million and $1.0 million, respectively, compared to $0.2 million and $0.4 million for the same periods in 2016, respectively.

Operating netbacks in the second quarter of 2017 decreased seven percent to $26.95 per boe compared to $29.12 per boe in the second quarter of 2016. The decrease on a per boe basis was primarily due to realized hedging losses in the second quarter of 2017 compared to realized gains in the second quarter of 2016 and higher royalties, operating expenses and transportation expenses partially offset by higher average realized pricing. Year to date, operating netbacks increased 10 percent to $27.43 per boe compared to $25.02 per boe for the same period in 2016. The increase was primarily due to higher average realized pricing partially offset by realized hedging losses in the first half of 2017 compared to realized gains in the first half of 2016 and higher royalties, operating expenses and transportation expenses.

Funds flow netbacks in the second quarter of 2017 decreased six percent to $23.80 per boe compared to $25.29 per boe in the second quarter of 2016. The decrease on a per boe basis was primarily due to lower operating netbacks offset partially by lower G&A expenses and lower interest and financing expenses excluding the unrealized gain on interest rate contracts. Year to date, funds flow netbacks increased 15 percent to $24.25 per boe compared to $21.16 per boe for the same period in 2016. The increase on a per boe basis was primarily due to higher operating netbacks, lower G&A expenses and lower interest and financing expenses excluding the unrealized gain on interest rate contracts.

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

	Three months ended June 30		Six months ended June 30	
($000s, except per boe amounts)	2017	2016	2017	2016
DD&A	93,991	69,454	185,779	145,017
$ per boe	18.36	18.90	18.30	19.11

DD&A per boe in the second quarter of 2017 decreased three percent to $18.36 per boe compared to $18.90 per boe in the second quarter of 2016. The decrease on a per boe basis is mainly attributed to higher production volumes. Year to date, DD&A per boe decreased four percent to $18.30 per boe compared to $19.11 per boe for the same period in 2016. The decrease on a per boe basis is mainly attributed to higher production volumes partially offset by increases in property, plant and equipment ("PP&E"). 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, 2017, the Company recognized costs associated with expired mineral leases of $0.6 million and $1.5 million as expenses, respectively, compared to $1.6 million and $4.1 million for the same periods in 2016, respectively. During the three and six months ended June 30, 2017, the Company added $0.7 million and $1.1 million of undeveloped land, respectively, as a result of property acquisitions completed in the period.

Taxes

During the three and six months ended June 30, 2017, the Company recognized a deferred income tax expense of $16.2 million and $40.0 million, respectively, compared to deferred income tax recoveries of $9.3 million and $5.5 million, respectively, for the same periods in 2016. The changes in deferred income tax are primarily attributed to the changes in net income which are described below.

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

($000s)	June 30 2017	December 31 2016
Undepreciated capital cost	479,585	441,929
Canadian development expense	523,255	466,419
Canadian oil and gas property expense	1,337,027	1,449,498
Non-capital loss carry forward	907,203	932,444
Share issue costs	39,794	51,560
Total	3,286,864	3,341,850

Net Income

In the second quarter of 2017, the Company recognized net income of $44.5 million compared to a net loss of $28.3 million in second quarter of 2016. The change of $72.8 million is primarily attributed to $107.7 million higher petroleum and natural gas sales, a $46.8 million change in gains and losses on risk management contracts and a $10.8 million change in net losses on asset dispositions and was partially offset by $25.5 million change in deferred income taxes, $24.5 million higher DD&A expenses, $19.7 million higher royalties, $18.7 million higher operating expenses and $4.1 million in other net changes. The factors causing these changes are discussed in the preceding sections.

Year to date, the Company recognized net income of $104.1 million compared to a net loss of $26.7 million for the same period in 2016. The change of $130.8 million is primarily attributed to $235.8 million higher petroleum and natural gas sales, a $53.7 million change in gains on risk management contracts and $3.3 million in other net changes and was partially offset by $45.4 million change in deferred income taxes, $40.9 million higher royalties, $40.8 million higher DD&A expenses and $34.9 million higher operating expenses. 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):

($000s)	Three months ended June 30 2017	2016	Six months ended June 30 2017	2016
Cash flow from operating activities	146,526	93,485	261,624	176,864
Changes in non-cash working capital	(24,656)	(557)	(15,519)	(16,257)
Funds flow (1)	121,870	92,928	246,105	160,607
Cash dividends declared	25,820	23,224	51,599	65,078
Development capital (1)	67,654	16,159	191,715	61,397
Free funds flow (1)	28,396	53,545	2,791	34,132
Basic payout ratio (%) (1)	21	25	21	41
Total payout ratio (%) (1)	77	42	99	79
Funds flow per share, basic (1)	0.33	0.29	0.67	0.52
Funds flow per share, diluted (1)	0.33	0.29	0.66	0.51
Cash dividends declared per share (1)	0.07	0.07	0.14	0.21

Note:

(1) Funds flow, development capital, free funds flow, basic payout ratio, total payout ratio, funds flow per share and cash dividends 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 review 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, 2017, was $146.5 million and $261.6 million, respectively, compared to $93.5 million and $176.9 million, respectively, for the same periods in 2016. In the second quarter of 2017, the increase in cash flow from operating activities is primarily attributed to increases in funds flow and the impact of changes in non-cash working capital. Year to date, the increase in cash flow from operating activities is primarily attributed to increases in funds flow partially offset by the impact of changes in non-cash working capital.

Funds flow for the three and six months ended June 30, 2017, was $121.9 million and $246.1 million, respectively, compared to $92.9 million and $160.6 million, respectively, for the same periods in 2016. In the second quarter of 2017, the increase in funds flow is primarily attributed to higher production volumes offset partially by lower operating netbacks. Year to date, the increase in funds flow is primarily attributed to higher production volumes and higher operating netbacks.

Capital Expenditures

($000s)	Three months ended June 30 2017	2016	Six months ended June 30 2017	2016
Land and geological	701	143	973	196
Drilling and completions	58,422	8,914	173,173	46,292
Investment in facilities	6,560	6,031	13,258	12,767
Capitalized administration	1,971	1,071	4,311	2,142
Development capital (1)	67,654	16,159	191,715	61,397
Corporate and other assets	280	37	315	124
Property acquisitions	(923)	596,244	6,906	617,535
Property dispositions	(2,498)	(42,498)	(5,821)	(144,133)
Total capital expenditures	64,513	569,942	193,115	534,923

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 2017, development capital totaled $67.7 million with 96 percent spent on drilling, completions and facilities.

Whitecap drilled 40 (36.4 net) wells in the second quarter of 2017 with a 100 percent success rate, including 7 (6.0 net) horizontal Cardium wells and 1 (0.9 net) Cardium injection well in west central Alberta, 22 (22.0 net) horizontal Viking oil wells in west central Saskatchewan and 10 (7.5 net) wells in southwest Saskatchewan.

Decommissioning Liability

At June 30, 2017, the Company recorded decommissioning liabilities of $650.2 million 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, 2017, the Company had a $900 million credit facility with a syndicate of Canadian banks. The credit facility consists of an $850 million revolving production facility and a $50 million revolving operating facility. At the end of the revolving period, being April 29, 2018, the revolving credit facility converts into a 366-day term loan if not renewed. The revolving facilities may be extended for a further 364-day revolving period upon the request of Whitecap, 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. 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 fixed and 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.

The credit facility has two financial covenants, whereby the Company's ratio of Debt to EBITDA shall not exceed 4.00:1.00 (1.54:1.00 as at June 30, 2017) and the ratio of EBITDA to interest expense shall not be less than 3.50:1.00 (14.25:1.00 as at June 30, 2017). 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, 2017, the Company was compliant with all covenants provided for in the lending agreement. The next review is scheduled to be completed by April 29, 2018.

Senior Secured Notes

On January 5, 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.

On May 31, 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 senior secured notes are subject to the same Debt to EBITDA ratio and EBITDA to interest expense ratio described above under the credit facility. The Company is subject to a third financial covenant in the senior secured note agreements, whereby Whitecap's Borrowing Base may not be less than $750 million. As of June 30, 2017, 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 NCIB allows the Company to purchase up to 18,457,076 common shares over a period of twelve months commencing on May 18, 2017. Purchases will be 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.

During the three months ended June 30, 2017, the Company purchased for cancellation 338,711 common shares at an average cost of $9.18 per common share for total consideration of $3.1 million. The total cost paid, including commissions and fees, was first charged to share capital to the extent of the average carrying value of Whitecap's common shares and the excess was charged to contributed surplus.

On May 30, 2016, the Company closed a bought deal public financing of approximately 51.1 million subscription receipts at a price of $9.20 per subscription receipt for gross proceeds of approximately $470 million which was used to partially fund the Southwest Saskatchewan Acquisition. Each subscription receipt was converted to one common share on June 23, 2016.

On March 15, 2016, the Company closed a bought deal public financing by issuing approximately 13.8 million Whitecap common shares at a price of $6.90 per common share for gross proceeds of approximately $95 million.

The Company is authorized to issue an unlimited number of common shares. As at July 31, 2017, there were 369.9 million common shares and 4.7 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, 2017, the Company had $538.6 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 previously disclosed 2017 development capital program of $300 million and dividend payments for the 2017 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)	2017	2018	2019	2020+	Total
Operating leases	6,879	14,999	15,728	110,054	147,660
Transportation agreements	11,543	17,405	13,278	36,911	79,137
Long-term debt (1)	7,058	374,950	14,000	445,203	841,211
Total	25,480	407,354	43,006	592,168	1,068,008

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, 2017, the Company incurred nil and $0.1 million for legal fees and disbursements, respectively ($0.3 million and $0.4 million for the three and six months ended June 30, 2016, 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, 2017 a payable balance of nil ($0.3 million – June 30, 2016) was outstanding.

Changes in Accounting Policies Including Initial Adoption

There were no changes that had a material effect on the reported income or net assets of the Company.

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 income or net assets of the Company.

IFRS 9 Financial Instruments ("IFRS 9") (2013 & 2014)
IFRS 9 (2013) significantly revises the existing hedge accounting guidance in IAS 39 *Financial Instruments: Recognition and Measurement* and is intended to align hedging with an entity's risk management strategies. IFRS 9 (2014) incorporates a further amendment to classification categories for financial assets, and includes a new impairment model. IFRS 9 (2013 & 2014) are effective for annual periods beginning on or after January 1, 2018. Whitecap is currently evaluating the impact of the standards on the Company's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
IFRS 15 was issued in May 2014 and replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The standard is required to be adopted either retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. Whitecap is currently evaluating the impact of the standard on the Company's consolidated financial statements.

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 recognising 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 *Revenue from Contracts with Customers* has also been adopted. Whitecap is currently evaluating the impact of the standard on the Company's 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 16 to the Company's unaudited interim consolidated financial statements for the three and six months ended June 30, 2017.

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

($000s, except as noted)	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Financial								
Petroleum and natural gas sales	243,277	240,175	209,149	178,498	135,553	112,106	148,225	155,238
Funds flow [(1)]	121,870	124,235	117,792	106,326	92,928	67,679	111,537	115,694
Basic ($/share) [(1)]	0.33	0.34	0.32	0.29	0.29	0.22	0.37	0.39
Diluted ($/share) [(1)]	0.33	0.33	0.32	0.29	0.29	0.22	0.37	0.38
Net income (loss)	44,541	59,531	191,104	6,350	(28,311)	1,605	(87,087)	(375,640)
Basic ($/share)	0.12	0.16	0.52	0.02	(0.09)	0.01	(0.29)	(1.26)
Diluted ($/share)	0.12	0.16	0.51	0.02	(0.09)	0.01	(0.29)	(1.26)
Development capital [(1)]	67,654	124,061	79,651	32,945	16,159	45,238	62,322	50,573
Property acquisitions	(923)	7,829	12,043	987	596,244	21,291	94,397	86,474
Property dispositions	(2,498)	(3,323)	35	(281)	(42,498)	(101,635)	(268)	(12,856)
Total assets	5,194,640	5,204,068	5,134,940	4,798,265	4,827,244	4,091,011	4,183,085	4,146,874
Net debt [(1)]	820,295	848,228	818,580	821,731	869,231	800,302	939,787	842,234
Common shares outstanding (000s)	369,797	369,045	368,351	367,655	367,574	314,403	300,613	298,866
Cash dividends declared per share [(1)]	0.07	0.07	0.07	0.07	0.07	0.14	0.19	0.19
Operational								
Average daily production								
Crude oil (bbls/d)	43,204	42,425	37,072	36,094	26,771	29,561	29,092	28,653
NGLs (bbls/d)	3,333	3,185	3,247	2,991	3,231	3,205	3,130	3,204
Natural gas (Mcf/d)	58,373	61,657	61,756	60,994	62,315	61,547	59,069	59,781
Total (boe/d)	56,266	55,886	50,612	49,251	40,388	43,024	42,067	41,821

Note:
(1) Funds flow, funds flow per share, development capital, net debt and cash dividends 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 sales and funds flow. Net income 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 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.

In the second quarter of 2016, the Company closed the Southwest Saskatchewan Acquisition for cash consideration of $597.1 million. The purchase price was partially funded through the issuance of approximately 51.1 million subscription receipts at a price of $9.20 per subscription receipt for gross proceeds of approximately $470 million. Each subscription receipt was converted to one common share on June 23, 2016.

In the first quarter of 2016, the Company closed a bought deal public financing by issuing approximately 13.8 million Whitecap common shares at a price of $6.90 per common share for gross proceeds of approximately $95 million. Additionally, the Company disposed of certain production facilities to a third party for cash consideration of $70 million.

In the fourth quarter of 2015, the Company increased its working interest in strategic light oil assets located in its Boundary Lake core area for total consideration of $93.4 million. Additionally, as a result of lower forecast benchmark commodity prices at December 31, 2015 compared to December 31, 2014, the Company recognized an impairment of $23.9 million attributed to PP&E.

In the third quarter of 2015, the Company acquired strategic light oil assets located in its Boundary Lake and Wapiti area for total consideration of $81.3 million and disposed of non-core assets in Willesden Green for total consideration of $8.0 million. Additionally, as a result of lower forecast benchmark commodity prices at September 30, 2015 compared to December 31, 2014, the Company recognized impairments of $482.3 million, of which $355.9 million and $126.4 million were attributed to PP&E and goodwill, respectively.

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 2017.

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 International Financial Reporting Standards ("IFRS or, alternatively, "GAAP") 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 provide 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 cash dividends declared divided by funds flow.

"Cash dividends 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)	2017	2016	2017	2016
Expenditures on PP&E	67,934	16,196	192,030	61,521
Expenditures on corporate and other assets	(280)	(37)	(315)	(124)
Development capital	67,654	16,159	191,715	61,397

“Free funds flow” represents funds flow less cash dividends declared and development capital.

“Funds flow” represents cash flow from operating activities adjusted for changes in non-cash working capital.

“Funds flow netbacks” are determined by deducting cash general and administrative expenses, interest and financing expenses, transaction costs and settlement of decommissioning liabilities 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 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.

“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 2017	December 31 2016
Long-term debt	760,950	773,395
Current liabilities	190,733	231,416
Current assets	(116,980)	(111,194)
Risk management contracts	(14,408)	(75,037)
Net debt	820,295	818,580

“Operating netbacks” are determined by deducting realized hedging losses or adding realized hedging gains and deducting royalties, operating expenses and transportation expenses from petroleum and natural gas sales. Operating netbacks are per boe measures used in operational and capital allocation decisions.

“Total payout ratio” is calculated as cash dividends 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", "continue", "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 future plans and focus, including its plans to provide sustainable monthly dividends and per share growth; Whitecap's commodity risk management program and the benefits to be obtained therefrom; the amount of future decommissioning liabilities; future liquidity and financial capacity; sources of funding the Company's capital program and dividends; future dividends and dividend policy; future operating expenses and royalty rates; Whitecap's ability to fund its current capital program and dividend payments for the remainder of the year, future taxes payable by Whitecap, 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 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 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 and resource 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.