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 May 6, 2014 and should be read in conjunction with the Company's unaudited interim financial statements and related notes for the period ended March 31, 2014, as well as the audited annual financial statements and related notes for the year ended December 31, 2013. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual financial statements for the year ended December 31, 2013.

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

DESCRIPTION OF BUSINESS

Whitecap is engaged in the acquisition, development, optimization and production of crude oil and natural gas in western Canada. We are focused on providing sustainable monthly dividends and per share growth through a combination of accretive oil-based acquisitions and organic growth on existing and acquired assets.

2014 FIRST QUARTER FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Three months ended March 31,	
	2014	2013
Crude oil (bbls/d)	16,653	11,085
NGLs (bbls/d)	2,203	1,319
Natural gas (Mcf/d)	45,913	31,126
Total (boe/d)	26,508	17,592
Production split (%)		
Crude oil and NGLs	71	71
Natural gas	29	29
Total	100	100

Production volumes averaged 26,508 boe/d in the first quarter of 2014 compared to 17,592 boe/d in the first quarter of 2013, an increase of 51 percent. The increase is mainly attributed to the acquisition of a private company ("PrivateCo") on January 6, 2014, property acquisitions completed in the second half of 2013 and the successful execution of our development capital program, partially offset by natural declines. Our crude oil and NGL weighting has remained consistent with the first quarter of 2013 at 71 percent.

Revenue

A breakdown of revenue is as follows:

	Three months ended March 31,	
($000s)	2014	2013
Crude oil	145,099	84,639
NGLs	12,133	6,139
Natural gas	23,793	9,462
Petroleum and natural gas sales	181,025	100,240

Total petroleum and natural gas sales for the first quarter of 2014 increased 81 percent to $181.0 million from $100.2 million in the first quarter of 2013. The increase of $80.8 million consists of $60.9 million attributed to higher production volumes and $19.9 million due to higher realized prices.

Average benchmark and realized prices are as follows:

	Three months ended March 31,	
	2014	2013
Benchmark prices		
WTI (US$/bbl)[1]	98.68	94.37
USD – CAD foreign exchange rate	1.10	1.01
WTI (C$/bbl)	108.89	95.21
Edmonton Par (C$/bbl)	99.74	88.32
AECO natural gas ($/Mcf)[2]	5.72	3.19
Average realized prices[3]		
Crude oil ($/bbl)	96.79	84.77
NGLs ($/bbl)	61.09	51.60
Natural gas ($/Mcf)	5.75	3.38
Combined ($/boe)	75.88	63.32

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.

In the first quarter of 2014, Whitecap's weighted average realized price prior to the impact of hedging activities was $75.88 per boe compared to the prior period of $63.32 per boe.

US$ WTI prices increased in the first quarter of 2014 averaging $98.68 per barrel compared to $94.37 per barrel in the prior period. Lower oil inventories in the Gulf Coast and mid continental US, partially influenced by high refinery utilization rates, provided strength to WTI prices.

The Edmonton light sweet crude price differential to WTI averaged a discount of $8.25 US/barrel in the first quarter of 2014, ranging from $13.07 in January to $6.60 in March, a 9% percent higher discount than the average differential in 2013. Canadian crude oil price differential volatility continued with changes in North American crude oil production, refinery turnarounds and pipeline constraints. The pipeline and rail capacity increases anticipated later in 2014 are expected to mitigate the crude oil differential volatility.

The AECO daily spot price averaged $5.72 per Mcf in the first quarter of 2014 compared to $3.19 per Mcf in 2013, an increase of nearly 80 percent. The AECO monthly spot price averaged $7.58/Mcf in February due to dramatically cold weather and high natural gas storage withdrawals were required to meet increased demand.

North American natural gas storage levels continued to drop through the second coldest March in the past 30 years, ending the period at a deficit of nearly 900 Bcf compared to 2013, and providing strength for natural gas prices as we move into the natural gas storage injection season.

The Company's natural gas receives a modest premium to the Alberta natural gas spot benchmark price due to its higher heat content.

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 Board of Directors' approval to hedge a forward position of 3 years and up to 75 percent of its most recent quarter's average daily production, net of royalties.

The Company realized a loss of $19.5 million on its risk management contracts in the first quarter of 2014. The unrealized loss is a result of the non-cash change in the mark-to-market values period over period.

Risk Management Contracts ($000s)	Three months ended March 31, 2014	2013
Realized gain (loss) on risk management contracts	(19,478)	1,915
Unrealized gain (loss) on risk management contracts	(32,483)	(22,833)
Total gain (loss) on risk management contracts	(51,961)	(20,918)

At March 31, 2014 the following risk management contracts were outstanding with a mark-to-market liability value of $69.4 million:

Financial WTI Crude Oil Derivative Contracts – Canadian Dollar[1]

Term	Contract	Volume (bbl/d)	Average Swap Price ($/bbl)
2014 April - June	Swap	3,000	96.82
2014 April - July	Swap	250	100.75
2014 April - December	Swap	10,650	96.06
2014 July - December	Swap	1,000	99.00
2014 August - December	Swap	250	100.08
2015 January - June	Swap	2,000	99.03
2015	Swap	8,000	95.58
2016	Swap	2,000	95.05

Note:
(1) Volumes and prices reported are the weighted average volumes and prices for the period.

Contracts entered into subsequent to March 31, 2014[1]

Term	Contract	Volume (bbl/d)	Average Swap Price ($/bbl)
2014 May - December	Swap	3,000	106.08

Note:
(1) Volumes and prices reported are the weighted average volumes and prices for the period.

Financial WTI Crude Oil Differential Derivative Contracts – Canadian Dollar[1]

Term	Contract	Volume (bbl/d)	Basis	Average Differential ($/bbl)
2014 May	Swap	3,000	MSW	4.97

Note:
(1) Volumes and prices reported are the weighted average volumes and prices for the period.

Financial Natural Gas Derivative Contracts – Canadian Dollar[1]

Term	Contract	Volume (GJ/d)	Average Swap Price ($/GJ)
2014 April - December	Swap	24,000	3.63
2014 July - December	Swap	13,500	4.14
2015 January - June	Swap	2,500	4.12
2015	Swap	15,000	3.72
2016	Swap	7,500	3.59

Note:
(1) Volumes and prices reported are the weighted average volumes and prices for the period.

Financial Power Derivative Contracts – Canadian Dollar

Term	Contract	Volume (MW/h)	Fixed Rate ($/MW/h)
2014	Swap	27,156	55.34
2015	Swap	26,280	51.26
2016	Swap	8,784	52.51

Interest Rate Contracts

Term		Amount (C$000s)	Fixed Rate (%)	Index
03-Oct-13	03-Oct-18	200,000	2.45	CDOR
03-Dec-13	03-Dec-14	100,000	1.22	CDOR

Royalties

	Three months ended March 31,	
($000s, except per boe amounts)	2014	2013
Royalties	23,394	11,218
As a % of petroleum and natural gas sales	13	11
$ per boe	9.81	7.09

Whitecap pays royalties to the provincial governments and landowners in Alberta and Saskatchewan. Both provinces have separate royalty regimes which impact Whitecap's overall corporate royalty rate.

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

For the first quarter of 2014, royalties as a percentage of revenue were 13 percent, compared to 11 percent in the first quarter of 2013. The increase in royalty rate when compared to the prior period is a result of higher realized oil and natural gas prices in the first quarter of 2014 and expiry of the five percent royalty rate incentive on wells that reached either the maximum production or time allowable under the program, partially offset by new wells that qualify for the five percent royalty rate.

Operating expenses

	Three months ended March 31,	
($000s, except per boe amounts)	2014	2013
Operating expenses	22,906	17,064
$ per boe	9.60	10.78

Operating costs in the first quarter of 2014 decreased 11 percent to $9.60 per boe compared to $10.78 per boe in the first quarter of 2013. The decrease in operating costs on a per boe basis is attributed to the continued focus on operational efficiencies in our core areas resulting in lower operating costs on acquired properties and increased production volumes.

Transportation expenses

	Three months ended March 31,	
($000s, except per boe amounts)	2014	2013
Transportation expenses	5,982	3,450
$ per boe	2.51	2.18

Transportation costs in the first quarter of 2014 increased 15 percent to $2.51 per boe compared to $2.18 per boe in the first quarter of 2013. On a per boe basis, transportation costs are in line with expectation and the increase over the first quarter of 2013 is attributed to increased production volumes in our core areas of Deep Basin and west central Saskatchewan that have higher per boe trucking costs.

Operating Netbacks
The components of operating netbacks are shown below:

Netbacks ($/boe)	Three months ended March 31, 2014	2013
Petroleum and natural gas sales	75.88	63.32
Royalties	(9.81)	(7.09)
Operating expenses	(9.60)	(10.78)
Transportation expenses	(2.51)	(2.18)
Operating netbacks prior to hedging	53.96	43.27
Realized hedging gain (loss)	(8.16)	1.21
Operating netbacks[1]	45.80	44.48

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

For the three months ended March 31, 2014, operating netbacks increased three percent to $45.80 per boe compared to $44.48 per boe in the comparable period. The increase on a per boe basis was due to higher realized pricing and lower operating costs partially offset by higher royalties and a realized hedging loss.

General and administrative ("G&A")

($000s)	Three months ended March 31, 2014	2013
G&A	4,345	3,343
Capitalized	(765)	(560)
Net G&A	3,580	2,783
$ per boe	1.50	1.76

Net G&A per boe decreased to $1.50 per boe for the three months ended March 31, 2014 compared to $1.76 per boe for the comparable period. The decrease was mainly attributed to higher production volumes, which more than offset the absolute increase in net G&A.

Share-based and Option-based Awards

($000s)	Three months ended March 31, 2014	2013
Stock-based compensation	2,294	1,224
Capitalized stock-based compensation	(653)	(500)
Stock-based compensation	1,641	724
$ per boe	0.69	0.46

In the first quarter of 2014, the Company recorded stock-based compensation expense of $2.3 million with the offsetting amount recorded in contributed surplus. The increase over the first quarter of 2013 is primarily due to the expense associated with the Award Incentive Plan implemented in the second quarter of 2013.

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. The maximum number of common shares issuable under the plan shall not at any time exceed 6.5% of the total common shares outstanding less the aggregate number of common shares reserved for issuance pursuant to outstanding stock options. All share awards vest 3 years from date of grant.

Each time-based award entitles the holder to be issued the number of common shares designated in the time-based award (plus dividend equivalents) with such common shares to be issued three years from the date of grant. Certain awards have been granted with a performance multiplier. This multiplier, ranging from

zero to two, will be applied at exercise 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 shares 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 exercise of the awards, the associated amount in contributed surplus is recorded as an increase to share capital.

As at March 31, 2014, the Company had 2.1 million awards outstanding.

Stock Options & Performance Warrants
As at March 31, 2014, the Company had 2.8 million stock options and 0.3 million performance warrants outstanding. The options have a weighted average exercise price of $6.81 per option and the warrants have a weighted average exercise price of $2.33 per warrant. Stock-based compensation expense is the amortization over the vesting period of the fair value of stock options granted to employees, consultants and directors of the Company. Stock options granted under the stock option plan have a term of four years to expiry and performance warrants granted have a term of five years to expiry.

No further stock options and performance warrants will be granted and the outstanding options and warrants will be either exercised or forfeited over the remaining life.

Transaction Costs

	Three months ended March 31,	
($000s)	2014	2013
Total transaction costs	195	-

Transaction costs are the incremental costs incurred related to an acquisition, such as finder's fees, advisory, legal and other professional fees. Transaction costs incurred are mainly attributable to costs incurred for the acquisition of PrivateCo and costs related to non-core asset disposals.

Interest and Financing Expenses

	Three months ended March 31,	
($000s)	2014	2013
Total interest and financing charges	4,778	3,487
$ per boe	2.00	2.20

Interest expense has increased compared to the prior period as a result of higher levels of bank debt from our development capital program and acquisitions, the cost of which exceeded funds from operations. The decrease on a per boe basis was mainly attributed to higher production volumes, which more than offset the absolute increase in interest and fees on bank debt.

Depletion, Depreciation and Amortization

	Three months ended March 31,	
($000s)	2014	2013
Depletion, depreciation and amortization ("DD&A")	53,041	31,938
$ per boe	22.23	20.17

The DD&A rate will fluctuate from one period to the next depending on the amount and type of capital spending and the amount of reserves added. The depletion rate is calculated on proved and probable oil and natural gas reserves, taking into account the future development costs to produce the reserves.

Exploration and Evaluation Asset Expiries

During the three months ended March 31, 2014, $4.0 million of costs associated with expired mineral leases were recognized as an expense compared to the prior period of $0.4 million. The Company added $19.9 million of undeveloped land in connection with the acquisitions completed in the first quarter of 2014.

Taxes

The Company has a deferred income tax expense of $2.2 million for the three months ended March 31, 2014 compared to $2.4 million for the same period in 2013.

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

($000s)	March 31, 2014	December 31, 2013
Undepreciated capital cost	212,915	179,530
Canadian development expense	462,179	353,438
Canadian exploration expense	3,643	4,649
Canadian oil and gas property expense	507,964	513,220
Non-capital loss carry forward	34,126	67,439
Share issue costs	20,583	22,179
Total	1,241,410	1,140,455

Net Income

Net income for the three months ended March 31, 2014 was $4.5 million compared to $5.6 million for the same period in 2013. The decrease to earnings is mainly attributed to unrealized losses on financial instruments, partially offset by increased production volumes.

Funds from Operations and Payout Ratio

Funds from operations and payout ratio are non-GAAP measures. Funds from operations represents cash flow from operating activities adjusted for changes in non-cash working capital, transaction costs and settlement of decommissioning liabilities. Basic payout ratio is calculated as cash dividends divided by funds from operations. The Company considers these to be key measures of performance and indicators of sustainability.

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

	Three months ended March 31,	
($000s)	2014	2013
Cash flow from operating activities	85,790	59,340
Changes in non-cash working capital	14,769	4,747
Settlement of decommissioning liabilities	153	66
Transaction costs	195	-
Funds from operations	100,907	64,153
Dividends declared	34,010	19,510
Dividends declared per share	0.17	0.15
Basic payout ratio	33.7%	30.4%

Dividends are only declared once they are approved by the Company's Board of Directors.

Cash flow from operating activities for the first quarter of 2014 was $85.8 million compared to the cash flow for the first quarter of 2013 of $59.3 million. The increase in 2014 cash flow is mainly attributed to the Company's growth in production volumes, increased commodity prices and lower operating costs, partially offset by realized losses on risk management contracts and increased royalties.

Capital Expenditures

($000s)	Three months ended March 31, 2014	2013
Land and lease	328	2,258
Geological and geophysical	208	104
Drilling and completions net of drilling credits	116,762	66,324
Investment in facilities	12,518	5,340
Capitalized administration	765	560
Development capital	130,581	74,586
Office and other	182	29
Net property acquisitions	4,108	2,139
Corporate acquisitions	397,482	-
Total capital expenditures	532,353	76,754

For the three months ended March 31, 2014, development capital totaled $130.6 million with 99% spent on drilling, completions and facilities.

Whitecap drilled 77 (65.9 net) wells in the first quarter of 2014 with a 100% success rate, including 46 (40.5 net) horizontal Viking oil wells in west central Saskatchewan, 20 (15.8 net) horizontal Cardium oil wells at west central Alberta, 5 (3.9 net) horizontal Dunvegan wells in the Deep Basin area of northwest Alberta, 4 (3.7 net) wells in Fosterton area of south west Saskatchewan and 2 (2.0 net) horizontal Montney oil wells at Valhalla.

Corporate acquisitions

In the first quarter of 2014, the Company closed the acquisition of PrivateCo for consideration of approximately $346.1 million. The Company acquired all of the issued and outstanding common shares of PrivateCo through the issuance of 27.5 million Whitecap common shares and the assumption of PrivateCo's working capital surplus of approximately $3.0 million.

Decommissioning Liability

At March 31, 2014, the Company recorded decommissioning liabilities of $143.8 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 ("AER") effective May 1, 2013. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined.

Capital Resources and Liquidity

Credit Facility

As at March 31, 2014, the Company had a $600 million credit facility with a syndicate of Canadian banks. The credit facility consists of a $375 million revolving production facility, a $25 million revolving operating facility and a $200 million term loan facility. The revolving facilities may be extended for a further 364-day revolving period upon the request of Whitecap, subject to approval by the banks. At the end of the revolving period, being May 29, 2014, the extendible revolving credit facility converts into a 366-day term loan if not renewed. 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 banker's 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. The term loan facility matures on October 3, 2018 and has an effective interest rate of 5.3%.

The credit facility has two financial covenants, whereby the Company's ratio of Debt to EBITDA shall not exceed 4.0:1.0 and the ratio of EBITDA/interest expense shall not be less than 3.5:1.0. 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 shall include bank indebtedness, letters of credit, and distributions declared. As of March 31, 2014, the Company was compliant with all covenants provided

for in the lending agreement. Subsequent to the quarter end, the Company's credit facility was increased to $1 billion, which includes $200 million of five year term debt at an effective interest rate of 4.7%. The next review is scheduled on or before May 29, 2015.

Equity

On April 30, 2013, as part of the Invicta Energy Corp. ("Invicta") acquisition, approximately 4.8 million Whitecap shares were issued to Invicta shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on April 30, 2013 of $10.34 per share.

On May 16, 2013, the Company completed a bought deal finance offering of approximately 9.3 million Whitecap shares at a price of $9.70 per common share for gross proceeds of approximately $90.0 million. The Company also granted the underwriters an over-allotment option, which was exercised for approximately an additional 1.1 million common shares at a price of $9.70 per common share, for additional gross proceeds of $10.8 million. In conjunction with the financing, the Company also agreed to issue approximately 1.9 million common shares on a Canadian Development Expenditures ("CDE") flow-through basis at a price of $10.67 per flow-through common share on a non-brokered, private placement basis for additional gross proceeds of approximately $20.0 million. The gross proceeds from the bought deal financing were used to partially fund the purchase price of the Dodsland property acquisition. The remaining funds required to finance the purchase price of the acquisition were drawn from Whitecap's credit facility.

On July 18, 2013, the Company completed a bought deal finance offering of approximately 17.2 million subscription receipts at a price of $9.90 per subscription receipt for gross proceeds of approximately $170.0 million. The proceeds from the sale of the subscription receipts were held in escrow pending the completion of the Valhalla and Garrington property acquisition. Upon closing of the acquisition on July 31, 2013, each subscription receipt converted to one common share of Whitecap. The gross proceeds from the bought deal financing were used to partially fund the purchase price of the property acquisition. The remaining funds required to finance the purchase price of the acquisition were drawn from Whitecap's credit facility.

On November 13, 2013, the Company closed a bought deal finance offering of approximately 5.4 million Whitecap shares at a price of $12.00 per common share for gross proceeds of approximately $65 million.

On January 6, 2014, as part of the PrivateCo acquisition, approximately 27.5 million Whitecap shares were issued to PrivateCo shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on January 6, 2014 of $12.57 per share.

The Company is authorized to issue an unlimited number of common shares. As at May 6, 2014 there were 244.8 million common shares, 2.6 million stock options, 0.3 million warrants and 2.2 million share awards outstanding.

Liquidity

The Company generally relies on operating cash flows, 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 from operations, existing credit facilities and the ability to access debt and equity markets. Bank debt is classified as a non-current liability. All repayments on the revolving production and operating facilities are due at the term maturity date. Repayment on the term loan facility is due on the term loan maturity date. As none of the facilities mature within the next year, the liabilities are considered to be non-current. The Company generates positive operating cash flow. At March 31, 2014 the Company had $154.0 million of unutilized credit to cover any working capital deficiencies. The Company believes that it is well positioned to take advantage of its internally developed opportunities funded through available credit facilities combined with anticipated funds from operations. Present sources of capital are currently anticipated to be sufficient to satisfy the Company's capital program and dividend payments for the 2014 fiscal year.

Contractual Obligations

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

($000s)	2014	2015	2016	2017+	Total
Operating lease - office building	1,819	2,272	2,259	1,318	7,668
Transportation agreements	2,980	3,962	3,828	10,724	21,494
Total	4,799	6,234	6,087	12,042	29,162

Related Party Transactions

In October 2012, the Company advanced $1.0 million as loans to certain officers and employees, excluding the Chief Executive Officer, to finance the purchase of Whitecap common shares through the facilities of the Toronto Stock Exchange. The loans are non-interest bearing. 50% of the amount of each loan was repaid on April 1, 2014 and the balance is repayable on October 1, 2014. If the employee's employment is terminated for any reason, the full amount of the loan is due and payable within 30 days. Each loan is secured by the common shares acquired with the loan proceeds and Whitecap has full recourse to the other assets of the employee for the amount outstanding.

The Company has retained the law firm of Burnet, Duckworth and Palmer LLP ("BDP") to provide Whitecap with legal services. A director of Whitecap is a partner of this firm. During the three months ended March 31, 2014, the Company incurred $0.4 million for legal fees and disbursements. These amounts have been recorded at the exchange amount. The Company expects to retain the services of BDP from time to time. As of March 31, 2014, no payable balance was outstanding.

Subsequent Events

On May 1, 2014 Whitecap closed the acquisition of certain strategic light oil assets focused primarily in Whitecap's Pembina Cardium / West Central core area, as well as at Boundary Lake in northeast B.C. and the concurrent disposition of certain Nisku natural gas production and related facilities located in the Pembina area to Keyera Corp. ("the Acquisition"). Some of the assets are subject to third party claims, including certain reserves which are subject to rights of first refusal ("ROFRs"). The reserves to which ROFRs apply, together with the corresponding purchase price of $30.2 million, are being held in escrow pending the expiry or exercise of the ROFRs. Taking into consideration customary closing adjustments and the proceeds from the concurrent disposition, Whitecap paid $678.0 million cash on closing of the Acquisition including the funds held in escrow.

Concurrent with the closing of the Acquisition, Whitecap's lenders agreed to increase Whitecap's credit facility to $1 billion from the previous $600 million. As part of the $1 billion credit facility, Whitecap has also entered into an incremental $200 million of five year term debt at an effective interest rate of 4.7%.

Whitecap's Board of Directors has approved an increase in the monthly cash dividend to $0.0625 per share from the current level of $0.0567 per share, effective for the May dividend payable on June 15, 2014.

The Acquisition was partially funded through a bought deal public financing (the "Offering") which closed on April 8, 2014, through a syndicate of underwriters. Pursuant to the Offering, Whitecap issued 44,643,000 subscription receipts at a price of $11.20 per subscription receipt for gross proceeds of approximately $500 million. In accordance with their terms, each subscription receipt was exchanged for one common share on May 1, 2014 upon the closing of the Acquisition and the proceeds from the sale of the subscription receipts were released from escrow.

Off Balance Sheet Arrangements

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

Critical Accounting Estimates

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

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

The Company has hired individuals and consultants who have the skills required to make such estimates and ensures that individuals or departments with the most knowledge of the activity are responsible for the estimates. Further, past estimates are reviewed and compared to actual results, and actual results are compared to budgets in order to make more informed decisions on future estimates.

Business Risks

Whitecap's exploration and production activities are concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different-sized companies. Whitecap is subject to a number of risks that are also common to other organizations involved in the oil and gas industry. Such risks include finding and developing oil and gas reserves at economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, 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 from operations, the Company accesses the equity markets as a source of new capital. In addition, Whitecap utilizes bank financing to support ongoing capital investments, which exposes the Company to fluctuations in interest rates on its bank debt. Funds from operations also provide Whitecap with capital required to grow in its business. Funds from operations also fluctuate with changing commodity prices. Equity and debt capital are subject to market conditions and availability may increase or decrease from time to time.

Environmental Risks

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

Summary of quarterly results

	2014	2013				2012		
($000s, except as noted)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial								
Petroleum and natural gas sales	181,025	122,185	139,350	105,320	100,240	93,896	85,327	69,565
Funds from operations[1]	100,907	66,640	82,332	65,676	64,153	63,588	56,894	40,132
Basic ($/share)	0.51	0.39	0.51	0.47	0.49	0.50	0.45	0.34
Diluted ($/share)	0.50	0.39	0.51	0.46	0.49	0.49	0.44	0.33
Net income (loss)	4,540	(1,469)	16,168	20,143	5,586	7,579	10,678	26,536
Basic ($/share)	0.02	(0.01)	0.10	0.14	0.04	0.06	0.08	0.22
Diluted ($/share)	0.02	(0.01)	0.10	0.14	0.04	0.06	0.08	0.22
Development capital expenditures	130,581	21,988	65,515	27,905	74,586	67,563	74,749	39,667
Property acquisitions (net)	4,108	53,817	199,279	116,585	2,139	(4,977)	(101)	3,087
Corporate acquisitions	397,482	-	-	66,450	-	-	-	523,069
Total assets	2,657,471	2,052,829	2,007,911	1,766,744	1,537,331	1,495,778	1,496,308	1,439,857
Net debt[1]	470,794	401,177	398,578	357,974	360,753	343,994	366,899	347,639
Common shares outstanding (000s)	199,970	172,292	166,635	149,073	130,460	127,900	127,098	127,091
Dividends declared ($/share)	0.17	0.16	0.15	0.15	0.15	-	-	-
Operational								
Average daily production								
Crude oil (bbls/d)	16,653	12,585	12,870	10,912	11,085	10,520	9,672	8,057
NGLs (bbls/d)	2,203	2,159	1,864	1,500	1,319	1,274	1,183	1,073
Natural gas (Mcf/d)	45,913	43,902	40,281	32,983	31,126	31,341	29,642	26,573
Total (boe/d)	26,508	22,061	21,448	17,909	17,592	17,018	15,795	13,559

Note:

(1) Funds from operations and net debt do not have a standardized meaning under GAAP. Refer to non-GAAP measures in this MD&A.

In the past eight consecutive quarters, Whitecap has been able to consistently increase its production volumes through the efficient execution of its capital program as well as completing strategic acquisitions in its core areas. This has resulted in significant growth in funds from operations on an absolute and per share basis.

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

In the first quarter of 2014, the Company closed the acquisition of PrivateCo for consideration of approximately $346.1 million. The Company acquired all of the issued and outstanding common shares of PrivateCo through the issuance of 27.5 million Whitecap common shares and the assumption of PrivateCo's working capital surplus of approximately $3.0 million.

In the fourth quarter of 2013, the Company acquired Cardium light oil assets in its core Garrington operated area and a working interest consolidation of its Eagle Lake Viking unit for total consideration of $90 million and disposed of non-core properties for $36 million.

In the third quarter of 2013, the Company acquired strategic light oil assets located predominantly in its core Valhalla and Garrington operated areas of Alberta for total consideration of $173.6 million.

In the second quarter of 2013, the Company acquired all the issued and outstanding shares of Invicta for an aggregate purchase price of approximately $67.8 million which included $0.2 million payable in cash, assumed debt and working capital surplus of $17.6 million and 4.8 million common shares issued. This acquisition provided a significant increase to the Company's light oil Viking resource play. Additionally, the Company completed the acquisition of an existing Viking light oil waterflood asset in the Dodsland area of west central Saskatchewan for total consideration of $110.0 million.

In the first quarter of 2013, the Company adopted a monthly dividend policy commencing January 2013 with the first dividend payment in February 2013.

In the second quarter of 2012, the Company acquired Midway Energy Ltd. for total consideration of approximately $359.0 million which provided a significant increase to our low risk Cardium drilling inventory.

NON-GAAP MEASURES

This report 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.

"Funds from operations" represents cash flow from operating activities adjusted for changes in non-cash working capital, transaction costs and settlement of decommissioning liabilities. Management considers funds from operations and funds from operations per share to be key measures as they demonstrate Whitecap's ability to generate the cash necessary to pay dividends, repay debt, fund decommissioning liabilities and make capital investments. Management believes that by excluding the temporary impact of changes in non-cash operating working capital, funds from operations 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 from Operations and Payout Ratio" section of this report for the reconciliation of cash flow from operating activities to funds from operations.

"Operating netbacks" are determined by deducting royalties, production expenses and transportation and selling expenses from oil and gas revenue. Operating netbacks are per boe measures used in operational and capital allocation decisions.

"Cash dividends per share" represents cash dividends declared per share by Whitecap.

"Basic payout ratio" is calculated as cash dividends declared divided by funds from operations.

"Net debt" is calculated as bank debt plus working capital deficiency adjusted for deposits on acquisition and risk management contracts.

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

($000s)	March 31, 2014	December 31, 2013
Bank debt	446,044	382,899
Current liabilities	221,262	113,773
Current assets	(84,667)	(66,795)
Deposits on acquisition	(55,400)	-
Risk management contracts	(56,445)	(28,700)
Net debt	470,794	401,177

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 of natural gas to one barrel 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", "strategy", "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; future oil and natural gas prices and differentials; Whitecap's commodity risk management program; the amount of future decommissioning liabilities; future liquidity and financial capacity; future dividends and dividend policy; future costs, 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 tax pools.

The forward-looking information and statements contained in this MD&A reflect several material factors and expectations and assumptions of Whitecap including, without limitation: that Whitecap will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty and regulatory regimes; the accuracy of the estimates of Whitecap's reserve and resource volumes; the impact of increasing competition; the general stability of the economic and political environment in which Whitecap operates; the ability of Whitecap to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate 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 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, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Whitecap's public disclosure documents (including, without limitation, those risks identified in this MD&A) and may be accessed through the SEDAR website (www.sedar.com).

The forward-looking information and statements contained in this MD&A speak only as of the date of this MD&A, and 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.