2011 ANNUAL REPORT

BUILDING **VALUE** THROUGH OUR **DEDICATED** TEAM

WHITECAP RESOURCES INC

CORPORATE PROFILE

Whitecap Resources Inc. ("Whitecap" or the "Company") is focused on the acquisition, development, optimization and production of crude oil in Western Canada. We have an enviable suite of oil-weighted, long reserve life assets with significant un-booked upside and development well inventory in addition to a strong balance sheet.

CONTENTS

1	FINANCIAL AND OPERATING HIGHLIGHTS
2	THE WHITECAP TEAM
3	OUR FOCUS, OUR ACHIEVEMENTS
4	MESSAGE TO SHAREHOLDERS
6	REVIEW OF OPERATIONS
11	MANAGEMENT'S DISCUSSION & ANALYSIS
25	MANAGEMENT'S REPORT
26	INDEPENDENT AUDITORS' REPORT
27	FINANCIAL STATEMENTS
31	NOTES TO FINANCIAL STATEMENTS
58	OUR WHITECAP MANAGEMENT TEAM
IBC	CORPORATE INFORMATION & ABBREVIATIONS

CORPORATE HISTORY

DECEMBER 15, 2011 — **Announced the acquisition of Compass Petroleum Ltd. for $97.8 million**
Entrance into Viking oil resource play

APRIL 20, 2011 — **Acquired Spry Energy Ltd. for $223 million**
Significantly expands presence in the Cardium oil resource play

JANUARY 14, 2011 — **Acquired partner interest in Valhalla North asset for $25 million**
Provides for oil production and reserve growth in core asset

OCTOBER 18, 2010 — **Graduated to the Toronto Stock Exchange**

JULY 12, 2010 — **Acquired Onyx 2006 Inc. for $52 million**
Entrance into Pembina horizontal Cardium oil play

JUNE 25, 2010 — **Going public transaction through reverse takeover of Spitfire Energy Ltd.**
Acquired Fosterton oil pool in southwest Saskatchewan

SEPTEMBER 17, 2009 — **Acquired Valhalla North asset for $58 million**
Set stage for Whitecap with light oil focus

FINANCIAL AND OPERATING HIGHLIGHTS

Financial *($000s except per share amounts)*	**2011**	**2010**
Petroleum and natural gas revenues	**136,370**	25,991
Funds from operations [1]	**87,163**	11,260
Per share basic	**1.38**	0.49
Per share diluted	**1.34**	0.48
Net Income (loss)	**25,512**	(8,321)
Per share basic	**0.40**	(0.36)
Per share diluted	**0.39**	(0.36)
Development capital expenditures	**140,384**	41,003
Corporate and property acquisitions (cash consideration)	**213,037**	69,548
Bank debt and working capital [2]	**158,811**	29,545
Operating		
Production		
Crude oil *(bbls/d)*	**3,279**	631
NGLs *(bbls/d)*	**309**	112
Natural gas *(Mcf/d)*	**12,417**	4,141
Total *(boe/d)*	**5,657**	1,433
Average realized price		
Crude oil *($/bbl)*	**92.32**	74.89
NGLs *($/bbl)*	**70.84**	56.95
Natural gas *($/Mcf)*	**3.84**	4.24
Total *($/boe)*	**66.04**	49.68
Netback *($/boe)*		
Petroleum and natural gas revenue	**66.04**	49.68
Other income	**0.51**	0.64
Royalties	**(7.93)**	(7.44)
Operating expenses	**(11.91)**	(12.73)
Transportation expenses	**(1.97)**	(1.65)
Operating netback prior to hedging	**44.74**	28.50
Realized hedging gain	**1.23**	1.04
Operating netback	**45.97**	29.54
Total wells drilled	**60.0**	17.0
Working interest wells	**47.7**	10.6
Success rate	**100%**	100%
Undeveloped land holdings *(acres)*		
Gross	**98,770**	66,973
Net	**70,014**	46,228
Common shares, end of period *(000s)*	**72,191**	41,826
Weighted average shares *(000s)*	**63,009**	23,162

Notes:
(1) Funds from operations is a Non-GAAP measure. Refer to the Non-GAPP measures in this annual report.
(2) Excludes risk management contracts.

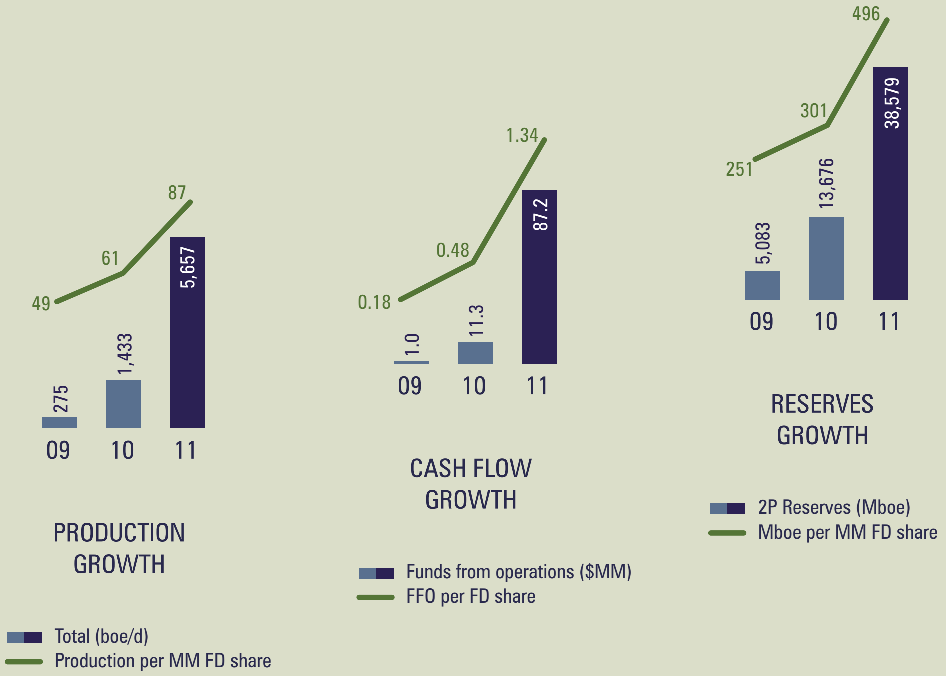
THE WHITECAP TEAM

BUILDING VALUE THROUGH OUR DEDICATED TEAM

LEFT TO RIGHT

Back row:	*Ray Chow, Travis Tweit, Jeff Zdunich, Andy Bullock, Brian Hepburn, Scott Genoway, Gary Lebsack, Matt Breadner, Pete Beskas*
4th row:	*Dave Mombourquette, Joel Armstrong, Carolyn Quantz, Tracy Wolchyn, Brendan Cathery, Dan Christensen, Grant Fagerheim, Aaron Rodatz*
3rd row:	*Jacquie LePage, Cathy Strange, Yoeun Sreng, Chris Fic, Darin Dunlop, Raf Premji, Neal Alexander*
2nd row:	*Thanh Kang, Donna Cathery, Sabryna Lagacé, Jolee Widmer, Jackie Paré, Melissa Nero*
Front row:	*Tanya Tarvyd, Barb Blumell, Lizz Phan, Leanne Wik, Linda Coates*
Absent:	*Pete Bresee, Bruce Gawalko, Lauri Jacobson, Erica McDonald, Jesse Neudorf, Craig Simmers, Todd Tews, Kyle Wik, Greg Yee, Margaret Ziroff*

OUR FOCUS, OUR ACHIEVEMENTS



PER SHARE GROWTH IN PRODUCTION, CASH FLOW AND RESERVES

MESSAGE TO SHAREHOLDERS

YEAR IN REVIEW

Our 2011 year was once again a very successful and rewarding one for our shareholders. We continued to demonstrate our ability to generate per share growth in production, cash flow, reserves and net asset value while increasing our exposure to light oil assets and growth projects for the future. Whitecap's achievements over the past year are a direct result of the commitment, focus and dedication of our valued employees, their ability to acquire and develop valuable light oil assets and their determination to generate considerable growth from our entire asset base.

We began the 2011 year geographically focused in three light oil regions of Western Canada: the Peace River Arch area in northwestern Alberta principally concentrating on the Montney Sexsmith oil waterflood asset at Valhalla North, the east Pembina area of west central Alberta growing our horizontal Cardium oil potential, and in the Fosterton area of southwest Saskatchewan developing the Roseray and Cantuar formations.

From an operational perspective we increased our activity markedly over the 17 (10.6 net) wells drilled in 2010 with the drilling of 60 (47.7 net) wells in 2011, of which 100 percent were successful. We drilled 37 (31.8 net) horizontal multi-fracture light oil Cardium wells in west Central Alberta, 15 (9.5 net) wells at Valhalla North of which 7 (3.5 net) were a continuation of our Montney Sexsmith waterflood program, and 6 (5.2 net) developing the Roseray and Cantuar light oil formations in the Fosterton area of southwest Saskatchewan. We spent a total of $139.3 million of development capital during the year providing significant organic growth from our development drilling program.

Our acquisition initiatives for 2011 included consolidating our working interests and expanding on our existing assets in our core operating areas as well as identifying larger strategic acquisitions with large oil in place and significant growth potential. We closed numerous complementary asset purchases and were successful in two significant corporate acquisitions in 2011. On April 20, 2011 we closed the acquisition of Spry Energy Ltd. which significantly expanded our horizontal Cardium oil production base and drilling inventory for organic growth. Also, on December 15, 2011, we announced the corporate acquisition of Compass Petroleum Ltd. which provides us with continuing growth opportunities in a fourth core oil growth area and a strong footprint into the Dodsland, Saskatchewan Viking horizontal oil resource play for continued growth. These acquisitions have provided Whitecap with a substantial inventory of development and exploitation upside activity for the future.

We provide for you below a summary of our 2011 highlights:

Highlights

- *Grew average production 288 percent from 2,014 boe/d in the fourth quarter of 2010 to 7,806 boe/d in the fourth quarter of 2011 through strategic oil-weighted acquisitions and internally generated organic growth. On a fully diluted per share basis, this represents an increase of 78 percent.*

- *Achieved 2011 average annual production of over 5,600 boe/d, a 295 percent increase on an absolute basis and a 41 percent increase per fully diluted share, over our 2010 average annual production of 1,433 boe/d.*

- *Our 2011 exit production rate was 8,500 boe/d (67 percent oil and NGLs) compared to 3,200 boe/d for 2010 (60 percent oil and NGLs), a 166 percent increase resulting from a combination of strategic acquisitions and an active second half drilling program.*

- *Generated funds from operations of $87.2 million on an operating netback of $45.97/boe in 2011 compared to funds from operations of $11.3 million and an operating netback of $29.54/boe in the prior year.*

- *Increased proved plus probable reserves by 182 percent to 38.6 MMboe (72 percent oil, 3 percent NGLs) and proved reserves by 210 percent to 25.6 MMboe (72 percent oil, 4 percent NGLs). On a per fully diluted share basis, increased proved plus probable reserves by 65 percent and proved reserves by 81 percent.*

- *Achieved finding, development and acquisition ("FD&A") costs of $14.97 per proved plus probable boe and $20.77 per proven boe, excluding changes in future development costs. FD&A costs were $20.80 per proved plus probable boe and $27.90 per proven boe, including changes in future development costs.*

- *Generated an FD&A recycle ratio of 3.1 times on proved plus probable reserves based on our 2011 operating netback of $45.97/boe.*

- *Successfully closed the Spry acquisition which significantly increased our presence in the Pembina Cardium light oil resource play.*

- *Invested $139.3 million in field expenditures consisting of $107.5 million for drilling and completing 60 (47.7 net) wells with a 100 percent success rate, $26.8 million invested in facilities and $5.0 million for land and seismic.*

- *Increased our de-risked oil development drilling inventory 277 percent from 180 to 679 wells.*

LOOKING AHEAD

We anticipate that our business plan going forward in 2012 will be a continuation of the strategy that we have employed in both 2010 and 2011, targeting high netback light oil growth assets with large oil resource-in-place where horizontal multi-stage fracture technology and secondary recovery methods can be applied to increase resource recovery factors.

Our disciplined approach to growth will remain focused on providing strong per share growth in cash flow, production, reserves and net asset value while using a prudent and responsible level of debt to provide optimal value creation for our shareholders.

We expect to experience moderately improving economic conditions worldwide that bode well for the oil levered energy producers specifically in western Canada. Although we anticipate there to be volatility in the crude oil price complex we do expect oil prices to remain strong throughout the year. We are also of the opinion that the Canadian dollar will remain strong relative to the US currency and that interest rates will remain at the current low levels until a more progressive economic outlook is attained.

The challenge for the producing energy sector is to be ever efficient with its capital and operating expenditures and we believe that with the current low natural gas price environment we are experiencing, services will be available and the cost of these services will remain in check throughout 2012. We at Whitecap are committed to overcoming new and future challenges that may present themselves and are confident in our abilities to deliver strong operational and financial per share results for our Whitecap shareholders in 2012 and into the future.

In closing, I would like to express my complete gratitude to our valued employees and contractors for their commitment and dedication, to our Board of Directors for their guidance and support, and to our shareholders for their belief in our abilities. We remain optimistic and enthused about the future of Whitecap!

On behalf of the Board,

GRANT FAGERHEIM
PRESIDENT AND CHIEF EXECUTIVE OFFICER

March 20, 2012

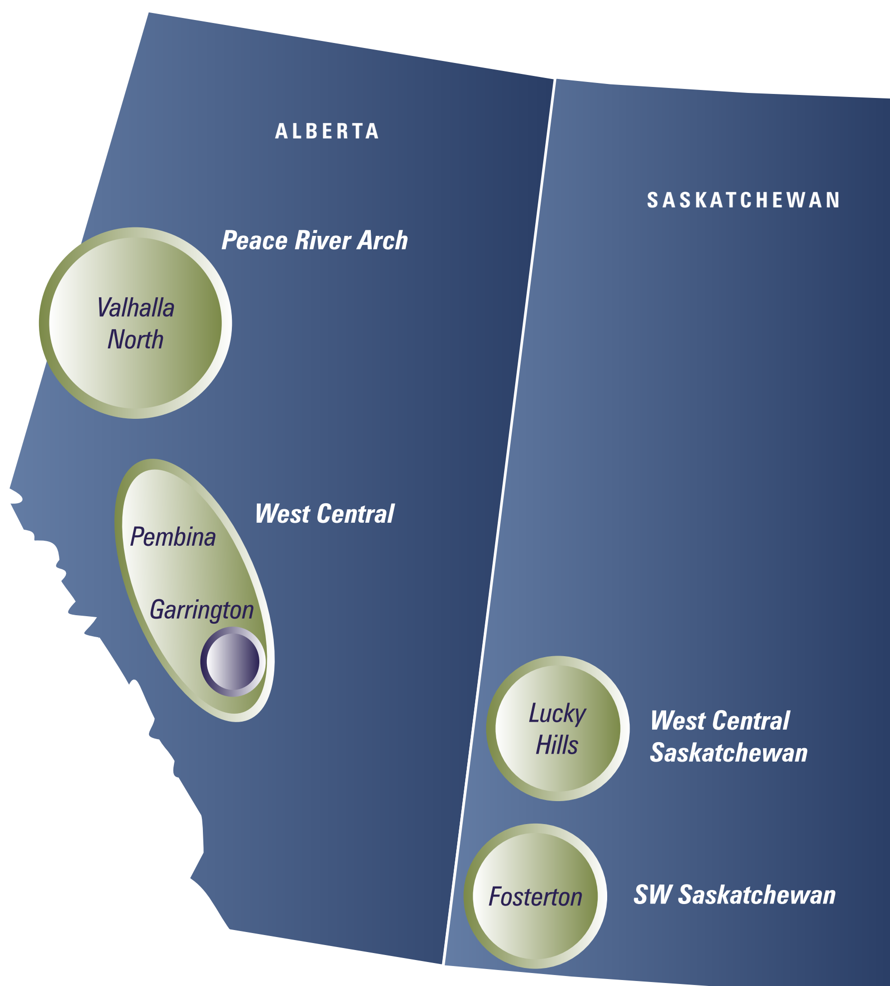
REVIEW OF OPERATIONS

OVERVIEW

In 2011 Whitecap continued to execute on our strategy of entering and expanding on scalable and repeatable resource type plays early in their development life cycle. Our targeted entry point is early enough in the play's life cycle that we can benefit from economic efficiencies but late enough that the early stage economic risk has been removed.

Whitecap uses an aggressive but disciplined approach to acquisitions, ensuring that the acquired assets provide a strong foundation for organic growth through the drill bit. We evaluate many opportunities large and small, but only transact when we are convinced that they will add value to Whitecap. In 2011 we completed one corporate acquisition, announced our entry into the Viking light oil resource play, completed several tuck-in acquisitions and drilled 60 wells (47.7net) with a 100 percent success rate.

The combination of acquisitions and organic growth resulted in 2011 year end proved reserves of 25.6 MMboe and proved plus probable reserves of 38.6 MMboe, which is an annual growth of 210 percent and 182 percent respectively. In addition to growth in reserves, we correspondingly grew our annual average production by 295 percent from 1,433 boe/d in 2010 to 5,657 boe/d in 2011. These reserves do not include the reserves from our recently completed acquisition of Compass Petroleum Ltd. ("Compass") and the recently announced acquisition of Midway Energy Ltd. ("Midway").



ENHANCED DEVELOPMENT OF OUR LEGACY POOLS

Peace River Arch - Montney oil

The Valhalla North property is located in the Peace River Arch area of Alberta and is characterized by shallow declines and a predictable production base. The primary reservoir that Whitecap is currently focused on is the Montney Sexsmith oil pool and associated waterflood. The key characteristics of the pool are light 36° API oil, homogeneous reservoir quality and no original moveable water formation.

In 2011 Whitecap undertook a major expansion of the waterflood from both area and water injection perspectives. By the end of the first quarter of 2012 the area under waterflood will have increased by 63 percent (from 2.5 sections to 4) and the number of water injectors by 240 percent (from 5 to 17). In conjunction with the waterflood expansion six horizontal multi-frac production wells were drilled targeting the Sexsmith pool in 2011.

In addition to the Montney Sexsmith, Whitecap has also initiated development of other oil reservoirs in the Peace River Arch region including the Doe Creek and Middle Montney.

SW Saskatchewan - Roseray and Cantuar Oil

This project is located at Fosterton in Southwest Saskatchewan and consists of Roseray and Cantuar oil pools. The key characteristics of these pools include medium 22° API oil, stable and predictable low decline production profile and consistent and repeatable economics.

In 2011 we initiated a low risk facility expansion and enhanced recovery optimization projects to increase production and resource recoveries in these pools. A full field review was conducted which culminated with the kick-off of a phase 1 facility expansion which will be completed in Q2 2012. This phase 1 facility expansion will double the fluid handling capacity of the Fosterton facilities.

PRIMARY DEVELOPMENT OF OUR OIL RESOURCE PLAYS

West Central Alberta (WCAB) - Cardium Oil

Our Cardium producing areas are located in East Pembina, South Pembina and the Willesden Green area of West Central Alberta. The key characteristics of the Cardium in WCAB are light 40° API oil with geology and oil resource mapping that is well defined with legacy vertical wells. There is no significant mobile formation water in the Cardium which leads to stable and predictable low decline production profiles.

This is an early stage resource play being developed with horizontal multi-frac technology where advances in this technology have been and will continue to increase productivity and decrease costs. In the medium-term, continued development of this resource and the associated production history will provide the framework for significant reserve increases as industries' confidence in the performance of the Cardium horizontal wells matures. In 2011 Whitecap drilled 37 (31.8 net) Cardium horizontal multi-frac wells and has 77 Cardium horizontal wells on production at year end 2011.

Current development is based on the assumption of drilling four horizontal wells per section. Initial well results combined with reservoir evaluation and simulation indicates that this may be optimally increased to up to eight wells per section in some areas. In addition we have initiated a reservoir study to evaluate the effectiveness of waterflooding the Cardium to increase recovery of the oil resource. Whitecap anticipates construction of a waterflood pilot in 2012 to evaluate this technology on its Cardium lands.

In early 2012, Whitecap entered into a transaction to acquire a high quality, high netback light oil asset, in the Garrington area of Alberta with a focus on the Cardium formation. These Cardium assets are analogous to Whitecap's existing horizontal development operations in the East Pembina Cardium play and have significant growth and upside potential. When the acquisition closes in mid-April 2012, the Garrington Cardium will complement our Cardium portfolio of opportunities with its robust and consistent economic returns. In addition, the majority of wells are pipeline connected to operated batteries and central sales lines which will provide the opportunity to reduce operating costs and increase netbacks.

West Central Saskatchewan - Viking Oil

In February 2012, Whitecap added a high working interest, high netback light Viking oil asset located in the Dodsland/Kindersley area of West Central Saskatchewan. It is a new light oil resource area for Whitecap, which Whitecap believes has excellent upside and growth potential. Historically the development of the “legacy” Viking oil pools around the Dodsland/Kindersley area has utilized conventional vertical wells. As a result of the advancement of horizontal multi-frac technology, expansion of the Viking oil development away from the “legacy” pools has taken place with over 850 Viking horizontal wells drilled and producing in the area since 2009. The Viking sandstone wells are drilled to 500 - 700 meters in vertical depth with equivalent horizontal lengths. Whitecap believes that this expansion is very similar, economically and technically, to the expansion of the West Central Alberta Pembina Cardium development into the “unconventional halo”.

There is potential to increase well density from the current standard of 8 horizontal wells per section to 16 which would add a significant amount of development locations to our inventory. There are several successful pilots in place that have de-risked this opportunity. There is also secondary recovery/waterflood potential as the lands are offset by several successful analogous Viking waterflood developments.

TOTAL UPSIDE POTENTIAL

Current gross DOIIP under management prior to the Compass acquisition and the Midway acquisition in early 2012 are 622 MMbbls of which the booked recovery factor is less than 6 percent at December 31, 2011. Based on reduced well spacing and / or secondary recoveries we believe the average expected ultimate recovery is 24 percent or net incremental reserves of 70.8 MMboes to Whitecap.

Post the Compass and Midway acquisition, gross DOIIP is estimated to be 1,378 MMbbls of which less than 6 percent has been booked to date. Based on reduced well spacing and / or secondary recoveries we believe the average expected ultimate recovery is 22.5 percent or net incremental reserves of 161 MMboes to Whitecap.

References to “DOIIP” in this document means Discovered Oil Initially In Place and is defined as quantity of hydrocarbons that are estimated to be in place within a known accumulation. There is no certainty that it will be economically viable or technically feasible to produce any portion of this DOIIP except those identified as proved or probable reserves[(1)].

Land Holdings

As at December 31, 2011, Whitecap's land base was 142,437 net acres with an average working interest of 60 percent. Of this total, 70,014 net acres were undeveloped. Our land holdings translate into a total oil inventory of 1,168 (717 net) drilling locations of which 679 (426 net) locations have been de-risked.

Reserves

McDaniel & Associates Consultants Ltd. ("McDaniel"), an independent petroleum engineering firm, has evaluated the crude oil, natural gas and natural gas liquids reserves of the Company effective December 31, 2011 and prepared a reserves report in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and the Canadian Oil and Gas Evaluation Handbook. Full and complete disclosure information as required by NI 51-101 can be referenced in the Company's Annual Information Form ("AIF").

McDaniel based its evaluation on land data, well and geological information, reservoir studies, estimates of on-stream dates, contract information, operating cost data, capital budgets and future operating plans provided by the Company, information obtained from public records and McDaniel's internal non-confidential files and commodity price forecast. The Reserves Committee, with the mandate of reviewing the independent engineering report, recommended the acceptance of the McDaniel's reserve estimates and it has been approved by the Board of Directors for the purposes of the Annual Report and AIF.

Summary of Reserves

Company Gross Reserves [2][3]	Natural Gas *(MMcf)*	Crude Oil *(MMbbls)*	NGLs *(Mbbls)*	2011 Boe Equivalent *(Mboe)*
Proved producing	25,469	10,152	658	15,055
Proved non-producing	2,920	530	63	1,080
Undeveloped	8,617	7,821	234	9,490
Total proved	37,006	18,503	955	25,625
Probable	19,802	9,164	489	12,954
Total proved plus probable	56,808	27,667	1,444	38,579

Summary of Before Tax Net Present Value of Reserves (Escalated Pricing)

As at December 31, 2011 [3][4][5]	**BEFORE TAX NET PRESENT VALUE** *($million)*			
Description	**Undiscounted**	**5%**	**10%**	**15%**
Proved producing	684,580	509,419	408,491	344,061
Proved non-producing	35,840	29,140	24,661	21,487
Undeveloped	359,908	197,703	119,196	74,266
Total proved [2]	1,080,328	736,262	552,348	439,814
Probable	650,202	281,020	153,799	96,733
Total proved plus probable	1,730,530	1,017,282	706,146	536,546

Reserve Reconciliation *(Mboe)* [2][3]	**Proved**	**Probable**	**Proved + Probable**
Opening balance January 1, 2010	8,257.3	5,419.1	13,676.4
Exploration and development additions	7,370.4	4,462.2	11,827.7
Revisions	2,215.0	(455.0)	1,191.9
Acquisitions	9,885.9	4,109.4	13,995.3
Dispositions	(11.8)	(13.5)	(25.3)
Production	(2,091.7)	–	(2,091.7)
Closing balance January 1, 2011	25,625.2	13,522.2	38,579.3

Performance ratios [6][7][8]	Total Proved	Proved + Probable
F&D and FD&A costs [6][7]		
2011 Capital expenditures *(000s)*		
Development	139,311	139,311
Net acquisitions [9]	264,373	264,373
Change in FDC	138,654	157,288
2011 Reserves additions *(Mboe)*		
Development and revisions	9,550	12,970
Net acquisitions	9,890	14,000
2011 F&D costs ***($/boe)***		
Excluding FDC	14.59	10.74
Including FDC	24.13	17.83
2011 FD&A costs ***($/boe)***		
Excluding FDC	20.77	14.97
Including FDC	27.90	20.80
Recycle ratio [9]		
Using average 2011 operating netback of $45.97 (including change in FDC)	1.6	2.2
Using average 2011 operating netback of $45.97 (excluding change in FDC)	2.2	3.1
Reserve life index ***(years)*** [10]		
Q4 2011 average production - 7,806 boe/d	9.0	13.5
Reserve replacement ratio		
2011 production - 5,657 boe/d	942%	1,307%

Notes:

(1) Gross MMBbls of Oil (Before working interest applied)[i]

	Discovered Oil Initially In Place [ii]	Cumulative Production	Reserves [iii]	Contingent Resources [ii][iv]	Discovered Unrecoverable Oil Originally In Place [ii]
Whitecap pre acquisitions	622.2	12.0	39.0	107.4	463.8
Whitecap post acquisitions	1,377.5	13.1	59.6	235.6	1,069.0

(i) This table is considered effective as of December 31, 2011.
(ii) There is no certainty that it will be commercially viable to produce any portion of the resources.
(iii) Reserves in this table are proved plus probable or P(50) from the McDaniel's reserves report effective December 31, 2011.
(iv) Contingent resources in this table are conserved to be "Best Estimate" P(50) with no additional "risk" applied.

(2) Gross Company reserves are the Company's total working interest share before the deduction of any royalties and without including any royalty interests of the Company.
(3) Based on McDaniel's January 1, 2012 escalated price forecast.
(4) It should not be assumed that the present worth of estimated future cash flow presented in the tables above represents the fair market value of the reserves. There is no assurance that the forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of Whitecap's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquids reserves may be greater than or less than the estimates provided herein.
(5) All future net revenues are stated prior to provision for interest, general and administrative expenses and after deduction of royalties, operating costs and estimated future capital expenditures. Future net revenues have been presented on a before tax basis. Estimated values of future net revenue disclosed herein do not represent fair market value.
(6) Finding and development costs both including and excluding acquisitions and dispositions have been presented above. While NI 51-101 requires that the effects of acquisitions and dispositions be excluded, FD&A costs have been presented because acquisitions and dispositions can have a significant impact on the Company's ongoing reserve replacement costs and excluding these amounts could result in an inaccurate portrayal of the Company's cost structure.
(7) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserves additions for that year.
(8) The capital expenditures include the announced purchase price of corporate acquisitions rather than the amounts allocated to property, plant and equipment for accounting purposes. The capital expenditures also exclude capitalized administration costs and transaction costs.
(9) The recycle ratio is calculated by dividing the field netback per boe by the FD&A costs for the period.
(10) The reserve life index is calculated by dividing the reserves (in Mboe) in each category by the annualized Q4 2011 production rate in boe/year.

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 March 20, 2012 and should be read in conjunction with the Company's audited annual financial statements and related notes for the year ended December 31, 2011.

The accompanying annual financial statements of Whitecap have been prepared by management and approved by the Company's Board of Directors. On January 1, 2011, Whitecap adopted International Financial Reporting Standards ("IFRS") for financial reporting purposes, using a transition date of January 1, 2010. The financial statements for the year ended December 31, 2011, including required comparative information, have been prepared in accordance with International Financial Reporting Standards 1, *First-time Adoption of International Financial Reporting Standards* as issued by the International Accounting Standards Board ("IASB"). Previously, the Company prepared its annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Comparative information has been prepared in accordance with IFRS. These financial statements have been prepared in accordance with IFRS in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company and additional information related to the transition to IFRS are set out in Notes 2 and 21 to the audited annual financial statements for the year ended December 31, 2011.

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

DESCRIPTION OF BUSINESS

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

On June 25, 2010, the Company completed the reverse takeover of Spitfire Energy Ltd. ("Spitfire") which provided for (i) a recapitalization of the Company through a private placement; (ii) the appointment of a new management team and a new board of directors; and (iii) the acquisition of an oil-weighted asset base in southwest Saskatchewan.

On July 1, 2010, Spitfire amalgamated with its wholly-owned subsidiary Whitecap Resources Inc. and changed its name to Whitecap Resources Inc. The comparative financial statements of the Company for the year ended December 31, 2010 include the operating results of Whitecap prior to the reverse takeover and the results of the combined entities after June 25, 2010.

2011 FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Year ended December 31,	
	2011	**2010**
Crude oil *(bbls/d)*	**3,279**	631
NGLs *(bbls/d)*	**309**	112
Natural gas *(Mcf/d)*	**12,417**	4,141
Total *(boe/d)*	**5,657**	1,433
Production split *(%)*		
Crude oil and NGL	**63**	52
Natural gas	**37**	48
Total	**100**	100

Production averaged 5,657 boe/d in 2011 compared to 1,433 boe/d in 2010, an increase of 295 percent. The increase in production is mainly attributed to our increased presence in the Cardium light oil resource play through the acquisition of Spry Energy Ltd. ("Spry") in April 2011 and the organic growth we have achieved on our existing and acquired assets. The fourth quarter 2011 production volumes increased 288 percent to 7,806 boe/d compared to 2,014 boe/d in the prior period. The Company continues to focus its capital spending on light oil opportunities and has been successful in increasing its crude oil and NGL weighting to 63 percent of total production compared to 52 percent in the prior year.

Revenue

A breakdown of revenue is as follows:

	Year ended December 31,	
($000s)	**2011**	**2010**
Crude oil	**110,922**	17,254
NGLs	**8,004**	2,325
Natural gas	**17,444**	6,412
Total commodity revenue	**136,370**	25,991
Other revenue	**1,062**	336
Total	**137,432**	26,327

Total revenues increased over five times to $137.4 million in 2011 from $26.3 million in 2010. Fourth quarter 2011 total revenue was $48.0 million compared to $10.0 million for the same period in the prior year. Higher revenues in 2011 were a result of increased production volumes and higher realized prices for crude oil and NGLs compared to the prior year, partially offset by lower realized natural gas prices and a stronger Canadian dollar.

Average benchmark and realized prices are as follows:

	Year ended December 31,	
	2011	**2010**
Benchmark prices		
WTI *(US$/bbl)* [1]	**94.97**	79.45
US$/C$ foreign exchange rate	**0.99**	1.03
WTI *(C$/bbl)*	**93.85**	81.22
AECO natural gas *($/Mcf)* [2]	**3.62**	4.00
Average realized prices [3]		
Crude oil *($/bbl)*	**92.32**	74.89
NGLs *($/bbl)*	**70.84**	56.95
Natural gas *($/Mcf)*	**3.84**	4.24
Combined *($/boe)*	**66.04**	49.68

Notes:

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

(2) Represents the AECO daily posting.

(3) Prior to hedging gains and losses.

2011 continued the upward trend in oil prices. WTI oil prices averaged US$94.97 per barrel in 2011, 20 percent higher than in 2010, but saw significant variability as concerns over the European debt crisis caused prices to fluctuate with a high of US$113.93 per barrel and a low of US$75.67 per barrel.

Natural gas prices continued to weaken in 2011 and were driven by elevated supply due to shale gas production and weak winter demand resulting from an unusually warm winter. The AECO daily spot price averaged $3.84/mcf in 2011 compared to $4.24/mcf in 2010. The Company's natural gas commands 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 protect acquisition economics as necessary. The total gain on risk management contracts was $2.7 million for 2011, which includes $0.2 million of non-cash gains.

At December 31, 2011, the following risk management contracts were outstanding:

Financial WTI Crude Oil Derivative Contracts [1]

Term	Volume (bbl/d)	Average Swap Price ($/bbl)	Average Collar Bought Put Price ($/bbl)	Average Collar Sold Call Price ($/bbl)	Index
2012 Jan to Jun [2][3]	2,600	98.36	–	–	C$WTI
2012 Jul to Dec	1,000	102.50	–	–	C$WTI
2012 Jan to Jun [4][5]	750	–	82.00	107.40	C$WTI
2012 Jul to Dec [6]	600	–	80.00	108.00	C$WTI

Financial Power Derivative Contracts

Term	Volume (MWh)	Average Swap Price ($/MWh)	Index
2012 Jan to Dec	2,196	65.00	AESO

Interest Rate Contracts

Term	Amount C$($000s)	Fixed Rate (%)	Index
2012 Jan to Oct	90,000	1.02	CDOR

Subsequent to December 31, 2011, the Company entered into the following risk management contracts:

Financial WTI Crude Oil Derivative Contracts [1]

Term	Volume (bbl/d)	Average Swap Price ($/bbl)	Average Collar Bought Put Price ($/bbl)	Average Collar Sold Call Price ($/bbl)	Index
2012 Feb to Dec [7]	700	100.60	–	–	C$WTI
2012 Jul to Dec	1,000	105.76	–	–	C$WTI
2013 Jan to Jun	1,000	104.45	–	–	C$WTI
2013 Jul to Dec	500	106.38	–	–	C$WTI

Financial Natural Gas Derivative Contracts [1]

Term	Volume (GJ/d)	Average Swap Price ($/GJ)	Index
2012 Feb to Oct [7]	500	4.02	AECO
2012 Jan to Dec	4,575	2.77	AECO
2013 Jan to Dec	2,500	2.77	AECO

Notes:

(1) The volumes and prices reported are the weighted average volumes and prices for the period.

(2) The counterparty has the option on June 29, 2012 to extend the risk management contract to December 31, 2012 at C$91.00 WTI for 200 bbl/d.

(3) The counterparty has the option on June 29, 2012 to extend to December 31, 2012 at C$96.25 WTI.

(4) Between the period of January to March, for monthly settlements at or above the ceiling price of $105.00/bbl, 600 bbl/d of volume will be settled for that month at an average price of $92.50/bbl.

(5) Between the period of January to June, for monthly settlements at or above the ceiling price of $108.00/bbl, 1,200 bbl/d of volume will be settled for that month at an average price of $94.00/bbl.

(6) Between the period of July to December, for monthly settlements at or above the ceiling price of $108.00/bbl, 1,200 bbl/d of volume will be settled for that month at an average price of $94.00/bbl.

(7) Acquired from the Compass Petroleum Ltd. acquisition. (See subsequent events section below)

Whitecap's risk management strategy is to transact with creditworthy counterparties to provide downside protection and minimize the price cap on its product. The Company has approval to hedge up to 65 percent of its most recent quarter's average daily production, net of royalties.

Operating Netbacks

The components of operating netbacks are shown below:

Netbacks *($/boe)*	Twelve months ended December 31, 2011	2010
Total commodity revenue	**66.04**	49.68
Other income	**0.51**	0.64
Royalties	**(7.93)**	(7.44)
Operating expenses	**(11.91)**	(12.73)
Transportation expenses	**(1.97)**	(1.65)
Operating netbacks prior to hedging	**44.74**	28.50
Realized hedging gain (loss)	**1.23**	1.04
Operating netbacks[(1)]	**45.97**	29.54

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

For the twelve months ended December 31, 2011, royalties as a percentage of revenue were 12 percent compared to 15 percent in the prior year. Fourth quarter 2011 royalty rate was 10 percent compared to 15 percent in the same period in 2010. The decrease in the royalty rate was a result of new production from the Company's horizontal wells which qualified for the five percent royalty holiday under the Government of Alberta royalty framework. The horizontal wells targeting the Montney Sexsmith pool at Peace River Arch qualify for the five percent royalty rate on up to 70,000 to 80,000 boe and for a maximum of 30 to 36 months depending on measured depth drilled. In West Central Alberta, the horizontal wells drilled qualify for the five percent royalty rate on up to 60,000 boe and for a maximum of 24 months.

Operating costs in 2011 decreased 7 percent to $11.91 per boe compared to $12.73 per boe in the prior period due mainly to increased throughput in the current year. Fourth quarter 2011 operating costs decreased 32 percent to $12.02 per boe compared to $17.64 in the comparable period in 2010 due to a combination of a one-time 13th month adjustment in 2010 which resulted in higher operating costs in addition to higher throughput in 2011.

In 2011, the operating netback increased 56 percent to $45.97 per boe compared to $29.54 per boe in the prior period. Fourth quarter operating netbacks were $48.93 per boe in 2011 compared to $27.63 per boe in the fourth quarter of 2010. The increase is due to growth in high netback crude oil production and higher crude oil and NGL prices.

General and Administrative ("G&A")

($000s)	Twelve months ended December 31, 2011	2010
G&A - gross	**7,512**	4,516
Overhead recoveries	**(2,850)**	(1,343)
Capitalized	**(1,073)**	(794)
G&A - cash	**3,589**	2,379
G&A - cash *($/boe)*	**1.74**	4.55
Stock-based compensation	**2,620**	7,930
Capitalized stock-based compensation	**(737)**	(1,144)
	1,883	6,786
Total G&A	**5,472**	9,165

Cash G&A per boe decreased to $1.74/boe in 2011 compared to $4.55/boe in 2010. The decrease was mainly attributed to higher production volumes which more than offset the absolute increase in G&A.

Option-based Awards

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 warrants granted have a term of five years to expiry. The fair value of all options granted is estimated at the grant date using the Black-Scholes option pricing model.

All performance warrants met their vesting requirements in 2010.

As at December 31, 2011, the Company had 3.9 million stock options and 1.6 million performance warrants outstanding. The options and warrants were issued at an average exercise price of $4.59 per option and $2.50 per warrant. Stock-based compensation expense of $2.6 million for the twelve months ended December 31, 2011 has been recognized with the offsetting amount recorded in contributed surplus.

Transaction Costs

	Twelve months ended December 31,	
($000s)	**2011**	**2010**
Total transaction costs	**1,386**	1,465

As a result of adopting IFRS 3 - "Business Combinations" effective January 1, 2010, the Company records transaction costs as general and administrative expenses. Transaction costs are costs related to finder's fees, advisory, legal and other professional fees. Transaction costs incurred in 2011 were related to costs incurred for the acquisition of Spry Energy Ltd. Transaction costs incurred in 2010 relate to costs related the reverse take-over of Spitfire Energy Ltd. and the transaction costs of the Onyx 2006 Inc. acquisition.

Interest and Financing Expenses

	Twelve months ended December 31,	
($000s)	**2011**	**2010**
Interest and fees on bank debt	**4,180**	1,068
Interest on debentures	**–**	747
Cash interest	**4,180**	1,815
Cash interest *($/boe)*	**2.02**	3.47
Non-cash interest expense	**–**	169
Non-cash accretion expense	**434**	142
Non cash interest	**434**	311
Total interest and financing charges	**4,614**	2,126

Interest expense has increased compared to the prior period as a result of higher levels of bank debt from our 2011 development capital program and acquisitions, the cost of which exceeded funds from operations.

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

	Twelve months ended December 31,	
($000s)	**2011**	**2010**
Depletion, depreciation and amortization	**48,976**	9,771
Per boe	**23.72**	18.68

The DD&A rate will fluctuate from one period to the next depending on the amount and type of capital spending and the amount of reserves added. The depletion rate is calculated on proved and probable oil and natural gas reserves, taking into account the future development costs to produce the reserves. The increase to the DD&A rate is mainly attributed to the cost of the acquired reserves in 2011 as well as higher future development costs relative to the initial reserve assignments.

Taxes

The Company has a deferred income tax expense of $9.2 million for the twelve months ended December 31, 2011.

The following deductions are available for deferred income tax purposes:

($000s)	**December 31, 2011**	**December 31, 2010**
Undepreciated capital cost	**89,770**	26,288
Canadian development expense	**125,779**	30,824
Canadian exploration expense	**11,331**	6,062
Canadian oil and gas property expense	**103,274**	49,510
Non-capital loss carry forward	**33,796**	25,687
Share issue costs	**10,894**	5,056
Total	**374,844**	143,427

Cash Flow and Net Loss

Cash flow from operating activities for 2011 was $79.0 million compared to prior year cash flow of $5.6 million. Fourth quarter 2011 cash flow from operating activities was $27.5 million compared to $3.5 million in the fourth quarter of 2010. The significant increase in cash flow is a result of the Company's growth in production volumes, the increase in prices received for crude oil and the related revenue generated.

Net income for the year ended was $25.5 million compared to a net loss of $8.3 million in of 2010. Fourth quarter 2011 net income was $3.2 million compared to a loss of $4.1 million in the fourth quarter of 2010. The significant improvement to earnings in 2011 is mainly attributed to increased production volumes and higher cash netbacks received.

Capital Expenditures

	Twelve months ended December 31,	
($000s)	**2011**	**2010**
Land and lease	**4,284**	916
Geological and geophysical	**717**	352
Drilling and completions net of drilling credits	**107,517**	32,321
Investment in facilities	**26,793**	6,648
Capitalized administration	**1,073**	766
Development capital	**140,384**	41,003
Office and other	**74**	127
Net property acquisitions	**41,373**	12,039
Corporate acquisitions (cash-based)	**171,664**	57,509
Total capital expenditures	**353,495**	110,678

For the year ended December 31, 2011, capital expenditures, excluding acquisitions, totaled $140.4 million with approximately 96 percent spent on drilling, completions and facilities.

West Central Alberta
In 2011 Whitecap continued to increase its presence in the Cardium light oil resource play with the acquisition of Spry and by drilling 37 (31.8 net) horizontal multi-fracture light oil wells with a 100 percent success rate. Whitecap was active throughout East Pembina, Willesden Green and Ferrier. We continue to maintain two drilling rigs to drill Cardium horizontal wells in 2012.

Peace River Arch
Whitecap realized cost and productivity improvements in 2011 with the continued development of the Montney Sexsmith light oil play. 7 (3.5 net) multi-fracture oil wells were drilled and 6 (3.0 net) wells were placed on production prior to year end. Whitecap also initiated a significant expansion of the Montney Sexsmith waterflood which is designed to improve oil recoveries.

Whitecap drilled an additional 8 (6.0 net) wells including 5 shallow light oil wells, 2 water source wells, and an exploratory well.

Saskatchewan
Whitecap drilled 6 (5.2 net) wells in 2011 developing the Roseray, Cantuar and Success medium gravity oil horizons. A major battery and water injection expansion is underway with a significant production increase anticipated for mid 2012. An additional 2 (1.2 net) wells were drilled in southeast Saskatchewan.

Acquisitions
On April 20, 2011, the Company closed the acquisition of Spry for $130.9 million in cash and the issuance of an aggregate of 8.2 million common shares.

In 2011, the Company completed various property acquisitions for $43.9 million which included the $25 million acquisition of a partner working interest to create equal ownership in the Valhalla pool at Peace River Arch. The company disposed of various non-core properties for $2.5 million in 2011.

Decommissioning Liability

At December 31, 2011, the Company recorded decommissioning liabilities of $23.3 million for future abandonment and reclamation of the Company's properties. Included in the decommissioning liability balance is $2.8 million related to liabilities incurred, $12.9 million related to liabilities acquired from corporate and property acquisitions, accretion of $0.4 million and revisions to estimates of $1.1 million. Estimates are based on both operational knowledge of the properties and industry guidance provided by the ERCB. The estimates are reviewed quarterly and adjusted as new information regarding the liability is determined.

Capital Resources and Liquidity

Credit Facility
As at December 31, 2011, the Company had a $190 million 364-day revolving credit facility with a syndicate of Canadian banks. The facility is available on a revolving basis for a period until May 31, 2012 and then for a further year under the term out provisions. Such initial term out date may be extended for further 364-day periods at the request of the Company, subject to approval by the banks. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances. The applicable margin charged by the bank is dependent upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The credit facilities are secured by a fixed and floating charge debenture on the assets of the Company. As of December 31, 2011, the Company was compliant with all covenants provided for in the lending agreement. The borrowing base is subject to a semi-annual review by the bank with the next review scheduled on or before May 31, 2012.

Equity
On March 29, 2011, the Company completed a bought deal public offering of 20.0 million subscription receipts at a price of $6.80 per subscription receipt for gross proceeds of $136.0 million. On April 8, 2011, the over-allotment option associated with the bought deal public offering was exercised by the underwriters resulting in an additional 2.0 million subscription receipts issued at a price of $6.80 for gross proceeds of $13.6 million. Concurrent with the closing of the Spry acquisition, the outstanding subscription receipts were exchanged for common shares of Whitecap effective April 20, 2011.

The Company is authorized to issue an unlimited number of common shares. As at March 20, 2012 there were 89.0 million common shares, 4.2 million stock options and 1.6 million warrants outstanding.

Liquidity
The Company generally relies on operating cash flows, equity issuances and its credit facility to fund its capital requirements and provide liquidity. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds from operations, existing credit facilities and the ability to access debt and equity markets. Bank debt is classified as a long-term liability as it is a revolving facility with no expected repayment requirements for the next year. The Company generates positive operating cash flow. At December 31, 2011 the Company had $31.2 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 sufficient to satisfy the Company's capital program for the remainder of the 2012 fiscal year.

Contractual Obligations

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

($000s)	**2012**	**2013**	**2014**	**2015+**	**Total**
Operating lease - office building	991	972	972	2,423	5,358

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.

Subsequent Events

A. Acquisition of Compass Petroleum Ltd. ("Compass")
On February 10, 2012, Whitecap completed the acquisition of Compass for consideration of $14.0 million in cash and the issuance of an aggregate of 10.9 million common shares of Whitecap.

In connection with the Compass acquisition, the borrowing base under Whitecap's syndicated credit facility has been increased from $190 million to $250 million. The next borrowing base re-determination is schedule on or prior to May 31, 2012.

B. Acquisition of Midway Energy Ltd. ("Midway")
On February 28, 2012, Whitecap and Midway announced that they have entered into an arrangement agreement (the "Arrangement Agreement") providing for the acquisition by Whitecap of all the issued and outstanding common shares of Midway (the "Transaction"). Midway is a light oil weighted public company with its primary operations located in the Garrington area of Alberta where the majority of its production and reserves are focused in the Cardium formation. Under the terms of the Transaction, Midway shareholders shall receive, for each Midway common share held, at the election of the holder: i) $4.85 cash; or ii) 0.4802 of a Whitecap common share (a "Whitecap Share"); or iii) a combination of cash and Whitecap Shares, subject in each case to a maximum. The maximum aggregate cash amount payable to Midway shareholders shall be approximately $111.2 million and the maximum number of Whitecap Shares to be issued to Midway shareholders shall be approximately 33.5 million Whitecap Shares. Whitecap will also assume the debt of Midway, estimated at $100.8 million, after taking into account anticipated option proceeds and transaction and severance costs, as at February 28, 2012.

The Transaction will be funded in part through a $120.0 million bought deal financing which closed on March 19, 2012. The financing is structured whereby the underwriters have agreed to purchase for resale to the public, on a bought deal basis, 5,941,000 units of Whitecap (the "Units") at a price of $20.20 per Unit to raise gross proceeds of approximately $120.0 million. Each Unit is comprised of one Whitecap Share at a price of $10.10 per Whitecap share and one subscription receipt of Whitecap ("Subscription Receipt") at a price of $10.10 per subscription receipt. The gross proceeds from the sale of Subscription Receipts will be held in escrow pending the completion of the Transaction. If the Transaction is completed on or before May 15, 2012, or such later date as may be agreed to by the Underwriters, the net proceeds from the sale of the Subscription Receipts will be released to Whitecap and each Subscription Receipt will be exchanged for one Whitecap Share for no additional consideration. If the Transaction is not completed by Whitecap on or before May 15, 2012, and the Underwriters have not agreed to extend such date, or the Arrangement Agreement is terminated at an earlier time, then the purchase price for the Subscription Receipts shall be returned to subscribers, together with a pro rata portion of the interest accrued on the subscription funds attributable to the Subscription Receipts. Whitecap has also granted the Underwriters an over-allotment option exercisable at any time on, or for a period of 30 days following the closing of the Offering, to acquire an additional 891,150 Units to cover over-allotments, if any, and for market stabilization purposes, at the Offering Price, for additional aggregate gross proceeds of up to $18.0 million. If the Over-Allotment Option is fully exercised, gross proceeds from the Offering will be approximately $138.0 million. The net proceeds of the Offering will be used to fund the cash component of the Transaction payable by Whitecap pursuant to the Arrangement Agreement, to fund capital expenditures and for general corporate purposes.

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.

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have designed, or caused to be designed under their supervision, disclosure controls and procedures as defined in National Instrument 52-109 of the Canadian Securities Administrators, to provide reasonable assurance that: (i) material information relating to the Company is made known to the CEO and the CFO by others, particularly during the period in which the interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

The CEO and the CFO have evaluated the effectiveness of Whitecap's disclosure controls and procedures as at December 31, 2011 and have concluded that such disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

The CEO and the CFO have designed, or caused to be designed under their supervision, internal controls over financial reporting as defined in National Instrument 52-109 of the Canadian Securities Administrators, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company is required to disclose any change in the Company's internal controls over financial reporting that occurred during the period from January 1, 2011 to December 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting. No material changes were identified during this period.

The CEO and the CFO have evaluated the effectiveness of Whitecap's internal controls over financial reporting as at December 31, 2011 and have concluded that such internal controls over financial reporting are effective. Due to its inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation relating to the effectiveness in future periods are subject to the risk that controls may become inadequate as a result of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Business Risks

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

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

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

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

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

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

Environmental Risks

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

Summary of Quarterly Results ("unaudited")

	2011				2010 - IFRS Comparatives			
($000s, except as noted)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial								
Total commodity revenue	47,482	38,372	34,271	16,245	9,746	7,778	3,999	4,468
Funds from operations [1]	32,962	26,059	19,857	8,285	3,554	3,868	1,840	1,988
Basic *($/share)*	0.46	0.36	0.28	0.20	0.11	0.12	0.05	0.11
Diluted *($/share)*	0.44	0.35	0.28	0.19	0.10	0.12	0.05	0.11
Net income (loss)	3,228	10,063	12,170	51	(4,117)	(3,537)	(1,199)	532
Basic *($/share)*	0.04	0.14	0.19	0.00	(0.12)	(0.12)	(0.08)	0.03
Diluted *($/share)*	0.04	0.14	0.18	0.00	(0.12)	(0.12)	(0.07)	0.03
Development capital expenditures	54,839	44,694	19,156	21,695	15,875	14,332	7,094	3,716
Net property acquisitions	(136)	6,405	9,947	25,177	8,728	1,424	303	1,584
Corporate acquisitions (cash-based)	–	–	171,664	–	–	49,608	7,900	–
Total assets	641,671	593,930	550,497	255,626	211,893	188,598	111,169	65,495
Bank debt and working capital [2]	158,811	137,045	111,888	71,680	29,545	46,674	21,014	13,574
Common shares outstanding *(000s)* [3]	72,191	72,168	72,162	41,828	41,826	31,448	22,259	15,333
Operational								
Average daily production								
Crude oil *(bbls/d)*	4,474	3,805	3,155	1,645	973	861	343	337
NGLs *(bbls/d)*	474	355	223	181	145	121	89	94
Natural gas *(Mcf/d)*	17,150	13,951	11,770	6,666	5,379	4,828	3,192	3,131
Total *(boe/d)*	7,806	6,485	5,339	2,937	2,014	1,787	964	953

Notes:

(1) Funds from operations are a non-GAAP measure. Refer to the Non-GAAP Measures section of the annual report.

(2) Excludes risk management contracts.

(3) Reflects the 8.33 share exchange and 10 to 1 share consolidation.

In the second quarter of 2010, the Company completed the reverse takeover of Spitfire whereby each shareholder of Whitecap received 8.33 common shares of Spitfire in exchange for each Whitecap share. On July 1, 2010, Spitfire amalgamated with its wholly-owned subsidiary Whitecap Resources Inc. and changed its name to Whitecap Resources Inc.

In the third quarter of 2010, the Company completed the acquisition of Onyx 2006 Inc. ("Onyx") for consideration of approximately $52.0 million. In connection with the acquisition of Onyx, Whitecap completed a bought deal finance offering of 8.9 million subscription receipts at $4.50 per subscription receipt for total gross proceeds of $40.1 million. The subscription receipts were exchanged for common shares effective July 30, 2010, in accordance with their terms.

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

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

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

NON-GAAP MEASURES

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

	Twelve months ended December 31,	
($000s)	**2011**	**2010**
Cash flow from operating activities	**79,008**	5,635
Changes in non-cash working capital	**6,702**	4,160
Transaction costs	**1,386**	1,465
Settlement of decommissioning liabilities	**67**	–
Funds from operations	**87,163**	11,260

FORWARD-LOOKING INFORMATION AND STATEMENTS

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

The forward-looking information and statements contained in this annual report 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; certain commodity price and other cost assumptions; and the continued availability of adequate debt and equity financing and cash flow to fund its planned expenditures; Whitecap believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this annual report are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements including, without limitation: changes in commodity prices; changes in the demand for or supply of Whitecap's products; unanticipated operating results or production declines; changes in tax or environmental laws, royalty rates or other regulatory matters; changes in development plans of Whitecap or by third party operators of Whitecap's properties, 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 annual report).

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

MANAGEMENT'S REPORT

Management is responsible for the integrity and objectivity of the information contained in this annual report and for the consistency between the financial statements and other financial operating data contained elsewhere in the report. The accompanying financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada using estimates and careful judgment, particularly in those circumstances where transactions affecting a current period are dependent upon future events. The accompanying financial statements have been prepared using policies and procedures established by management and reflect fairly the Company's financial position, results of operations and cash flow, within reasonable limits of materiality and within the framework of the accounting policies as outlined in the notes to the financial statements.

Management has established and maintained a system of internal control which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and the financial information is reliable and accurate. The Audit Committee of the Board of Directors has reviewed in detail the financial statements with management and the external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

GRANT B. FAGERHEIM
PRESIDENT AND CEO

THANH KANG
VICE PRESIDENT FINANCE AND CFO

March 20, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Whitecap Resources Inc.

We have audited the accompanying financial statements of Whitecap Resources Inc. which comprise the balance sheet as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of comprehensive income and loss, changes in equity, and cash flows for the years ended December 31, 2011, and December 31, 2010 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Whitecap Resources Inc. as at December 31, 2011, December 31, 2010, and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS
CALGARY, ALBERTA

March 20, 2012

BALANCE SHEET

As at *(CAD $000s)*	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets			
Cash	**13**	10	5
Accounts receivable *[Note 5]*	**32,753**	10,212	1,886
Deposits and prepaid expenses	**1,241**	727	434
Risk management contracts *[Notes 4 & 5]*	**–**	–	24
	34,007	10,949	2,349
Deferred income tax	**–**	–	932
Property, plant and equipment *[Notes 6 & 7]*	**549,161**	191,984	55,293
Exploration and evaluation *[Notes 6 & 8]*	**15,408**	8,960	756
Goodwill *[Notes 6 & 9]*	**43,095**	–	–
	641,671	211,893	59,330
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	**62,014**	22,941	2,060
Risk management contracts *[Notes 4 & 5]*	**5,318**	1,977	–
Bank debt	**–**	17,553	10,580
	67,332	42,471	12,640
Bank debt *[Note 10]*	**130,804**	–	–
Convertible debentures	**–**	–	9,594
Decommissioning liability *[Note 11]*	**23,259**	6,730	2,391
Deferred income tax *[Note 16]*	**39,913**	11,914	–
	261,308	61,115	24,625
Shareholders' equity			
Share capital *[Note 12]*	**354,857**	153,228	36,104
Equity component of debentures	**–**	–	425
Contributed surplus *[Note 12]*	**10,480**	8,036	341
Retained earnings (deficit)	**15,026**	(10,486)	(2,165)
	380,363	150,778	34,705
	641,671	211,893	59,330

Subsequent events *[Note 20]*

See accompanying notes to financial statements.

Approved on behalf of the Board:

STEPHEN C. NIKIFORUK
DIRECTOR

GRANT B. FAGERHEIM
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME AND LOSS

For the years ended December 31

(CAD $000s, except per share amounts)	2011	2010
Revenue		
Petroleum and natural gas sales	136,370	25,991
Royalties	(16,366)	(3,891)
Other income	1,062	336
	121,066	22,436
Gain (loss) on risk management contracts *[Note 5]*	2,745	(1,458)
	123,811	20,978
Expenses		
Operating	24,593	6,659
Transportation	4,078	866
General and administrative *[Notes 13 & 14]*	3,589	2,379
Stock-based compensation *[Note 13]*	1,883	6,786
Transaction costs	1,386	1,465
Interest and financing	4,614	2,126
Depletion, depreciation and amortization *[Notes 7 & 8]*	48,976	9,771
	89,119	30,052
Net income (loss) before income taxes	34,692	(9,074)
Taxes		
Deferred income tax recovery (expense) *[Note 16]*	(9,180)	753
Net income (loss) and other comprehensive income (loss)	25,512	(8,321)
Deficit, beginning of period	(10,486)	(2,165)
Retained earnings (deficit), end of period	15,026	(10,486)
Net income (loss) per share *($/share) [Note 15]*		
Basic	0.40	(0.36)
Diluted	0.39	(0.36)

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(CAD $000s)	**2011**	**2010**
Share capital *[Note 12(b)]*		
Balance, beginning of year	**153,228**	36,104
Reverse takeover bid of Spitfire Energy Ltd. ("Spitfire")	**–**	21,235
Issued for cash through private offering	**–**	7,800
Issued on exercise of options/warrants	**345**	882
Contributed surplus adjustment on exercise of options/warrants	**176**	235
Issued for cash through public prospectus offering	**149,600**	80,415
Issued on the acquisition of Spry Energy Ltd. ("Spry")	**57,596**	–
Convertible debenture	**–**	10,188
Share issue costs, net of deferred income tax	**(6,088)**	(3,631)
Balance, end of period	**354,857**	153,228
Contributed surplus *[Note 12(e)]*		
Balance, beginning of year	**8,036**	341
Option-based awards	**2,620**	7,930
Option/warrant exercises	**(176)**	(235)
Balance, end of period	**10,480**	8,036
Retained earnings (deficit)		
Balance, beginning of year	**(10,486)**	(2,165)
Net income (loss)	**25,512**	(8,321)
Balance, end of period	**15,026**	(10,486)

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

For the years ended December 31

(CAD $000s)	**2011**	2010
Operating activities		
Net income (loss) for the period	**25,512**	(8,321)
Items not affecting cash:		
Depletion, depreciation and amortization	**48,976**	9,771
Deferred income tax expense (recovery)	**9,180**	(753)
Stock-based compensation	**1,883**	6,786
Non-cash financing expense *[Note 11]*	**434**	311
Unrealized (gain) loss on risk management contracts *[Note 5]*	**(208)**	2,001
Settlement of decommissioning liabilities *[Note 11]*	**(67)**	–
	85,710	9,795
Net change in non-cash working capital items *[Note 17]*	**(6,702)**	(4,160)
	79,008	5,635
Financing activities		
Increase in bank debt	**113,250**	6,973
Issuance of share capital, net of share issue costs	**141,775**	84,207
	255,025	91,180
Investing activities		
Expenditures on property, plant and equipment	**(140,458)**	(41,130)
Net expenditures on property acquisitions	**(41,373)**	(12,039)
Expenditures on corporate acquisitions *[Note 6]*	**(171,664)**	(57,509)
Net change in non-cash working capital items *[Note 17]*	**19,465**	13,868
	(334,030)	(96,810)
Increase in cash, during the period	**3**	5
Cash, beginning of period	**10**	5
Cash, end of period	**13**	10
Cash interest paid	**4,180**	1,815

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

Whitecap Resources Inc. (also referred to herein as "Whitecap" or "the Company") is an oil and natural gas exploration, development and production company based and incorporated in Calgary, Alberta, Canada. The Company's operations are in Alberta and Saskatchewan. The registered office is located at 500, 222-3rd Avenue SW, Calgary, Alberta, Canada, T2P 0B4.

On June 25, 2010, the Company completed the reverse takeover of Spitfire Energy Ltd. which provided for (i) a recapitalization of the Company through a private placement; (ii) the appointment of a new management team and a new board of directors; (iii) the acquisition of an oil-weighted asset base in southwest Saskatchewan.

On July 1, 2010, Spitfire amalgamated with its wholly-owned subsidiary Whitecap Resources Inc. and changed its name to Whitecap Resources Inc. The comparative financial statements of the Company for the year ended December 31, 2010 include the operating results of Whitecap prior to the reverse takeover and the results of the combined entities after June 25, 2010.

2. BASIS OF PRESENTATION

Statement of Compliance

In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by IASB as at and for the year ended December 31, 2011 including 2010 comparative periods. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The preparation of these annual financial statements resulted in selected changes to Whitecap's accounting policies as compared to those disclosed in the Company's annual audited financial statements for the period ended December 31, 2010 issued under Canadian GAAP. A summary of the significant changes to Whitecap's accounting policies is disclosed in Note 21 along with reconciliations presenting the impact of the transition to IFRS for the comparative periods as at January 1, 2010 and December 31, 2010 and for the year ended December 31, 2010.

The financial statements were authorized for issue by the Board of Directors on March 20, 2012.

Basis of Measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments and share-based transactions which are measured at fair value. The methods used to measure fair values are discussed in Note 4.

Functional and Presentation Currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Use of Estimates and Judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements, and revenues and expenses during the reporting year. Actual results could differ from those estimated.

Oil and natural gas assets are grouped into cash generating units ("CGUs") that have been identified as being the smallest identifiable group of assets that generate cash flows that are independent of cash flows of other assets or groups of assets. The determination of these CGUs was based on management's judgment in regards to shared infrastructure, geographical proximity, commodity type and similar exposure to market risk and materiality.

Estimates of future cash flows used in the calculation of the recoverable amount are based on reserve evaluation reports prepared by independent petroleum reservoir engineers. The recoverable amount is the higher of fair value less cost to sell and the value-in-use. Fair value less cost to sell is derived by estimating the discounted after-tax future net cash flows. Discounted future net cash flows are based on forecasted commodity prices and costs over the expected economic life of the reserves and discounted using market-based rates to reflect a market participant's view of the risks associated with the assets. Value-in-use is assessed using the expected future cash flows discounted at a pre-tax rate.

Management's determination of whether a transaction constitutes a business combination or asset acquisition is determined based on the criteria in IFRS 3.

Amounts recorded for decommissioning costs and the related accretion expense requires the use of estimates with respect to the amount and timing of asset retirements, site remediation and related cash flows, as well as the selection of a risk free discount rate.

The estimated fair values of derivative instruments resulting in financial assets and liabilities, by their very nature, are subject to measurement uncertainty.

Compensation costs accrued for long-term stock-based compensation plans are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model, which is based on significant assumptions such as volatility, forfeiture and expected term.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty.

The impairment calculation is based on estimates of proved plus probable reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

Jointly Controlled Assets and Operations

Substantially all of the Company's exploration and production activities are conducted under joint operating agreements, whereby two or more parties jointly control the assets. These financial statements reflect only the Company's share of these jointly controlled assets and, once production commences, a proportionate share of the relevant revenue and related costs.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired, or when the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Cash, Trade Receivables, Loans and Other Receivables
Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments. Trade receivables, loans and other receivables, which are non-derivative financial assets that have fixed or determinable payment terms and are not quoted in an active market, are classified as loans and receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. The Company's cash, loans and receivables comprise cash and accounts receivable on the balance sheet.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or significant delinquency in payments are considered indicators that a trade receivable is impaired.

Trade Payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Impairment of Financial Assets
At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The amount of the impairment is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of comprehensive income.

Oil and Gas Exploration and Evaluation Expenditures

Oil and gas exploration and evaluation ("E&E") expenditures are accounted for in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources*, whereby costs associated with the exploration for and evaluation of oil and gas reserves are accumulated on an area-by-area basis and are capitalized as either tangible or intangible E&E assets when incurred. Costs incurred in advance of land acquisition are charged to the statement of comprehensive income; however, all other costs, including directly attributable general and administrative costs, are added to E&E assets.

When an area is determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and transferred to property, plant and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue to work in the area, the unrecoverable costs are grouped into DD&A.

No depletion or depreciation is provided for E&E assets.

Property, Plant and Equipment ("PP&E")

PP&E, which includes oil and natural gas development and production assets, represents costs incurred in developing oil and natural gas reserves and maintaining or enhancing production from such reserves. Future decommissioning costs, related to producing assets, are also capitalized to PP&E. PP&E is carried at cost, less accumulated depletion, depreciation and amortization and accumulated impairment losses.

Gains and losses on disposal of PP&E are determined as the difference between proceeds from disposal and the carrying amount of the asset sold and is recognized as other income or other expense in the statement of comprehensive income.

Depletion, Depreciation and Amortization ("DD&A")
The net carrying value of the intangible oil and gas assets is depleted using the unit-of-production method based on estimated proven and probable oil and natural gas reserves, taking into account the future development costs required to produce the reserves.

Proven and probable reserves are determined by independent engineers in accordance with Canadian National Instrument 51-101. Production and reserves of natural gas are converted to equivalent barrels of crude oil on the basis of six thousand cubic feet of gas to one barrel of oil. Changes in estimates used in prior periods, such as proved and probable reserves, that affect the unit-of-production calculations are dealt with on a prospective basis.

Capitalized plant turnarounds and major inspections will be depreciated over a straight-line basis over their estimated useful life. Any remaining costs from a previous turnaround or inspection will be de-recognized. Depreciation rates, useful lives and residual values are reviewed at each reporting date.

Goodwill

The Company records goodwill relating to a business combination when the purchase price exceeds the fair value of the net identifiable assets and liabilities of the acquired business. Goodwill is reported at cost less any impairment and is not amortized. Goodwill impairments are not reversed.

Impairment

The carrying amounts of PP&E are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the estimated recoverable amount is calculated. For the purpose of impairment testing, PP&E assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash flows of other assets or group of assets. The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell ("FVLCTS") and its value in use ("VIU"). FVLCTS is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal or in the case of a lack of comparable transactions, based upon discounted after tax cash flows. VIU is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or cash generating unit. An impairment loss is recognized in the statement of comprehensive income if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, or indicators suggest that the carrying amount exceeds the recoverable amount. E&E assets are tested for impairment immediately prior to costs being transferred to PP&E. Exploration and evaluation assets are tested for impairment at the CGU level by combining E&E assets with PP&E. The recoverable amount is the greater of FVLCTS or VIU. FVLCTS is derived by estimating the discounted after-tax future net cash flows as described in the PP&E impairment test, plus the fair market value of undeveloped land and seismic. VIU is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or cash generating unit. Impairments of E&E assets are reversed when there has been a subsequent increase in the recoverable amount, but only to the extent of what the carrying amount would have been had no impairment been recognized.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses previously recognized are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed to the extent that the asset's new carrying amount does not exceed the original carrying amount, net of related accumulated depletion, depreciation and amortization, if there has been an increase in the estimate of the recoverable amount. An impairment loss in respect of goodwill is not reversed.

Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in net income (loss). Transaction costs associated with a business combination are expensed as incurred

Decommissioning Liability

Decommissioning liabilities include present obligations where the Company will be required to retire tangible long-lived assets. Decommissioning liabilities are measured at the present value of the expenditure expected to be incurred using the relevant risk-free rate. The associated cost is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows, or changes in the discount rate are recognized as a change in the decommissioning liability.

Amortization of decommissioning costs are included in depreciation, depletion and amortization in the statement of comprehensive income. Increases resulting from the passage of time are recorded as financing charges in the statement of comprehensive income.

Actual expenditures incurred are charged against the accumulated decommissioning liability.

Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of assets that require greater than a year to be ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of comprehensive income in the period in which they are incurred.

Option-based Awards

The Company has issued options to acquire common shares to directors, officers, employees and consultants of the Company. These options are accounted for using the fair-value method which estimates the value of the options at the date of the grant using the Black-Scholes option pricing model. The fair value thus established is recognized as compensation expense over the vesting period of the options with an equivalent increase to contributed surplus. Awards which have vested and exercised are equity settled. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

Income Tax

Income tax comprises current and deferred taxes. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in other comprehensive income or elsewhere in shareholders' equity, in which case the related income tax expense or recovery is also recognized directly in other comprehensive income or elsewhere in shareholders' equity.

Current tax expense is the expected cash tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax expense and related liability is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to continue to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Revenue

Revenue from the sale of crude oil, natural gas and natural gas liquids ("NGLs") is recorded when the risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline.

Processing fees charged to other entities for use of facilities owned by the Company are recognized as other income as they accrue in accordance with the terms of the service agreements. Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

Share Capital

Proceeds from the issuance of common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Net Income/Loss Per Share

Net income/loss per share is calculated by dividing the net income for the period by the weighted average number of common shares outstanding during the period.

Diluted net income/loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company's potentially dilutive common shares comprise stock options and warrants granted to employees and directors. The number of shares included with respect to options and warrants is computed using the treasury stock method.

ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Company is currently assessing the impact of these standards and amendments and has not yet determined whether it will early adopt them.

(i) IFRS 9, *Financial Instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

(ii) IFRS 10, *Consolidated Financial Statements*, requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation - Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

(iii) IFRS 11, *Joint Arrangements*, requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

(iv) IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities.

(v) IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

(vi) There have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (IAS 27), and IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 - 13.

(vii) IAS 19, *Employee Benefits*, has been amended to make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The amended standard requires immediate recognition of actuarial gains and losses in other comprehensive income as they arise, without subsequent recycling to net income. Past service cost (which will now include curtailment gains and losses) will no longer be recognized over a service period but instead will be recognized immediately in the period of a plan amendment. Pension benefit cost will be split between (i) the cost of benefits accrued in the current period (service cost) and benefit changes (past-service cost, settlements and curtailments); and (ii) finance expense or income. The finance expense or income component will be calculated based on the net defined benefit asset or liability. A number of other amendments have been made to recognition, measurement and classification including redefining short term and other long-term benefits, guidance on the treatment taxes related to benefit plans, guidance on risk/cost sharing features, and expanded disclosures.

(viii) IAS 1, *Presentation of Financial Statements*, has been amended to require entities to separate items presented in OCI into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

(ix) IFRS 7, *Financial Instruments: Disclosures*, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted.

(x) IAS 12, *Income Taxes*, was amended to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendment, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale when considering the expected manner or recovery or settlement. SIC 21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets*, will no longer apply to investment properties carried at fair value. The amendment also incorporates into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted.

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) *PP&E and E&E assets:*
The fair value of PP&E recognized in a business combination is based on market values. The market value of property, plant and equipment is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in PP&E) and E&E assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports.

(ii) *Cash and cash equivalents, trade and other receivables, bank debt and trade payables:*
The fair value of cash and cash equivalents, trade and other receivables, bank overdraft and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At December 31, 2010 and 2011, the fair value of these balances approximated their carrying value due to their short term to maturity.

(iii) *Derivatives:*
The fair value of forward contracts and swaps is determined by the difference between the contracted prices and published forward price curves as at the balance sheet date, using the remaining contracted oil and natural gas volumes.

(iv) *Stock options:*
The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying value of cash and cash equivalents, trade and other receivables, bank debt and trade and other payables included in the balance sheet approximate fair value due to the short term nature of those instruments or the indexed rate of interest on the bank debt. The fair value measurement of the risk management contracts has a fair value hierarchy of Level 2.

5. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk of financial loss to Whitecap if a partner or counterparty to a product sales contract or financial instrument fails to meet its contractual obligations. Whitecap is exposed to credit risk with respect to its cash, accounts receivable and risk management contracts. Most of Whitecap's accounts receivable relate to oil and natural gas sales and are subject to typical industry credit risks. Whitecap manages this credit risk as follows:

- By entering into sales contracts with only established creditworthy counterparties as verified by a third party rating agency, through internal evaluation or by requiring security such as letters of credit;
- By limiting exposure to any one counterparty; and
- By restricting cash equivalent investments and risk management transactions to counterparties that, at the time of transaction, are not less than investment grade.

The maximum exposure to credit risk is as follows:

	December 31, 2011	**December 31, 2010**
Cash	**13**	10
Accounts receivable	**32,753**	10,212
	32,766	10,222

The majority of the credit exposure on accounts receivable at December 31, 2011 pertains to accrued revenue for December 2011 production volumes. Whitecap transacts with a number of oil and natural gas marketing companies and commodity end users ("commodity purchasers"). Commodity purchasers and marketing companies typically remit amounts to Whitecap by the 25th day of the month following production. Joint interest receivables are typically collected within one to three months following production. At December 31, 2011, no one counterparty accounted for more than 25 percent of the total accounts receivable balance.

Whitecap has not experienced any material credit loss in the collection of receivables during 2011.

When determining whether amounts that are past due are collectable, management assesses the creditworthiness and past payment history of the counterparty, as well as the nature of the past due amount. Whitecap considers all amounts greater than 90 days to be past due. As at December 31, 2011, there was $0.7 million (December 31, 2010 - $0.6 million) of receivables aged over 90 days. Subsequent to December 31, 2011, approximately $0.5 million (December 31, 2010 - $0.5 million) has been collected and the remaining balance is not considered to be a credit risk.

Liquidity Risk

Liquidity risk is the risk that Whitecap will not be able to meet its financial obligations as they become due. Whitecap actively manages its liquidity through cash, debt and equity management strategies. Such strategies include continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, available credit under existing banking arrangements and opportunities to issue additional common shares. Whitecap actively monitors its credit and working capital facilities to ensure that it has sufficient available funds to meet its financial requirements at a reasonable cost. Management believes that future funds generated from these sources will be adequate to settle Whitecap's financial liabilities.

The following table details Whitecap's financial liabilities as at December 31, 2011:

($000s)	< 1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	62,014	–	62,014
Bank debt	–	130,804	130,804
Risk management contracts	5,318	–	5,318
Total financial liabilities	67,332	130,804	198,136

The following table details Whitecap's financial liabilities as at December 31, 2010:

($000s)	< 1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	22,941	–	22,941
Bank debt	17,553	–	17,553
Risk management contracts	1,977	–	1,977
Total financial liabilities	42,471	–	42,471

Market Risk

Commodity Price Risk

The Company's operational results and financial condition are largely dependent on the commodity price received for its oil and natural gas production. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors.

Whitecap manages the risks associated with changes in commodity prices by entering into a variety of risk management contracts. Due to changes in the fair value of risk management contracts in place at December 31, 2011, the Company assesses the effects of movement in commodity prices on net income before tax, with all other variables held constant. When assessing the potential impact of these commodity price changes, the Company believes 10 percent volatility is a reasonable measure. A 10 percent increase in commodity price volatility would result in a negative impact of $16.7 million where as a 10 percent decrease would result in a positive impact of $4.4 million.

At December 31, 2011 the following risk management contracts were outstanding with a mark-to-market liability value of $5.3 million:

Financial WTI Crude Oil Derivative Contracts [1]

Term	Volume *(bbl/d)*	Average Swap Price *($/bbl)*	Average Collar Bought Put Price *($/bbl)*	Average Collar Sold Call Price *($/bbl)*	Index
2012 Jan to Jun [2][3]	2,600	98.36	–	–	C$WTI
2012 Jul to Dec	1,000	102.50	–	–	C$WTI
2012 Jan to Jun [4][5]	750	–	82.00	107.40	C$WTI
2012 Jul to Dec [6]	600	–	80.00	108.00	C$WTI

Financial Power Derivative Contracts

Term	Volume *(MWh)*	Average Swap Price *($/MWh)*	Index
2012 Jan to Dec	2,196	65.00	AESO

Interest Rate Contracts

Term	Amount C$($000s)	Fixed Rate (%)	Index
2012 Jan to Oct	90,000	1.02	CDOR

Subsequent to December 31, 2011, the Company entered into the following risk management contracts:

Financial WTI Crude Oil Derivative Contracts [1]

Term	Volume (bbl/d)	Average Swap Price ($/bbl)	Average Collar Bought Put Price ($/bbl)	Average Collar Sold Call Price ($/bbl)	Index
2012 Feb to Dec [7]	700	100.60	–	–	C$WTI
2012 Jul to Dec	1,000	105.76	–	–	C$WTI
2013 Jan to Jun	1,000	104.45	–	–	C$WTI
2013 Jul to Dec	500	106.38	–	–	C$WTI

Financial Natural Gas Derivative Contracts [1]

Term	Volume (GJ/d)	Average Swap Price ($/GJ)	Index
2012 Feb to Oct [7]	500	4.02	AECO
2012 Jan to Dec	4,575	2.77	AECO
2013 Jan to Dec	2,500	2.77	AECO

Notes:

(1) The volumes and prices reported are the weighted average volumes and prices for the period.

(2) The counterparty has the option on June 29, 2012 to extend the risk management contract to December 31, 2012 at C$91.00 WTI for 200 bbl/d.

(3) The counterparty has the option on June 29, 2012 to extend to December 31, 2012 at C$96.25 WTI.

(4) Between the period of January to March, for monthly settlements at or above the ceiling price of $105.00/bbl, 600 bbl/d of volume will be settled for that month at an average price of $92.50/bbl.

(5) Between the period of January to June, for monthly settlements at or above the ceiling price of $108.00/bbl, 1,200 bbl/d of volume will be settled for that month at an average price of $94.00/bbl.

(6) Between the period of July to December, for monthly settlements at or above the ceiling price of $108.00/bbl, 1,200 bbl/d of volume will be settled for that month at an average price of $94.00/bbl.

(7) Acquired from the Compass Petroleum Ltd. acquisition. (See Note 20)

Interest Rate Risk

The Company is exposed to fluctuations in interest rates on its bank debt. Changes to interest rates would impact the Company's future cash flows. Interest rate risk is mitigated through short-term fixed rate borrowings using banker's acceptances and interest rate swaps. If interest rates applicable to floating rate debt at December 31, 2011 were to have increased by 25 basis points (0.25 percent) it is estimated that the Company's annual cash flows would decrease approximately $0.3 million (2010 - $0.1 million).

When assessing the potential impact of interest rate changes on the Company's interest rate swap, the Company believes one percent interest rate volatility is a reasonable measure.

($000s impact on net income before tax)	1% increase	1% decrease
Interest rate swaps	637	(701)

Foreign Exchange Risk

The Company is exposed to the risk of changes in the Canadian/U.S. dollar exchange rate on sales of commodities that are denominated in U.S. dollars or directly influenced by U.S. dollar benchmark prices.

Capital Management

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company considers its capital structure to include shareholders' equity, bank debt and working capital.

The following is a breakdown of the Company's capital structure:

($000s)	**2011**	**2010**
Current assets	**34,007**	10,949
Current liabilities	**(62,014)**	(22,941)
Working capital deficit (excluding risk management contracts)	**(28,007)**	(11,992)
Bank debt	**130,804**	17,553
Shareholders' equity	**380,363**	150,778

6. ACQUISITIONS

(a) Spry Energy Ltd.

On April 20, 2011, Whitecap acquired all the issued and outstanding shares of Spry for an aggregate purchase price of approximately $232.5 million which included $130.9 million payable in cash, assumed debt and working capital deficit of $44.0 million and 8.2 million common shares issued. The common shares issued were valued using the share price of Whitecap on April 20, 2011.

The transaction closed on April 20, 2011 and had the acquisition been acquired as of January 1, 2011, an additional $8.2 million in revenue net of royalties and $1.5 million in operating expenses would have been recognized. Net income is not readily determinable.

The income or loss relating to Spry since the acquisition date included in the statement of comprehensive income (loss) has not been disclosed separately as it is not readily determinable.

Net assets acquired *($000s)*:	
Working capital deficit	(44,022)
Petroleum and natural gas properties	212,925
Exploration and evaluation assets	6,767
Goodwill	43,095
Risk management liability	(3,549)
Decommissioning liability	(5,821)
Deferred income tax	(20,901)
	188,494
Consideration:	
Issuance of shares	57,596
Cash consideration	130,898
Total consideration	188,494

(b) Property acquisitions

The Company acquired strategic properties and working interests that complement the existing assets in the Peace River Arch area and West Central area of Alberta. The property acquisitions were accounted for as business combinations under IFRS 3. Had the properties been acquired as of January 1, 2011, an additional $3.1 million in revenue net of royalties and $0.4 million in operating expenses would have been recognized. Net income is not readily determinable.

The income or loss relating to the properties acquired since their acquisition dates included in the statement of comprehensive income (loss) has not been disclosed separately as it is not determinable.

Net assets acquired *($000s)*:	
Petroleum and natural gas properties	43,882
Decommissioning liability	(889)
	42,993
Consideration:	
Total cash consideration	42,993

7. PROPERTY, PLANT AND EQUIPMENT

($000s)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Petroleum and natural gas properties	**609,792**	203,713	57,378
Other assets	**353**	279	152
Property, plant and equipment, at cost	**610,145**	203,992	57,530
Less: accumulated depletion, depreciation and amortization	**(60,984)**	(12,008)	(2,237)
Total net carrying amount	**549,161**	191,984	55,293

Cost

($000s)	**Oil and Natural Gas Properties**	**Other Assets**	**Total**
Balance at January 1, 2010	57,378	152	57,530
Acquisitions	97,483	–	97,483
Additions	48,852	127	48,979
Disposals	–	–	–
Balance at December 31, 2010	203,713	279	203,992
Acquisitions	256,806	–	256,806
Additions	151,782	74	151,856
Disposals	(2,509)	–	(2,509)
Balance at December 31, 2011	609,792	353	610,145

Depletion, Depreciation, and Amortization

($000s)	**Oil and Natural Gas Properties**	**Other Assets**	**Total**
Balance at January 1, 2010	2,200	37	2,237
Depletion, depreciation and amortization	9,708	63	9,771
Disposals	–	–	–
Balance at December 31, 2010	11,908	100	12,008
Depletion, depreciation and amortization	48,884	92	48,976
Disposals	–	–	–
Balance at December 31, 2011	60,792	192	60,984

At December 31, 2011, $10.2 million of salvage value (2010 - $2.5 million) was excluded from the depletion calculation. Future development costs of $272.5 million (2010 - $114.7 million) were included in the depletion calculation. The Company capitalized $1.8 million (2010 - $1.7 million) of administrative costs directly relating to development activities which includes $0.7 million (2010 - $1.1 million) of stock-based compensation.

8. EXPLORATION AND EVALUATION

($000s)	December 31, 2011	December 31, 2010	January 1, 2010
Exploration and evaluation assets	**15,408**	8,960	756
Total net carrying amount	**15,408**	8,960	756

($000s)	Undeveloped Land
Balance at January 1, 2010	756
Additions	2,354
Acquisitions	7,163
Disposals / land expiries	(1,313)
Balance at December 31, 2010	8,960
Additions	5,340
Acquisitions	6,767
Disposals / land expiries	(1,004)
Transfers to property, plant and equipment	(4,655)
Balance at December 31, 2011	15,408

E&E assets consist of the Company's exploration projects which are pending the determination of proven or probable reserves. Additions represent the Company's share of costs acquired or incurred on E&E assets during the period.

9. GOODWILL

($000s)	
Balance at January 1, 2010	–
Balance at December 31, 2010	–
Spry acquisition *(Note 6)*	43,095
Balance at December 31, 2011	43,095

10. CREDIT FACILITIES

As at December 31, 2011, the Company had a $190 million 364-day revolving credit facility with a syndicate of Canadian banks. The facility is available on a revolving basis for a period until May 31, 2012 and then for a further year under the term out provisions. Such initial term out date may be extended for further 364-day periods at the request of the Company, subject to approval by the banks. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances. The applicable margin charged by the bank is dependent upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The credit facilities are secured by a fixed and floating charge debenture on the assets of the Company. As of December 31, 2011, the Company was compliant with all covenants provided for in the lending agreement. The borrowing base is subject to a semi-annual review by the bank with the next review scheduled on or before May 31, 2012.

11. DECOMMISSIONING LIABILITY

($000s)	
Balance, January 1, 2010	2,391
Liabilities incurred	339
Liabilities acquired	2,419
Revision in estimates	1,439
Accretion expense	142
Balance, December 31, 2010	6,730
Liabilities incurred	2,764
Liabilities acquired	12,897
Liabilities disposed	(633)
Liabilities settled	(67)
Revision in estimates	1,134
Accretion expense	434
Balance, December 31, 2011	23,259

The Company's decommissioning liability results from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning liability is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The key assumptions, on which the carrying amount of the decommissioning liability is based, include a risk-free rate of 2.4 percent and inflation rate of 2.0 percent. The total undiscounted amount of the estimated cash flows required to settle the obligations was $31.4 million (2010 - $11.6 million). The expected timing of payment of the cash flows required for settling the obligations extends up to 46 years.

12. SHARE CAPITAL

On June 25, 2010, as a result of the reverse takeover of Spitfire, each Whitecap share was exchanged for 8.33 Spitfire shares. On July 1, 2010, Spitfire amalgamated with its wholly-owned subsidiary Whitecap and changed its name to Whitecap Resources Inc. On October 18, 2010, Whitecap consolidated its common shares on a 10 to 1 basis. All figures have been presented as if the 8.33 exchange ratio and 10 to 1 share consolidation occurred on January 1, 2009.

a) Authorized

Unlimited number of common shares without nominal or par value.

b) Issued and Outstanding

(000s)	Shares	$
Balance, January 1, 2010	15,312	36,104
Issued for cash through private offering	21	50
Reverse takeover bid of Spitfire [1]	3,792	21,235
Issued for cash through private offering [1]	3,100	7,750
Option-based awards	329	882
Contributed surplus adjustment on exercise of stock options	–	235
Issued for cash through public prospectus offering [2]	15,800	80,415
Convertible debenture [3]	3,472	10,188
Share issue costs, net of deferred income tax	–	(3,631)
Balance, December 31, 2010	41,826	153,228
Issued on exercise of options/warrants	137	345
Contributed surplus adjustment on exercise of options/warrants	–	176
Issued for cash through public prospectus offering [4]	22,000	149,600
Issued on the acquisition of Spry Energy Ltd. [5]	8,228	57,596
Share issue costs, net of deferred income tax	–	(6,088)
Balance, December 31, 2011	72,191	354,857

(1) On June 25, 2010, the Company completed the reverse takeover of Spitfire whereby each shareholder of Whitecap received 8.33 common shares of Spitfire in exchange for each Whitecap share totaling 15.3 million shares. As part of the reverse takeover, Spitfire also completed a $7.8 million non-brokered private placement (the "Private Placement") of 1.6 million units of Spitfire at a price of $2.50 per unit and 1.5 million common shares at a price of $2.50 per common share. Each unit comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $2.50 for a period of five years. The private placement units and common shares are subject to an 18 month escrow, pursuant to which 25 percent of such security was released from escrow on July 12, 2010 and 25 percent released every six months thereafter. On July 1, 2010, Spitfire amalgamated with its wholly-owned subsidiary Whitecap Resources Inc. and changed its name to Whitecap Resources Inc.

(2) On July 30, 2010, the Company completed a bought deal finance offering of 8.9 million subscription receipts of Whitecap common shares at a price of $4.50 per subscription receipt for total gross proceeds of $40.1 million. Concurrent with the closing of the Onyx acquisition, the outstanding subscription receipts of Whitecap were exchanged for common shares of Whitecap effective July 30, 2010.

On December 22, 2010, the Company completed a bought deal finance offering of 6.9 million subscription receipts of Whitecap common shares at a price of $5.85 per subscription receipt for total gross proceeds of $40.4 million.

(3) On December 7, 2010, the holders of the convertible debenture elected to convert the entire principal amount outstanding into approximately 3.5 million common shares.

(4) On April 20, 2011, the Company completed a bought deal finance offering of 20.0 million subscription receipts of Whitecap common shares at a price of $6.80 per subscription receipt for total gross proceeds of $136.0 million and granted the underwriters an option to subscribe for an additional 2.0 million subscription receipts at a price of $6.80 per subscription receipt within 30 days of the close of the offering. Concurrent with the closing of the Spry acquisition, the over-allotment option was exercised, and all of the outstanding subscription receipts of Whitecap were exchanged for common shares of Whitecap effective April 20, 2011.

(5) As part of the Spry acquisition an additional 8.2 million Whitecap shares were issued to Spry shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on April 20, 2011.

c) Option-based Awards

Under the Stock Option Plan, the Board of Directors may grant to any director, officer, employee or consultant, options to acquire common shares of the Company. Stock options granted under the stock option plan have a term of four years to expiry. Vesting is determined by the Company's Board of Directors. Currently, all of the options granted vest equally over a three year period commencing on the first anniversary date of the grant. Each stock option granted permits the holder to purchase one common share of the Company at the stated exercise price.

(000s except per share amounts)	**Number of Options**	**Weighted Average Exercise Price** *($)*
Balance, January 1, 2010	1,393	2.40
Granted	760	3.55
Acquired [(1)]	276	2.75
Exercised	(329)	2.68
Expired [(1)]	(3)	5.58
Forfeited	(83)	2.40
Balance, December 31, 2010	2,014	2.82
Granted	2,121	6.15
Exercised	(134)	2.52
Forfeited	(77)	5.08
Balance, December 31, 2011	3,924	4.59

(1) Pursuant to the reverse takeover transaction, all outstanding Spitfire options vested upon the close of the transaction and all unexercised options in the period expired on September 24, 2010 in accordance with the Spitfire option agreement.

Exercise Price *($)*	**Number Outstanding**	**Weighted Average Remaining Contractual Life** *(years)*	**Weighted Average Exercise Price** *($/share)*	**Number Exercisable**	**Weighted Average Exercise Price** *($/share)*
2.40 - 2.99	1,185	1.7	2.40	739	2.40
3.00 - 4.49	417	2.4	3.00	139	3.00
4.50 - 7.00	2,322	3.3	5.99	75	4.64
2.40 - 7.00	3,924	2.7	4.59	953	2.66

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants in the period is as follows:

	2011	**2010**
Risk-free interest rate	**1.7%**	2.2%
Expected life *(year)*	**4**	4
Expected volatility	**51%**	65%
Expected dividend yield	**–**	–
Forfeiture rate	**3.4%**	–
Fair value *($/option)*	**$3.13**	$1.79

d) Warrants

On June 25, 2010, performance warrants were granted to certain employees in conjunction with the reverse take-over of Spitfire. A total of 1.6 million performance warrants were issued, entitling the holders thereof to purchase one common share at a price of $2.50 for a period of 5 years following the date of issuance. The performance warrants will vest and become exercisable as to one-third upon the 20 day weighted average trading price of the common shares (the "Trading Price") equaling or exceeding $4.00, an additional one-third upon the Trading Price equaling or exceeding $5.00 and a final one-third upon the Trading Price equaling or exceeding $6.00. The performance warrants are measured at their fair value on the date of grant and recognized as an expense over a two year vesting period. All performance warrants met their vesting requirements in 2010.

Pursuant to the reverse take-over of Spitfire, Whitecap assumed 130,000 warrants outstanding for Spitfire shares which entitled each holder to purchase one Spitfire common share at a price of $11.50 per Spitfire share. These warrants expired August 1, 2010 in accordance with the warrant agreement.

(000s except per share amounts)	**Number of Warrants**	**Weighted Average Exercise Price** *($)*
Balance, January 1, 2010	–	–
Granted	1,600	2.50
Acquired	130	11.50
Expired	(130)	(11.50)
Balance, December 31, 2010	1,600	2.50
Exercised	(3)	2.50
Balance, December 31, 2011	1,597	2.50

Exercise Price *($)*	**Number Outstanding**	**Weighted Average Remaining Contractual Life** *(years)*	**Weighted Average Exercise Price** *($/share)*	**Number Exercisable**	**Weighted Average Exercise Price** *($/share)*
2.50	1,597	3.5	2.50	1,597	2.50

The fair value of each warrant granted was estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

Risk-free interest rate	2.20%
Expected life *(years)*	5
Expected volatility	65%
Weighted average fair value *($/warrant)*	$4.08

e) Contributed Surplus

($000s)	
Balance, January 1, 2010	341
Stock-based compensation - options	1,407
Stock-based compensation - warrants	6,523
Option exercises	(235)
Balance, December 31, 2010	8,036
Stock-based compensation - options	2,620
Option exercises	(163)
Warrant exercises	(13)
Balance, December 31, 2011	10,480

13. EXECUTIVE COMPENSATION

	Twelve months ended December 31,	
($000s)	**2011**	**2010**
Salaries and bonuses	**1,411**	950
Stock-based compensation	**888**	5,672
	2,299	6,622

Executive compensation relates to amounts paid in salary expense and non cash compensation to the seven officers and seven directors of the Company.

14. EXPENSES BY NATURE

($000s)	Twelve months ended December 31, 2011	2010
Salaries and benefits	**4,160**	1,993
Professional services	**1,183**	635
Building leases	**946**	811
Other	**1,223**	1,077
Overhead recoveries	**(2,850)**	(1,343)
Capitalized salaries	**(1,073)**	(794)
	3,589	2,379

15. PER SHARE RESULTS

(000s except per share amounts)	Twelve months ended December 31, 2011	2010 (1)
Per share income (loss)		
Basic	**0.40**	(0.36)
Diluted	**0.39**	(0.36)
Weighted average shares outstanding		
Basic	**63,009**	23,162
Diluted	**65,007**	23,676

(1) Prior period comparatives have been restated to reflect the 8.33 exchange ratio and 10 to 1 share consolidation.

16. INCOME TAXES

Income taxes for the years ended December 31, 2011 and 2010 are as follows:

Deferred tax:

($000s)	2011	2010
Origination and reversal of timing differences	**(9,180)**	753
Income tax recovery (expense)	**(9,180)**	753

The tax on the Company's profit before tax differs from the amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

($000s)	Twelve months ended December 31, 2011	2010
Profit before tax at statutory rate	**(9,228)**	2,552
Increase (decrease) resulting from		
Change in statutory rate and other	**549**	523
Non-deductible stock based compensation	**(501)**	(1,909)
Non-deductible transaction costs	**–**	(413)
Income tax recovery (expense)	**(9,180)**	753

The weighted average applicable tax rate was 26.6 percent (2010 - 28.1 percent).

The analysis of deferred tax assets and deferred tax liabilities is as follows:

($000s)	**December 31, 2011**	**December 31, 2010**
Deferred tax assets		
To be recovered after more than 12 months	**(18,521)**	(9,973)
To be recovered within 12 months	**–**	–
Deferred tax liabilities		
To be recovered after more than 12 months	**58,434**	21,887
To be recovered within 12 months	**–**	–
Deferred tax liability (net)	**39,913**	11,914

Deferred Tax Liabilities / (Assets)

($000s)	**Capital Assets in Excess of Tax Value**	**Risk Management Asset / (Liability)**	**Decomissioning Liability**	**Non-capital Loss Carry Forward**	**Share Issue Costs**	**Total**
At January 1, 2010	1,339	7	(597)	(1,492)	(189)	(932)
Charged / (credited) to the income statement	2,598	(533)	(36)	(2,953)	171	(753)
Charged / (credited) directly to equity	–	–	–	–	(1,246)	(1,246)
Corporate acquisition	17,226	–	(333)	(2,015)	(25)	14,853
Other	723	–	(731)	–	–	(8)
At December 31, 2010	21,886	(526)	(1,697)	(6,460)	(1,289)	11,914
Charged / (credited) to the income statement	7,237	55	(109)	1,278	719	9,180
Charged / (credited) directly to equity	–	–	–	–	(2,081)	(2,081)
Corporate acquisition	26,721	(959)	(1,461)	(3,302)	–	20,999
Other	2,596	-	(2,572)	–	(123)	(99)
At December 31, 2011	58,440	(1,430)	(5,839)	(8,484)	(2,774)	39,913

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

($000s)	**December 31, 2011**	**December 31, 2010**
Undepreciated capital cost	**89,770**	26,288
Canadian development expense	**125,779**	30,824
Canadian exploration expense	**11,331**	6,062
Canadian oil and gas property expense	**103,274**	49,510
Non-capital loss carry forward	**33,796**	25,687
Share issue costs	**10,894**	5,056
Total	**374,844**	143,427

At December 31, 2011, the Company has non-capital losses of $33.8 million that expire between 2025 and 2030.

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31, 2011	December 31, 2010
Accounts receivable	**(16,475)**	(5,798)
Prepaid and deposits	**(262)**	(22)
Accounts payable and accrued liabilities	**29,500**	15,528
Change in non-cash working capital	**12,763**	9,708
Related to:		
Operating activities	**(6,702)**	(4,160)
Investing activities	**19,465**	13,868

18. COMMITMENTS

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

($000s)	2012	2013	2014	2015+	Total
Operating lease - office building	991	972	972	2,423	5,358

19. RELATED PARTY TRANSACTIONS

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 year ended December 31, 2010, the Company incurred $0.2 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 December 31, 2011 no payable balance was outstanding.

20. SUBSEQUENT EVENTS

A. Acquisition of Compass Petroleum Ltd. ("Compass")

On February 10, 2012, Whitecap completed the acquisition of Compass for consideration of $14.0 million in cash and the issuance of an aggregate of 10.9 million common shares of Whitecap.

In connection with the Compass acquisition, the borrowing base under Whitecap's syndicated credit facility has been increased from $190 million to $250 million. The next borrowing base re-determination is scheduled on or prior to May 31, 2012.

B. Acquisition of Midway Energy Ltd. ("Midway")

On February 28, 2012, Whitecap and Midway announced that they have entered into an arrangement agreement (the “Arrangement Agreement”) providing for the acquisition by Whitecap of all the issued and outstanding common shares of Midway (the “Transaction”). Midway is a light oil weighted public company with its primary operations located in the Garrington area of Alberta where the majority of its production and reserves are focused in the Cardium formation. Under the terms of the Transaction, Midway shareholders shall receive, for each Midway common share held, at the election of the holder: i) $4.85 cash; or ii) 0.4802 of a Whitecap common share (a “Whitecap Share”); or iii) a combination of cash and Whitecap Shares, subject in each case to a maximum. The maximum aggregate cash amount payable to Midway shareholders shall be approximately $111.2 million and the maximum number of Whitecap Shares to be issued to Midway shareholders shall be approximately 33.5 million Whitecap Shares. Whitecap will also assume the debt of Midway, estimated at $100.8 million, after taking into account anticipated option proceeds and transaction and severance costs, as at February 28, 2012.

The Transaction will be funded in part through a $120.0 million bought deal financing which closed on March 19, 2012. The financing is structured whereby the underwriters have agreed to purchase for resale to the public, on a bought deal basis, 5,941,000 units of Whitecap (the "Units") at a price of $20.20 per Unit to raise gross proceeds of approximately $120.0 million. Each Unit is comprised of one Whitecap Share at a price of $10.10 and one subscription receipt which can be exchanged for one Whitecap Share. The gross proceeds from the sale of Subscription Receipts will be held in escrow pending the completion of the Transaction. If the Transaction is completed on or before May 15, 2012, or such later date as may be agreed to by the Underwriters, the net proceeds from the sale of the Subscription Receipts will be released to Whitecap and each Subscription Receipt will be exchanged for one Whitecap Share for no additional consideration. If the Transaction is not completed by Whitecap on or before May 15, 2012, and the Underwriters have not agreed to extend such date, or the Arrangement Agreement is terminated at an earlier time, then the purchase price for the Subscription Receipts shall be returned to subscribers, together with a pro rata portion of the interest accrued on the subscription funds attributable to the Subscription Receipts. Whitecap has also granted the Underwriters an over-allotment option exercisable at any time on, or for a period of 30 days following the closing of the Offering, to acquire an additional 891,150 Units to cover over-allotments, if any, and for market stabilization purposes, at the Offering Price, for additional aggregate gross proceeds of up to $18.0 million. If the Over-Allotment Option is fully exercised, gross proceeds from the Offering will be approximately $138.0 million. The net proceeds of the Offering will be used to fund the cash component of the Transaction payable by Whitecap pursuant to the Arrangement Agreement, to fund capital expenditures and for general corporate purposes.

21. TRANSITION TO IFRS

As disclosed in Note 2, these financial statements represent Whitecap's initial presentation of the financial results of operations and financial position under IFRS for the year ended December 31, 2011 in conjunction with the Company's annual audited financial statements to be issued under IFRS as at and for the year ended December 31, 2011. As a result, these financial statements have been prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" as issued by the IASB. Previously, the Company prepared its annual financial statements in accordance with Canadian GAAP.

IFRS 1 requires the presentation of comparative information as at the January 1, 2010 transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRSs.

IFRS 1 exemptions utilized:

- Business combinations - allows the carry forward of Canadian GAAP accounting for business combinations prior to transition date.
- Full cost book value as deemed cost - election to measure oil and gas assets at the date of transition to IFRS.

The following reconciliations present the adjustments made to the Company's Canadian GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations. Reconciliations include the Company's Balance Sheet as at January 1 and December 31, 2010, and the Statements of Comprehensive Income and Loss for the year ended December 31, 2010.

IFRS OPENING BALANCE SHEET

As at January 1, 2010

($000s)	Canadian GAAP	IFRS Adjustments DL	IFRS Adjustments E&E	IFRS
Assets		*Note A*	*Note B*	
Current assets				
Cash	5			5
Accounts receivable	1,886			1,886
Deposits and prepaid expenses	434			434
Risk management contracts	24			24
	2,349			2,349
Property, plant and equipment	56,049		(757)	55,293
Exploration and evaluation	–		757	756
Deferred income tax	662	270		932
	59,060	270	–	59,330
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	2,060			2,060
Bank debt	10,580			10,580
	12,640			12,640
Convertible debentures	9,594			9,594
Decommissioning liability	1,309	1,082		2,391
	23,543	1,082	–	24,625
Shareholders' equity				
Share capital	36,104			36,104
Equity component of debentures	425			425
Contributed surplus	341			341
Deficit	(1,353)	(812)		(2,165)
	35,517	(812)	–	34,705
	59,060	270	–	59,330

IFRS BALANCE SHEET

As at December 31, 2010

($000s)	**Canadian GAAP**	**IFRS Adjustments** **DL**	**E&E**	**Transaction Costs**	**Bus. Devel. Costs**	**DD&A**	**FIT**	**IFRS**
Assets		*Note A*	*Note B*	*Note D*	*Note E*	*Note C*	*Note F*	
Current assets								
Cash	10							10
Accounts receivable	10,212							10,212
Deposits and prepaid expenses	727							727
	10,949							10,949
Property, plant and equipment	196,475	1,507	(8,960)	(310)	(1,470)	5,469	(727)	191,984
Exploration and evaluation	–		8,960					8,960
	207,424	1,507	–	(310)	(1,470)	5,469	(727)	211,893
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities	22,941							22,941
Risk management contract	1,977							1,977
Bank debt	17,553							17,553
	42,471							42,471
Decommissioning liability	4,180	2,550						6,730
Deferred income tax	11,719	(270)		(81)			546	11,914
	58,370	2,280	–	(81)	–	–	546	61,115
Shareholders' equity								
Share capital	151,994			1,234				153,228
Contributed surplus	8,036							8,036
Deficit	(10,976)	(773)	–	(1,463)	(1,470)	5,469	(1,273)	(10,486)
	149,054	(773)	–	(229)	(1,470)	5,469	(1,273)	150,778
	207,424	1,507	–	(310)	(1,470)	5,469	(727)	211,893

STATEMENT OF COMPREHENSIVE INCOME

Year ended December 31, 2010

($000s)	Canadian GAAP	IFRS Adjustments: DL	Transaction Costs	Bus. Devel. Costs	DD&A	FIT	IFRS
Revenue		*Note A*	*Note D*	*Note E*	*Note C*	*Note F*	
Revenue	25,991						25,991
Royalties	(3,891)						(3,891)
Other income	336						336
	22,436						22,436
Realized gain on risk management contracts	543						543
Unrealized loss on risk management contracts	(2,001)						(2,001)
	20,978						20,978
Expenses							
Operating	6,659						6,659
Transportation	866						866
General and administrative	7,697		1,463	1,470			10,630
Interest and financing	1,984	142					2,126
Depletion, depreciation and amortization	15,421	(181)			(5,469)		9,771
	32,627	(39)	1,463	1,470	(5,469)	–	30,052
Net loss before income taxes	(11,649)	39	(1,463)	(1,470)	5,469	–	(9,074)
Taxes							
Deferred income tax recovery (expense)	2,026					(1,273)	753
Net loss and other comprehensive loss	(9,623)	39	(1,463)	(1,470)	5,469	(1,273)	(8,321)
Net loss per share							
Basic and diluted *($/share)*	(0.42)						(0.36)

The following discussion explains the significant differences between Whitecap's Canadian GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters. The descriptive notes below correspond to the adjustments presented in the reconciliations.

IFRS ADJUSTMENTS

A) Decommissioning Liability ("DL")

Under Canadian GAAP, the DL was measured as the estimated fair value of the retirement and decommissioning expenditures expected to be incurred. Liabilities were not remeasured to reflect period end discount rates.

Under IFRS, the DL is measured as the best estimate of the expenditure to be incurred and requires that the DL be remeasured using the period end discount rate.

Under IFRS 1 Whitecap was required to remeasure its DL upon transition to IFRS and recognize the difference in retained earnings. The application of this exemption resulted in a $1.1 million increase to the DL on Whitecap's Balance Sheet as at January 1, 2010 and a corresponding after-tax charge to retained earnings of $0.8 million. Subsequent IFRS remeasurements of the obligation are recorded through property, plant and equipment with an offsetting adjustment to the DL. As at December 31, 2010, excluding the January 1, 2010 adjustment, Whitecap's DL increased by $2.6 million, which primarily reflects the remeasurement of the obligation using a risk free rate of 3.5 percent as at December 31, 2010. (8.0 percent under previous GAAP) The change in discount rate has decreased accretion expense and is reflected in the DL adjustments in the statement of comprehensive income for the year ended December 31, 2010.

B) Exploration and Evaluation ("E&E")

E&E assets at January 1, 2010 were deemed to be $0.8 million, representing the unproved properties balance under Canadian GAAP. This resulted in a reclassification of $0.8 million from property, plant and equipment to E&E assets on Whitecap's Balance Sheet as at January 1, 2010. As at December 31, 2010, the Company's E&E assets were $9.0 million. The remaining full cost pool was allocated to the development assets pro rata using the estimated proven plus probable reserve values.

Under Canadian GAAP, E&E costs were capitalized as property, plant and equipment in accordance with the CICA's full cost accounting guidelines. Under IFRS, Whitecap capitalizes these costs initially as E&E assets. Once technical feasibility and commercial viability of the area has been determined, the capitalized costs are transferred from E&E assets to property, plant and equipment. Under IFRS, unrecoverable E&E costs associated with an area and costs incurred prior to obtaining the legal rights to explore are expensed.

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

Development costs at January 1, 2010 were deemed to be $55.3 million, representing the development assets under Canadian GAAP. Consistent with Canadian GAAP, these costs are capitalized as property, plant and equipment under IFRS. Under Canadian GAAP, development costs were depleted using the unit-of-production method based on estimated proven reserves and calculated for the full cost pool. Under IFRS, development costs are depleted using the unit-of-production method based on estimated proven plus probable reserves and calculated at the established area level. The IFRS 1 exemption permitted Whitecap to allocate development costs to the area level using proved plus probable reserves values for each area as at January 1, 2010. Depleting based on estimated proven plus probable reserves and at an area level under IFRS resulted in a $5.5 million decrease to Whitecap's DD&A expense for the year ended December 31, 2010.

D) Business Combinations

Business combinations have been adjusted to reflect the fair value of shares issued by Whitecap determined at the acquisition date, expensing of transaction costs, and the related tax effects to those adjustments.

(i) Spitfire Energy Ltd. (Reverse Takeover)

Net assets acquired *($000s)*:	
Non-cash working capital deficiency	(8,571)
Petroleum and natural gas properties	34,554
Decommissioning liability	(635)
Deferred income tax	(4,112)
	21,236
Consideration:	
Issuance of shares	21,236
	21,236

(ii) Onyx 2006 Inc. ("Onyx")

Net assets acquired *($000s)*:	
Non-cash working capital deficiency	(10,958)
Petroleum and natural gas properties	62,928
Decommissioning liability	(692)
Deferred income tax	(10,744)
	40,534
Consideration:	
Cash consideration paid	40,534
	40,534

E) Business Development Costs

Costs directly related to the acquisition of properties and businesses were expensed.

F) Income Tax

Deferred income taxes have been adjusted to reflect the tax effect arising from the differences between IFRS and Canadian GAAP. Upon transition to IFRS, the Company recognized a $0.5 million increase in the deferred income tax asset. For the year ended December 31, 2010, the application of the IFRS adjustments as discussed above resulted in a $1.3 million increase to the Company's deferred income tax expense and a corresponding decrease to the Company's net earnings.

Adjustments to the Statement of Cash Flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that, under IFRS, cash flows relating to interest are classified in a consistent manner as operating, investing or financing each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

OUR WHITECAP MANAGEMENT TEAM

FOCUSED, DETERMINED LEADERSHIP

Darin Dunlop, Joel Armstrong, Dave Mombourquette, Grant Fagerheim, Gary Lebsack, Dan Christensen, Thanh Kang

"*Motivated people together with quality assets and a deliberate focus drive success.*"

Our entire team is committed to providing strong per share growth while maintaining a prudent level of debt at all times. Whitecap has a predictable high netback production base with a large low risk oil drilling inventory that provides our company with a significant component of unrealized upside value.

CORPORATE INFORMATION

OFFICERS

Grant B. Fagerheim
President & CEO

Joel Armstrong
Vice President Production & Operations

Dan Christensen
Vice President Exploration

Darin Dunlop
Vice President Engineering

Thanh Kang
Vice President Finance & CFO

Gary Lebsack
Vice President Land

David Mombourquette
Vice President Business Development

DIRECTORS

Grant B. Fagerheim
Donald G. Cowie
Gregory S. Fletcher
Glenn A. McNamara
Stephen C. Nikiforuk
Robert G. Welty
Grant A. Zawalsky

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

BANKERS

National Bank Financial
Alberta Treasury Branch
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
Calgary, Alberta

ENGINEERING CONSULTANTS

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Olympia Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol "WCP"

HEAD OFFICE

500, 222 – 3rd Avenue SW
Calgary, AB T2P 0B4
Telephone: (403) 266-0767
Facsimile: (403) 266-6975
Email: info@wcap.ca
Website: www.wcap.ca

For further information contact:

Grant B. Fagerheim or
Thanh Kang at (403) 266-0767
Calgary, Alberta

ANNUAL GENERAL MEETING

The Annual and General Meeting of Shareholders will be held at 10:30 a.m. on Friday, April 20, 2012, in the Grand Lecture Theatre of the Metropolitan Conference Centre, 333 – 4th Avenue SW, Calgary, Alberta. All shareholders are cordially invited and encouraged to attend.

ABBREVIATIONS

AECO	Alberta Energy Company
bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
bop/d	barrels of oil per day
DOIIP	discovered oil initially in place
FD&A	finding, development and acquisition
FDC	future development costs
GJ	gigajoule
Mbbl	thousand barrels
MMbbl	million barrels
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMcf	million cubic feet
Mstb	1000 stock tank barrels
NGLs	natural gas liquids
WTI	West Texas Intermediate

Natural gas is equated to oil on the basis of 6 Mcf of natural gas =1 barrel of oil equivalent (boe)

Designed by Sandy Seifert. Printed by Signature Press.

Whitecap Resources Inc.
500, 222 – 3rd Avenue SW
Calgary, Alberta T2P 0B4

www.wcap.ca