

A silhouette of an oil pumpjack is set against a sunset sky with a gradient from orange to purple. The pumpjack is the central focus of the upper half of the cover.

2012 ANNUAL REPORT

WHITECAP

RESOURCES INC

A stylized, light blue wave graphic that flows from the left side of the page towards the right, positioned below the main text.

**SUSTAINABILITY THROUGH
PER SHARE GROWTH AND
FINANCIAL DISCIPLINE**

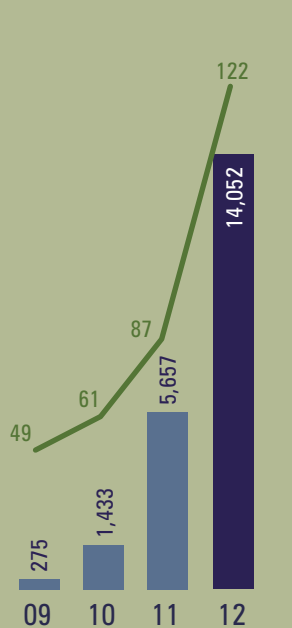


WHITECAP RESOURCES INC.

CORPORATE PROFILE

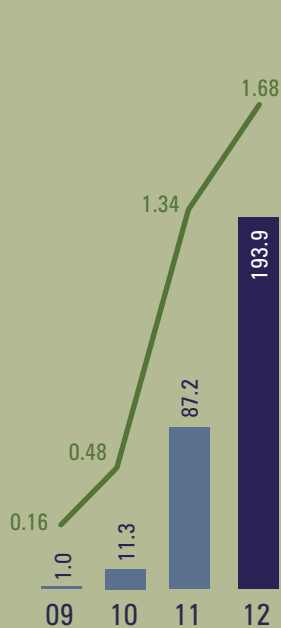
Whitecap Resources Inc. ("Whitecap" or the "Company") is a dividend paying, oil-weighted company focused on providing sustainable monthly dividends to its shareholders and per share growth through a combination of accretive oil-based acquisitions and organic growth on existing and acquired assets. Whitecap's common shares are traded on the Toronto Stock Exchange under the symbol WCP.

ACHIEVEMENTS



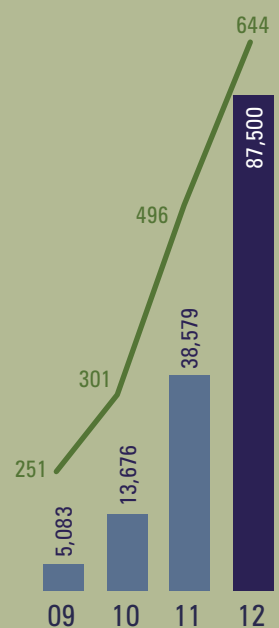
PRODUCTION GROWTH

■ Total (boe/d)
— Production per MM FD share



CASH FLOW GROWTH

■ Funds from operations (\$MM)
— FFO per FD share



RESERVES GROWTH

■ 2P Reserves (Mboe)
— Mboe per MM FD share

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FINANCIAL AND OPERATING HIGHLIGHTS



The financial and operating results from the Compass Petroleum Ltd. ("Compass") acquisition are included from February 10, 2012 to December 31, 2012 and the financial and operating results from the Midway Energy Ltd. ("Midway") acquisition are included from April 20, 2012 to December 31, 2012 below.

Financial (\$000s except per share amounts)	2012	2011
Petroleum and natural gas sales	305,770	137,432
Funds from operations ⁽¹⁾	193,885	87,163
Basic (\$/share)	1.71	1.38
Diluted (\$/share)	1.68	1.34
Net income (loss)	52,741	25,512
Basic (\$/share)	0.46	0.40
Diluted (\$/share)	0.45	0.39
Development capital expenditures	245,726	140,384
Net property acquisitions	3,842	41,373
Corporate acquisitions	645,622	219,692
Net debt outstanding ⁽¹⁾	343,994	158,811
Operating		
Production		
Crude oil (bbls/d)	8,612	3,279
NGLs (bbls/d)	998	309
Natural gas (mcf/d)	26,650	12,417
Total (boe/d)	14,052	5,657
Average realized price		
Crude oil (\$/bbl)	83.22	93.20
NGLs (\$/bbl)	48.76	70.84
Natural gas (\$/mcf)	2.58	3.84
Total (\$/boe)	59.46	66.55
Netback		
Petroleum and natural gas sales	59.46	66.55
Realized hedging gain	2.49	1.23
Royalties	(6.82)	(7.93)
Operating expenses	(10.97)	(11.91)
Transportation expenses	(2.36)	(1.97)
Operating netbacks ⁽¹⁾	41.80	45.97
General and administrative	(1.80)	(1.74)
Interest and financing	(2.31)	(2.02)
Cash netbacks ⁽¹⁾	37.69	42.21
Total wells drilled	114.0	60.0
Working interest wells	91.0	47.7
Success rate	100%	100%
Undeveloped land holdings (acres)		
Gross	252,662	98,770
Net	195,638	70,014
Weighted average shares - basic (000s)	113,102	63,009
Weighted average shares - fully diluted (000s)	115,484	65,007

Note:

(1) Funds from operations, net debt, operating netbacks and cash netbacks do not have a standardized meaning under GAAP. Refer to non-GAAP measures in this annual report.

MESSAGE TO SHAREHOLDERS



YEAR IN REVIEW

2012 was an exceptional year for Whitecap shareholders which culminated with the announcement of our transition to a sustainable high netback dividend-paying company in 2013. Our energies over the past year were focused on providing value added per share growth in production, reserves and cash flow; the results of which were 40 percent per share growth in production, 36 percent per share growth in reserves, and 25 percent per share growth in cash flow, all on a fully diluted basis. We generated cash flow of \$194 million in 2012 which was driven by our 68 percent light oil and NGL weighting and enviable cash flow netback of \$37.69 per boe.

These achievements can be directly attributed to our employees' dedication and tireless efforts to meet or exceed the operational and financial guidance provided. Their ingenuity and commitment allows us to continually increase our capital and operational efficiencies and be strong stewards of our shareholders' capital. I am happy to report our annual objectives were exceeded!

In 2012 we executed on two significant corporate acquisitions which provided us with an initial entry into the Viking light oil resource play at west central Doddsland, Saskatchewan and expanded our Cardium presence into the Garrington area of Alberta, which complements our existing east Pembina Cardium light oil resource play. The acquired assets significantly expand our development drilling inventory for future organic growth. With these acquisitions now fully integrated we have three major light oil areas that allow us to provide long term per share growth and sustainable dividend payments.

We drilled a record 114 (91.0 net) wells in 2012 with a 100 percent success rate, a significant increase from the 60 (47.7 net) wells drilled in 2011. Our drilling activity included 37 (27.1 net) horizontal Cardium oil wells in the greater Pembina area of west central Alberta, 10 (7.3 net) horizontal wells at Valhalla North in northwest Alberta, 5 (4.7 net) wells at Fosterton in southwest Saskatchewan, 4 (0.9 net) wells in our minor areas as well as 41 (35.2 net) horizontal Viking oil wells on the newly acquired west central Doddsland, Saskatchewan properties and 17 (15.8 net) horizontal Cardium oil wells on the properties acquired at Garrington, Alberta. Our \$245.7 million light oil targeted development capital program provided us with production growth to exit the year at approximately 17,000 boe/d and positions each of our core areas for additional growth in the future.

In early 2012 our team made a purposeful and committed effort to advance Whitecap towards the goal of transitioning to a long term sustainable dividend-growth model. Throughout the year we executed on a number of initiatives including two corporate acquisitions, nine tuck-in property acquisitions, a \$245.7 million capital budget, mitigated price volatility by implementing a three year rolling hedge program and disposed of three non-core properties, which have positioned us for a successful transition to a dividend-growth company. We have analyzed and stress tested our five year business plan assumptions to ensure that we can provide meaningful and sustainable dividends but also have the objective to increase our dividend over time. Our 2012 initiatives allowed us to announce late in the year that we were transitioning from a pure energy growth company to a dividend-growth company, with an initial monthly dividend of \$0.05 per share and targeting 3 to 5 percent per share growth while maintaining a prudent level of debt. Our transition to this more sustainable model has been seamless as a result of the clear focus and exceptional performance of our employees along with the strict financial discipline of our entire team.

We highlight the following accomplishments in 2012:

- *Achieved record average production of 17,018 boe/d in the fourth quarter of 2012, an increase of 25 percent per fully diluted share compared to the fourth quarter of 2011. Average production of 14,052 boe/d for the full 2012 year represents a 40 percent increase per fully diluted share compared to 2011. We have been able to consistently deliver and remain focused on per share growth.*
- *Generated record funds from operations ("FFO") of \$63.6 million (\$0.49 per fully diluted share) in the fourth quarter of 2012, an increase of 11 percent per fully diluted share compared to the fourth quarter of 2011. FFO for the full 2012 year was \$193.9 million (\$1.68 per fully diluted share), an increase of 25 percent per fully diluted share compared to 2011. Our predictable and stable light oil production base continues to generate significant FFO for efficient capital re-investment and dividend payments in 2013 and beyond.*
- *Mitigated price volatility through the implementation of a rolling 3 year price risk management program.*
 - *Our forecasted crude oil production net of royalties is currently 68 percent hedged at an average floor price of C\$97.48 per barrel for 2013, 65 percent at an average floor price of C\$92.94 per barrel for 2014 and 16 percent at an average floor price of C\$92.52 per barrel for 2015.*
 - *Our forecasted natural gas production net of royalties is currently 52 percent hedged at an average floor price of C\$3.28 per mcf for 2013 and 16 percent at an average floor price of C\$3.69 per mcf for 2014.*

- Realized hedging gains of \$12.8 million in 2012 which resulted in a fourth quarter 2012 operating netback of \$44.92 per boe and a cash netback of \$40.61 per boe.
- Invested \$243.7 million in field expenditures which includes the drilling of 114 (91.0 net) wells with a 100 percent success rate. In addition, we successfully closed and integrated two significant corporate acquisitions, nine tuck-in property acquisitions and disposed of three non-core properties (one of which closing is scheduled for March 2013).
- Increased proved plus probable reserves by 127 percent to 87.5 MMboe (69 percent oil and NGLs) and proved reserves by 138 percent to 60.9 MMboe (70 percent oil and NGLs). On a per fully diluted share basis increased proved plus probable reserves by 30 percent and proved reserves by 36 percent.
- Achieved finding and development ("F&D") costs of \$18.07 per proved plus probable boe and finding, development and acquisition ("FD&A") costs of \$20.94 per proved plus probable boe, including changes in future development costs. This results in an F&D recycle ratio of 2.3x and an FD&A recycle ratio of 2.0x based on our 2012 operating netback of \$41.80 per boe.
- Maintained a strong balance sheet with annualized fourth quarter 2012 debt to cash flow of 1.4x on bank lines of \$450 million. Our unutilized bank line at the end of 2012 was \$106 million.
- Increased our unbooked development well inventory to 836 locations providing us with greater than 10 years' of sustainable per share growth.

OUTLOOK

We are optimistic about the upcoming year and with our transition to a dividend-growth energy company now complete we expect to continue to provide robust financial returns for our shareholders. Our strategy remains focused on the cost effective development and optimization of our assets and realizing the highest cash flow netback on our production. We remain financially disciplined in our approach while we strive to deliver meaningful dividends and per share growth in cash flow, production and reserves for our shareholders.

We believe the current economic environment is supportive of strong crude oil prices for the foreseeable future. Light oil-weighted energy producers in western Canada will continue to benefit from higher prices; however our diligence will remain high with respect to the Canadian crude oil price differential volatility that we have experienced over the past year. The options for transporting western Canadian crude oil are in the process of being expanded through pipeline alterations and expansions as well as with the rapidly expanding use of rail for transportation to refining and export points. This ultimately will assist to reduce the frequency and intensity of the pricing differentials in western Canada, thereby allowing us a higher realized price for our crude oil on a more stable basis.

At this time, the producing energy sector in general is experiencing higher than normal levels of debt relative to the cash flow being generated and as a result many assets have been put into the market for sale in the western Canadian basin. At Whitecap we have been able to assemble an enviable suite of high quality assets without being over-levered. We will look to expand in our core areas through acquisition only if it strengthens our company and we can demonstrate increased value for our shareholders including the potential to increase our dividend over time while maintaining a prudent level of debt.

Subsequent to the year-end we announced the acquisition of Invicta Energy Corp. ("Invicta") which has lands and production immediately offsetting those of Whitecap in the Viking light oil resource play at the Lucky Hills area of west central Saskatchewan. Through the acquisition, we continue to increase our low risk, high netback light oil drilling inventory and it further strengthens the sustainability of our dividend growth strategy.

I would like to thank our valued employees for their hard work and dedication, our Board of Directors for their guidance, and our shareholders for your support of our company. We are excited about the future potential of Whitecap and look forward to reporting back to you on our progress. Thank you!

On behalf of the Board,



GRANT FAGERHEIM
PRESIDENT AND CHIEF EXECUTIVE OFFICER

MARCH 20, 2013

REVIEW OF OPERATIONS



OVERVIEW

Whitecap employs a strategy of acquiring sustainable assets with large Discovered Petroleum Initially In Place (“DPIIP”) and low current recovery factors and moving them through the development chain by converting contingent resources → probable reserves → proven reserves → producing reserves (cash flow). Since inception in September 2009 Whitecap has aggregated a significant light oil resource base with over 1.7 billion barrels of DPIIP (gross) under management which provides a solid foundation for continued growth and results on a per share basis.

DPIIP is defined as quantity of hydrocarbons that are estimated to be in place within a known accumulation, plus those estimated quantities in accumulation yet to be discovered. There is no certainty that it will be economically viable or technically feasible to produce any portion of the DPIIP except for those identified as proved or probable reserves.

The combination of acquisitions and organic growth resulted in 2012 year end proved reserves of 60.9 MMboe and proved plus probable reserves of 87.5 MMboe, which is an annual growth of 138 percent and 127 percent respectively. In addition to growth in reserves, we correspondingly grew our annual average production by 148 percent to 14,052 boe/d in 2012 from 5,657 boe/d in 2011.

CORE AREA REVIEW

DEVELOP AND EXPAND SECONDARY RECOVERY SCHEMES IN OUR LEGACY OIL POOLS

Peace River Arch - Montney Oil

Key Statistics

- > 2,700 boe/d average production for 2012
- > 53 percent average working interest
- > 13,703 Mboe proved plus probable reserves (78 percent oil and NGLs)

The primary Peace River Arch property, Valhalla North, is characterized by shallow declines and predictable production performance which are signatures of a mature and successful waterflood enhanced recovery scheme. The primary formation in Valhalla North is the Montney, with our focus being on the oil reservoirs within this formation interval. Key characteristics of the pool include light 36° API oil, a very homogenous (consistent) reservoir quality, no mobile formation water present and very low initial water saturation.

2012 Accomplishments

In 2012 Whitecap undertook the first major expansion of the Montney waterflood since 2006. In total 10 wells were converted to injection and 640 acres added to the waterflood scheme. Average water injection across the pool was increased by 163 percent from 1,900 to 5,000 barrels of water per day. The impacts associated with this expansion are reduced declines and production increases and are expected to be realized over the next 1 to 2 years.

In addition to the waterflood expansion, Whitecap drilled a total of 10 (7.3 net) wells of which 5 (3.5 net) were Montney horizontal oil wells within the pool. We continue to improve our capital cost efficiencies in this area by lowering costs and increasing well productivity.

The wells drilled in 2012 contributed to both the continued primary development of the pool as well as a focus to eventually expand the waterflood to encompass the entire pool. The 2012 program also included the first horizontal well specifically targeting the Middle Montney formation. Results from this well were as expected and set the stage for continued development of the Middle Montney oil zone from both primary and waterflood recovery perspectives.

SW Saskatchewan - Roseray and Cantuar Oil

Key Statistics

- > 350 boe/d average production for 2012
- > 84 percent average working interest
- > 3,389 Mboe proved plus probable reserves (88 percent oil and NGLs)

This project is located at Fosterton in southwest Saskatchewan and consists primarily of medium grade 20° API oil in the Roseray, Cantuar and Success formations. These pools are at 950 to 1,100 meters in depth with very stable predictable declines and as a result offer very attractive development economics with low well costs.

2012 Accomplishments

Whitecap initiated phase one of a major facility expansion at Fosterton which increased the fluid handling capacity by 52 percent from 12,500 to 19,000 barrels per day of fluid. In addition, Whitecap drilled 5 (4.7 net) wells of which 2 (1.7 net) were in the main Fosterton pool to take advantage of the increased fluid handling capacity. Whitecap also drilled 2 (2.0 net) wells in the Verlo area to expand the development of these pools and a new oil pool was discovered in the Antelope area with follow up drilling locations planned for 2013.

As a result of the 2012 capital program, our production in this area has increased by 175 percent to 660 boe/d compared to 240 boe/d in the prior year.

DEVELOP OUR OIL RESOURCE PLAYS

Greater Pembina - Cardium Oil

Key Statistics

- > 4,900 boe/d average production for 2012
- > 75 percent average working interest
- > 24,058 Mboe proved plus probable reserves (67 percent oil and NGLs)
- > 217 (162.8 net) development drilling inventory

Whitecap's Greater Pembina Cardium is 40° API light oil and includes developments in the areas of East Pembina, South Pembina, Ferrier and Willesden Green. Our Cardium developments are primarily in the "Halo" region of the legacy Cardium oil pools but also include some development in more "conventional" areas. The breadth of our Cardium resource is well constrained by a large number of legacy vertical well control. In addition, there is no moveable formation water which leads to stable, predictable and long life production profiles.

2012 Accomplishments

Whitecap had a very active year in Greater Pembina drilling 37 (27.1 net) horizontals, all of them, except one, targeting Cardium oil. Significant achievements throughout the year included:

- > Further increased our average IP(30) rate by 4 percent to 234 boe/d and decreased our D&C costs by 8 percent to \$2.0 million per well from the prior year.
- > Optimized our completion methods by selectively applying "slickwater fracs" which resulted in a 39 percent to 61 percent increase in production over the first five months of production with no increase to well cost.
- > Acquired 11.5 net sections of Cardium lands which added 45.7 net drilling locations at an average cost of \$227,000 per location which replaced the 2012 drilling program by 1.7 times.
- > Continued to optimize and expand our oil and gas facilities and associated infrastructure which resulted in a 5 percent reduction to operating costs and improved operating netbacks.
- > Initiated our first pilot waterflood in the Cardium.

Garrington - Cardium Oil

Key Statistics

- > 3,300 boe/d average production for 2012 (production volumes from the Midway acquisition are included from Apr 20 - Dec 31, 2012)
- > 71 percent average working interest
- > 28,722 Mboe proved plus probable reserves (65 percent oil and NGLs)
- > 193 (116.4 net) development drilling inventory

Whitecap's Garrington Cardium development was acquired as part of the Midway transaction in April of 2012. Our development to date has focused on the Cardium "A" sand but additional opportunities exist in the more conventional Cardium "B" as well. Cardium oil in the Garrington pool is light at 40° API and, as in the Greater Pembina area, there is no moveable formation water which leads to stable, predictable and long life production profiles.

2012 Accomplishments

Whitecap had a very active eight months in Garrington drilling 17 (15.9 net) horizontals, all of them in the Cardium "A". Highlights of the program include:

- > Increased our average IP(30) rate by 16 percent to 291 boe/d and decreased our D&C costs by 6 percent to 2.3 million per well from the prior year.
- > Optimized our fracture stimulation design by selectively applying "slickwater fracs" which resulted in a 60 to 75 percent increase in production for those wells over the first five months of production with no increase to well cost.
- > Continued to optimize wellbores and facilities which included 21 pump optimizations to improve production performance and operating netbacks.

West Central Saskatchewan - Viking Oil

Key Statistics

- > 1,900 boe/d average production for 2012 (production volumes from the Compass acquisition are included from Feb 10 - Dec 31, 2012)
- > 91 percent average working interest
- > 13,588 Mboe proved plus probable reserves (75 percent oil and NGLs)
- > 623 (449.0 net) wells in our development drilling inventory

In February 2012, Whitecap acquired Compass which provided us with an initial entry into the Viking light oil play in west central Saskatchewan. The primary property in west central Saskatchewan is Lucky Hills with additional developments taking place in Doddsland, Verendrye, Forgan and Elrose. The Viking in this area lies at a depth of 600 to 800 meters and contains 36° API light oil and also has no moveable formation water which again leads to stable, predictable and long life production profiles.

2012 Accomplishments

In the past 11 months Whitecap drilled 41 (35.2 net) horizontal wells in the Viking light oil play. Significant improvements in both well cost and productivity were realized and as a result production increased by 42 percent from 1,600 boe/d to 2,600 boe/d over this time frame. Optimizations to our drilling and completion operations resulted in a 20 percent decrease in our D&C costs to \$0.8 million per well. Our technical modifications with respect to geological well placement and frac designs resulted in a 90 percent increase in the IP(30) rate to 90 boe/d from 50 boe/d.

In addition, significant progress was made towards enhancing and expanding the area's oil and gas facility infrastructure. Since the time of acquisition, Whitecap has expanded the area's pipeline and facility infrastructure to the point that now over 90 percent of the gas and associated NGLs are being conserved. This, along with other optimizations, has positively impacted the area's operating costs lowering them by 17 percent from \$9.85 per boe to \$8.15 per boe.

LAND HOLDINGS

As at December 31, 2012, Whitecap's land base was 335,776 net acres with an average working interest of 73 percent. Of this total, 195,638 net acres were undeveloped. Our land holdings translate into a total unbooked development well inventory of 836 locations.

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, 2012 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

(Forecast Pricing)

As at December 31, 2012⁽¹⁾

DESCRIPTION	COMPANY SHARE RESERVES ⁽²⁾			
	Oil (Mbbbl)	Gas (MMcf)	NGL (Mbbbl)	Total (Mboe)
Proved producing	21,954	72,265	3,182	37,181
Proved non-producing	290	4,278	15	1,017
Undeveloped	15,056	34,962	1,845	22,729
Total proved ⁽³⁾	37,300	111,505	5,043	60,927
Probable	15,702	52,273	2,159	26,573
Total proved plus probable ⁽³⁾	53,002	163,778	7,201	87,500

(1) Based on McDaniel's January 1, 2013 forecast prices.

(2) Company Share reserves are the Company's total working interest and royalty interest share before the deduction of any royalties.

(3) Numbers may not add due to rounding.

Summary of Before Tax Net Present Values

(Forecast Pricing)

As at December 31, 2012⁽¹⁾

Description	BEFORE TAX NET PRESENT VALUE (\$million)				
	0%	5%	10%	15%	20%
Proved producing	\$ 1,408	\$ 1,030	\$ 817	\$ 682	\$ 590
Proved non-producing	17	13	11	9	8
Undeveloped	619	376	240	157	101
Total proved	\$ 2,043	\$ 1,419	\$ 1,068	\$ 848	\$ 700
Probable ⁽²⁾	1,150	562	335	226	166
Total proved plus probable ⁽²⁾	\$ 3,194	\$ 1,980	\$ 1,402	\$ 1,074	\$ 865

(1) Based on McDaniel's January 1, 2013 forecast prices.

(2) Numbers may not add due to rounding.

Capital Program Efficiency

Based on the evaluation of our petroleum and natural gas reserves prepared in accordance with NI 51-101 by our independent reserve evaluator, McDaniel, the historical efficiency of our capital programs is summarized as follows:

	2012	2011	Three Year Weighted Average
Excluding Future Development Costs			
Proved (\$/boe)			
F&D costs ⁽¹⁾	\$ 19.03	\$ 14.59	\$ 18.65
FD&A costs ⁽²⁾	\$ 22.04	\$ 20.77	\$ 21.70
Proved plus probable (\$/boe)			
F&D costs ⁽¹⁾	\$ 14.87	\$ 10.74	\$ 15.06
FD&A costs ⁽²⁾	\$ 16.49	\$ 14.97	\$ 15.87
Recycle ratio⁽³⁾			
Proved plus probable	2.7	3.3	2.6
Including Future Development Costs			
Proved (\$/boe)			
F&D costs ⁽¹⁾	\$ 22.74	\$ 24.13	\$ 25.59
FD&A costs ⁽²⁾	\$ 27.78	\$ 27.90	\$ 28.27
Proved plus probable (\$/boe)			
F&D costs ⁽¹⁾	\$ 18.07	\$ 17.83	\$ 21.90
FD&A costs ⁽²⁾	\$ 20.94	\$ 20.80	\$ 21.36
Recycle ratio⁽³⁾			
Proved plus probable	2.2	2.4	1.9
Q4 Operating netback per boe⁽³⁾	\$ 44.92	\$ 48.93	\$ 40.49

(1) The aggregate of the exploration and development costs incurred in the most recent financial year and change during that year in estimated future development costs generally will not reflect total finding and development costs related to reserve additions for that year.

(2) 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.

(3) Recycle ratio is calculated as operating netback divided by FD&A costs (proved plus probable). Operating netback is calculated as revenue (including realized hedging gains and losses) minus royalties, production and operating expenses and transportation expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Dave Mombourquette

Dan Christensen

Thanh Kang

Joel Armstrong

Gary Lebsack

Darin Dunlop

Grant Fagerheim

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 19, 2013 and should be read in conjunction with the Company's audited annual financial statements and related notes for the year ended December 31, 2012. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in Canadian dollars, except where indicated otherwise. Accounting policies adopted by the Company are set out in the notes to the audited annual financial statements for the year ended December 31, 2012.

The 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 IFRS for financial reporting purposes.

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

DESCRIPTION OF BUSINESS

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

2012 ANNUAL FINANCIAL AND OPERATIONAL RESULTS

Production

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

	Year ended December 31,	
	2012	2011
Crude oil (bbls/d)	8,612	3,279
NGLs (bbls/d)	998	309
Natural gas (mcf/d)	26,650	12,417
Total (boe/d)	14,052	5,657
Production split (%)		
Crude oil and NGL	68	63
Natural gas	32	37
Total	100	100

Average production volumes increased 148 percent to 14,052 boe/d in 2012 from 5,657 boe/d in 2011 while fourth quarter 2012 production volumes increased 118 percent to 17,018 boe/d compared to 7,806 boe/d in the prior period. The increases in production are mainly attributed to the Compass Petroleum Inc. ("Compass") acquisition on February 10, 2012 and the Midway Energy Ltd. ("Midway") acquisition on April 20, 2012 in addition to the significant organic growth achieved through the effective execution of our capital program. Our crude oil and NGL weighting has also increased five percent to 68 percent compared to the prior year.

Revenue

A breakdown of revenue is as follows:

	Year ended December 31,	
(\$000s)	2012	2011
Crude oil	262,730	111,984
NGLs	17,856	8,004
Natural gas	25,184	17,444
Petroleum and natural gas sales	305,770	137,432

Petroleum and natural gas sales in 2012 increased 122 percent to \$305.8 million from \$137.4 million. The increase of \$168.3 million consists of \$182.2 million attributed to higher production volumes offset by \$13.9 million due to lower realized prices. Petroleum and natural gas sales for the fourth quarter of 2012 increased 98 percent to \$93.9 million from \$47.5 million in the fourth quarter of 2011, an increase of \$46.4 million of which \$50.8 million is attributed to higher production volumes offset by \$4.4 million due to lower realized prices.

Average benchmark and realized prices are as follows:

	Year ended December 31,	
	2012	2011
Benchmark prices		
WTI (US\$/bbl) ⁽¹⁾	94.21	94.97
USD - CAD foreign exchange rate	1.00	0.99
WTI (C\$/bbl)	94.15	93.85
Edmonton Par (C\$/bbl)	86.31	95.27
AECO natural gas (\$/mcf) ⁽²⁾	2.39	3.62
Average realized prices ⁽³⁾		
Crude oil (\$/bbl)	83.22	93.20
NGLs (\$/bbl)	48.76	70.84
Natural gas (\$/mcf)	2.58	3.84
Combined (\$/boe)	59.46	66.55

Notes:

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

(2) Represents the AECO daily posting.

(3) Prior to the impact of hedging activities.

In 2012, Whitecap's weighted average realized price prior to the impact of hedging activities was \$59.46 per boe compared to the prior period of \$66.55 per boe. Prior to hedging activities Whitecap's weighted average realized price was \$59.97 per boe in the fourth quarter of 2012, a decrease of ten percent as compared to \$66.89 per boe in 2011.

US\$ WTI prices remained strong in 2012 averaging \$94.21 per barrel compared to \$94.97 per barrel in the prior year. However, the light sweet crude price differential to WTI was very volatile due to continuous increases to light oil supply, subsequent pipeline capacity constraints and reduced light oil refining capacity throughout North America in 2012.

Our outlook remains positive for Canadian light sweet crude prices as a variety of new pipeline expansion projects to provide increased access to eastern Canadian and Gulf Coast refineries, as well as new off-shore markets, have been announced and are in various stages of review and approval. Opportunities to move oil by rail continue to grow and provide new outlets for access to North American refineries otherwise not reachable via existing pipeline infrastructure. Whitecap is currently railing 600 bbls/day in west central Saskatchewan.

The AECO daily spot price averaged \$2.39 per mcf in 2012 compared to \$3.62 per mcf in 2011, a reduction of 34 percent. This decrease is mainly attributed to record high United States gas production and storage inventory levels in 2012. Natural gas prices remained weak for the majority of 2012 but increased demand for natural gas fired power generation in the United States and nuclear power plant outages due to tropical storm Sandy resulted in a stronger natural gas price in the fourth quarter of 2012. The Company's natural gas receives a modest premium to the Alberta natural gas spot benchmark price due to its higher heat content.

Risk Management and Hedging Activities

Whitecap maintains an ongoing risk management program to reduce the volatility of revenues in order to fund capital expenditures and protect project economics as necessary. Whitecap's risk management strategy is to transact with creditworthy counterparties to provide downside protection and minimize the price cap on its product. The Company has Board of Directors' approval to hedge up to 75 percent of its most recent quarter's average daily production, net of royalties.

The Company realized a gain of \$31.7 million on its risk management contracts in 2012. The unrealized loss is a result of the non-cash change in the mark-to-market values period over period.

Risk Management Contracts (\$000s)	2012	2011
Realized gain on risk management contracts	12,821	2,537
Unrealized gain on risk management contracts	18,840	208
Total gain on risk management contracts	31,661	2,745

At December 31, 2012 the following risk management contracts were outstanding with a mark-to-market asset value of \$10.7 million:

Financial WTI Crude Oil Contracts

Term	Contract	Volume (bbl/d)	Sold Swap Price (\$/bbl)	Index	
01-Jan-13	28-Feb-13	Swap	300	102.00	C\$WTI
01-Jan-13	28-Feb-13	Swap	300	95.00	C\$WTI
01-Jan-13	30-Jun-13	Swap	500	102.52	C\$WTI
01-Jan-13	30-Jun-13	Swap	1,000	97.50	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	106.38	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	95.18	C\$WTI
01-Jan-13	31-Dec-13	Swap ⁽¹⁾	400	103.10	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	102.60	C\$WTI
01-Jan-13	31-Dec-13	Swap ⁽²⁾	1,000	100.85	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	97.10	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	97.00	C\$WTI
01-Jan-13	31-Dec-13	Swap	1,000	92.00	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	91.00	C\$WTI
01-Jul-13	31-Dec-13	Swap	500	95.00	C\$WTI
01-Jan-14	30-Jun-14	Swap	1,000	94.10	C\$WTI
01-Jan-14	31-Dec-14	Swap	1,000	92.22	C\$WTI
01-Jan-14	31-Dec-14	Swap	1,000	91.00	C\$WTI
01-Jul-13	31-Dec-13	Swap	500	91.00	C\$WTI
01-Jan-14	31-Dec-14	Swap	2,000	91.82	C\$WTI
01-Jan-15	31-Dec-15	Swap	1,000	90.00	C\$WTI

Term	Contract	Volume (bbl/d)	Bought Put Price (\$/bbl)	Sold Call Price (\$/bbl)	Index	
01-Jan-13	31-Mar-13	Collar	300	95.00	105.40	C\$WTI

Subsequent to year end, the Company entered into the following crude oil derivative contracts:

Term	Contract	Volume (bbl/d)	Sold Swap Price (\$/bbl)	Index	
01-Jul-13	31-Dec-13	Swap	1,000	95.05	C\$WTI
01-Jan-14	30-Jun-14	Swap	1,000	97.12	C\$WTI
01-Jan-14	31-Dec-14	Swap	1,000	93.12	C\$WTI
01-Jan-14	31-Dec-14	Swap	750	95.02	C\$WTI
01-Jan-14	31-Dec-14	Swap	250	95.05	C\$WTI
01-Jan-15	31-Dec-15	Swap	1,000	91.05	C\$WTI

Notes:

(1) Concurrent with entering into the swap, the Company sold a put at C\$74.60 WTI for 400 bbls/d in 2013.

(2) The counterparty has the option on November 30, 2013 to extend the risk management contract to December 31, 2014.

Financial Natural Gas Derivative Contracts

Term	Contract	Volume (GJ/d)	Sold Swap Price (\$/GJ)	Index	
01-Jan-13	31-Dec-13	Swap	1,250	2.77	AECO
01-Jan-13	31-Dec-13	Swap	1,250	2.76	AECO
01-Jan-13	31-Dec-13	Swap	5,000	3.08	AECO
01-Jan-13	31-Dec-13	Swap	2,000	3.24	AECO
01-Jan-13	31-Dec-13	Swap	2,000	3.40	AECO

Subsequent to year end, the Company entered into the following natural gas derivative contracts:

Term	Contract	Volume (GJ/d)	Sold Swap Price (\$/GJ)	Index	
01-Jan-13	31-Oct-13	Swap	2,000	3.00	AECO
01-Feb-13	31-Oct-13	Swap	2,000	2.98	AECO
01-Jan-14	31-Dec-14	Swap	5,000	3.50	AECO
01-Apr-13	31-Dec-13	Swap	2,000	3.45	AECO

Financial Power Derivative Contracts

Term	Contract	Volume (MWh)	Average Swap Price (\$/MWh)	Index
01-Jan-13	31-Dec-13	18,396	62.99	AESO
01-Jan-14	31-Dec-14	18,396	55.24	AESO

Interest Rate Contracts

Term	Contract	Amount C\$(\$000s)	Fixed Rate (%)	Index
01-Oct-12	31-Oct-13	100,000	1.06	CDOR

Operating Netbacks

The components of operating netbacks are shown below:

Netbacks (\$/boe)	Year ended December 31,	
	2012	2011
Petroleum and natural gas sales	59.46	66.55
Royalties	(6.82)	(7.93)
Operating expenses	(10.97)	(11.91)
Transportation expenses	(2.36)	(1.97)
Operating netbacks prior to hedging	39.31	44.74
Realized hedging gain	2.49	1.23
Operating netbacks ⁽¹⁾	41.80	45.97

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, 2012, royalties as a percentage of revenue was 11 percent, consistent with 12 percent in the prior year. The fourth quarter 2012 royalty rate was 12 percent compared to 10 percent in the same period in 2011. The increase in the fourth quarter of 2012 compared to the fourth quarter of 2011 was due to favourable annual Crown Royalty adjustments booked in the fourth quarter of 2011.

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

Operating costs in 2012 decreased 8 percent to \$10.97 per boe compared to \$11.91 per boe in the prior period. Fourth quarter 2012 operating costs decreased 17 percent to \$9.95 per boe compared to \$12.02 per boe in the prior period. The decrease in operating costs on a per boe basis is attributed to the incremental organic production growth in our core areas and continued focus on operational efficiencies.

Transportation costs in 2012 increased 20 percent to \$2.36 per boe compared to \$1.97 per boe in the prior period. Fourth quarter transportation costs increased 50 percent to \$2.38 per boe compared to \$1.59 per boe in the prior period. The increase in transportation costs over the comparable periods in 2011 is attributed to the west central Saskatchewan properties acquired in 2012 which have higher transportation cost per boe.

In 2012 the operating netback decreased nine percent to \$41.80 per boe compared to \$45.97 per boe in the prior period. The operating netback decreased eight percent in the fourth quarter to \$44.92 per boe compared to \$48.93 per boe in the prior period. The decreases are mainly due to lower realized commodity prices offset by hedging gains and lower royalty and operating costs per boe in 2012.

General and Administrative ("G&A")

(\$000s)	Year ended December 31,	
	2012	2011
G&A - gross	16,637	7,512
Overhead recoveries	(5,370)	(2,850)
Capitalized	(2,033)	(1,073)
Net G&A	9,234	3,589
Net G&A (\$/boe)	1.80	1.74

Net G&A per boe remained consistent at \$1.80/boe in 2012 compared to \$1.74/boe in 2011. The absolute increase to \$9.2 million in 2012 compared to \$3.6 million in 2011 is due to the growth in staff as a result of an increase to the magnitude and scale of the company's operations.

Option-based Awards

(\$000s)	Year ended December 31,	
	2012	2011
Stock-based compensation	5,143	2,620
Capitalized stock-based compensation	(1,267)	(737)
	3,876	1,883

As at December 31, 2012, the Company had 5.2 million stock options and 1.6 million performance warrants outstanding (excluding warrants assumed from Midway). The options and warrants were issued at a weighted average exercise price of \$5.76 per option and \$2.50 per warrant. Stock-based compensation expense of \$3.9 million for the twelve months ended December 31, 2012 was recognized with the offsetting amount recorded in contributed surplus.

In connection with the acquisition of Midway, Whitecap entered into a supplemental warrant indenture whereby it assumed the obligations of Midway in respect of 3.0 million outstanding share purchase warrants that were issued in connection with a private placement completed in February 2012. As a result, each previously outstanding warrant to acquire a class A common share of Midway entitles the holder thereof to acquire 0.4802 of a Whitecap common share at a price of \$4.00 per 0.4802 of a common share (\$8.33 per whole Whitecap common share). The share purchase warrants are fully vested and expired February 15, 2013. (See subsequent events section)

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

Transaction Costs

(\$000s)	Year ended December 31,	
	2012	2011
Total transaction costs	4,416	1,386

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

Interest and Financing Expenses

(\$000s)	Year ended December 31,	
	2012	2011
Interest and fees on bank debt	11,868	4,180
Non-cash accretion expense	1,025	434
Total interest and financing charges	12,893	4,614

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

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

(\$000s)	Year ended December 31,	
	2012	2011
Depletion, depreciation and amortization	116,096	48,075
\$ per boe	22.63	23.28

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

Exploration and Evaluation Asset Expiries

During the year ended December 31, 2012, \$3.5 million of costs associated with expired mineral leases were recognized as an expense compared to the prior periods of \$0.9 million. The expired mineral leases are mainly attributed to non-core areas. The Company added \$5.6 million and \$13.9 million, respectively of undeveloped land in connection with the Compass and Midway acquisitions in 2012.

Taxes

The Company has a deferred income tax expense of \$20.5 million for the year ended December 31, 2012.

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

<i>(\$000s)</i>	December 31, 2012	December 31, 2011
Undepreciated capital cost	169,147	89,770
Canadian development expense	381,611	125,779
Canadian exploration expense	17,909	11,331
Canadian oil and gas property expense	172,645	103,274
Non-capital loss carry forward	82,974	33,796
Share issue costs	15,310	10,894
Total	839,596	374,844

Cash Flow and Net Income

Cash flow from operating activities for 2012 was \$173.5 million compared to prior year cash flow of \$79.0 million. Cash flow from operating activities for the fourth quarter 2012 was \$83.7 million compared to \$27.5 million in the fourth quarter of 2011. The significant increases in cash flow are mainly attributed to the Company's growth in production volumes.

Net income for the year ended December 31, 2012 was \$52.5 million compared to \$25.5 million in 2011. Net income for the fourth quarter of 2012 was \$7.6 million compared to a net income of \$3.2 million in the comparable period. The significant improvement to earnings is mainly attributed to increased production volumes and unrealized gains on financial instruments offset by a loss on sale of non-core properties.

Capital Expenditures

<i>(\$000s)</i>	Year ended December 31,	
	2012	2011
Land and lease	5,546	4,284
Geological and geophysical	1,625	717
Drilling and completions net of drilling credits	217,593	107,517
Investment in facilities	18,929	26,793
Capitalized administration	2,033	1,073
Development capital	245,726	140,384
Office and other	430	74
Net property acquisitions	3,842	41,373
Corporate acquisitions	645,622	219,692
Total capital expenditures	895,620	401,523

For the year ended December 31, 2012, capital expenditures, excluding acquisitions, totaled \$245.7 million with over 96 percent spent on drilling, completions and facilities.

In west central Alberta, Whitecap continued to increase its presence in the Cardium resource play in 2012 with the acquisition of Midway and by drilling 54 (42.9) horizontal multi-fracture light oil wells. This includes 17 (15.8 net) wells drilled in the Garrington field which was acquired with Midway.

In the Peace River Arch area of Alberta, Whitecap drilled 4 (3.2 net) Doe Creek horizontal oil wells, 4 (3.0 net) Montney Sexsmith horizontal oil wells, 1 (1.0 net) Middle Montney horizontal oil well, and 1 (1.0 net) Dunvegan horizontal oil well in 2012.

Since acquiring Compass in February 2012, Whitecap has drilled 41 (35.2 net) horizontal Viking oil wells in the Dodsland area of Saskatchewan and has been able to lower capital costs and increase the IP-(30) rates for this light oil resource play.

In southwest Saskatchewan, Whitecap drilled 5 (4.7 net) wells in the greater Fosterton area targeting the Roseray, Success, and Cantuar formations.

Decommissioning Liability

At December 31, 2012, the Company recorded decommissioning liabilities of \$54.5 million for future abandonment and reclamation of the Company's properties. 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, 2012, the Company had a \$450 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 30, 2013 and then for a further year under the term out provisions. Such initial term out date may be extended for further 364-day periods at the request of the Company, subject to approval by the banks. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances. The applicable margin charged by the bank is dependent upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The credit facilities are secured by a fixed and floating charge debenture on the assets of the Company. As of December 31, 2012, the Company was compliant with all covenants provided for in the lending agreement.

Equity

On February 10, 2012, as part of the Compass acquisition, 10.9 million Whitecap shares were issued to Compass shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on February 10, 2012 of \$9.74 per share.

On March 19, 2012, the Company completed a bought deal finance offering of 5.9 million units at a price of \$20.20 per unit for total gross proceeds of \$120.0 million. Each unit was comprised of one subscription receipt at a price of \$10.10 per subscription receipt and one common share at a price of \$10.10 per common share. The proceeds from the sale of the subscription receipts were held in escrow pending the completion of the acquisition of Midway. Upon closing of the Midway acquisition on April 20, 2012, each subscription converted to one common share of Whitecap.

On April 20, 2012, as part of the Midway acquisition, 32.1 million Whitecap shares were issued to Midway shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on April 20, 2012 of \$7.68 per share.

The Company is authorized to issue an unlimited number of common shares. As at March 19, 2013 there were 130.5 million common shares, 4.0 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, dividend payments and provide liquidity. From time to time, the Company accesses capital markets to meet its additional financing needs and to maintain flexibility in funding its capital programs. Future liquidity depends primarily on funds from operations, existing credit facilities and the ability to access debt and equity markets. Bank debt is classified as a 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, 2012 the Company had \$139.3 million of unutilized credit to cover any working capital deficiencies. The Company believes that it is well positioned to take advantage of its internally developed opportunities funded through available credit facilities combined with anticipated funds from operations. Present sources of capital are currently anticipated to be sufficient to satisfy the Company's capital program and dividend payments for the 2013 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:

<i>(\$000s)</i>	2013	2014	2015	2016+	Total
Operating lease - office building	1,063	1,063	1,051	1,563	4,740

Related Party Transactions

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

The Company has retained the law firm of Burnet, Duckworth and Palmer LLP ("BDP") to provide Whitecap with legal services. A director of Whitecap is a partner of this firm. During the year ended December 31, 2012, the Company incurred \$0.6 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, 2012 no payable balance was outstanding.

Subsequent Events

In connection with the acquisition of Midway, Whitecap entered into a supplemental warrant indenture whereby it assumed the obligations of Midway in respect of Midway's previously 3.0 million outstanding share purchase warrants that were issued by Midway in connection with a private placement completed in February 2012. As a result, each previously outstanding warrant to acquire a class A common share of Midway entitles the holder thereof to acquire 0.4802 of a Whitecap common share at a price of \$4.00 per 0.4802 of a common share (\$8.33 per whole Whitecap common share). Subsequent to year end 2.8 million Midway warrants were exercised and 0.2 million Midway warrants expired. Total proceeds of \$11.3 million were received and accordingly 1.3 million Whitecap common shares were issued.

For 2013 our Board of Directors has approved an initial monthly dividend policy of \$0.05 per share commencing January 2013 with the first dividend payment in February 2013. Our dividend policy is reviewed monthly and is based on a number of factors including current and future commodity prices, foreign exchange rates, our commodity hedging program, current operations and future investment opportunities. Each dividend declaration will be confirmed by a monthly press release.

On March 18, 2013, Whitecap and Invicta Energy Corp. ("Invicta") announced that they have entered into an arrangement agreement providing for the acquisition by Whitecap of all the issued and outstanding common shares of Invicta (the "Transaction"). Invicta is a light oil-weighted public energy company with its operations immediately offsetting Whitecap's lands and Viking production in the Lucky Hills area of west central Saskatchewan. Under the terms of the Transaction, Invicta shareholders will receive, at their election, for each Invicta share held, either: (i) 0.05891 of a Whitecap common share; or (ii) \$0.51911 in cash, subject to an aggregate cash maximum of \$10.7 million. Whitecap will also assume the net debt of Invicta, estimated at \$17.4 million, after accounting for costs, severance and option proceeds associated with the Transaction, as at March 31, 2013. The total Transaction value is approximately \$60.2 million, including the assumption of net debt.

Off Balance Sheet Arrangements

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

Critical Accounting Estimates

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

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

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

Accounting Standards and Amendments Issued But Not Yet Adopted

The Company has assessed the impact of the following standards and amendments and has determined that the adoption of the standards is not expected to have any material impact to the Company. The standards are to be adopted for fiscal years beginning January 1, 2013 with earlier adoption permitted.

A brief description of each new standard is listed below:

- *IFRS 10, Consolidated Financial Statements* - This standard provides a single model to be applied in control analysis for all investees including special purpose entities.
- *IFRS 11, Joint Arrangements* - This standard divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint arrangements are required to be reassessed on transition to IFRS 11 to determine their type to apply the appropriate accounting.
- *IFRS 12, Disclosure of Interests in Other Entities* - This standard combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities.
- *IFRS 13, Fair Value Measurement* - This standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as 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.

As of January 1, 2015, the Company will be required to adopt IFRS 9 "Financial Instruments", which is the result of the first phase of the International Accounting Standards Board ("IASB") project to replace IAS 39 "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Portions of the standard remain in development and the full impact of the standard on the Company's Financial Statements will not be known until the project is complete.

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, 2012 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, 2012 to December 31, 2012 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, 2012 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 Canada 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

(\$000s, except as noted)	2012				2011			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial								
Petroleum and natural gas sales	93,896	85,327	69,565	56,982	48,033	38,543	34,497	16,359
Funds from operations ⁽¹⁾	63,588	56,894	40,132	33,271	32,962	26,059	19,857	8,285
Basic (\$/share)	0.50	0.45	0.34	0.42	0.46	0.36	0.30	0.20
Diluted (\$/share)	0.49	0.44	0.33	0.41	0.44	0.35	0.29	0.19
Net income (loss)	7,579	10,678	26,536	7,678	3,228	10,063	12,170	51
Basic (\$/share)	0.06	0.08	0.22	0.10	0.04	0.14	0.19	0.00
Diluted (\$/share)	0.06	0.08	0.22	0.09	0.04	0.14	0.18	0.00
Development capital expenditures	67,563	74,749	39,667	63,747	54,839	44,694	19,156	21,695
Net property acquisitions	(4,977)	(101)	3,087	5,833	(136)	6,405	9,947	25,177
Corporate acquisitions	-	-	523,069	122,553	-	-	219,692	-
Total assets	1,495,778	1,496,308	1,439,857	823,679	641,671	593,930	550,497	255,626
Bank debt and working capital ⁽²⁾	343,994	366,899	347,639	156,411	158,811	137,045	111,888	71,680
Common shares outstanding (000s)	127,900	127,098	127,091	89,056	72,191	72,168	72,162	41,828
Operational								
Average daily production								
Crude oil (bbls/d)	10,520	9,672	8,057	6,168	4,474	3,805	3,155	1,645
NGLs (bbls/d)	1,274	1,183	1,073	457	474	355	223	181
Natural gas (Mcf/d)	31,341	29,642	26,573	18,959	17,150	13,951	11,770	6,666
Total (boe/d)	17,018	15,795	13,559	9,785	7,806	6,485	5,339	2,937

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.

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

The following outlines the significant events over the past two years;

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 Energy Ltd. ("Spry") acquisition, the outstanding subscription receipts of Whitecap were exchanged for common shares of Whitecap effective April 20, 2011. The Spry acquisition increased our presence in the Cardium resource play and provided a significant increase in revenue and net income.

In the first quarter of 2012, the Company acquired Compass for total consideration of approximately \$120.0 million providing us with an initial entry into the light oil Viking resource play and increasing our low risk drilling opportunities. Additionally, the Company completed a bought deal finance offering of 5.9 million units at a price of \$20.20 per unit for gross proceeds of \$120 million. Each unit was comprised of one subscription receipt at a price of \$10.10 per subscription receipt and one common share at a price of \$10.10 per common share.

In the second quarter of 2012, the Company acquired Midway for total consideration of approximately \$359.0 million providing us a significant increase in our Cardium inventory and increasing our low risk drilling opportunities.

In the fourth quarter of 2012, the Company closed non-core property dispositions for \$28.6 million and closed a property acquisition in west central Saskatchewan for \$23.7 million.

NON-GAAP MEASURES

This annual report contains the terms "net debt", "funds from operations", "operating netbacks" and "cash 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, operating netbacks and cash 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, operating netbacks and cash 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. Cash netbacks are determined by deducting general and administrative and interest and financing expenses from the operating netback. 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. Net debt is calculated as bank debt plus working capital deficiency excluding risk management contracts.

(\$000s)	Year ended December 31,	
	2012	2011
Cash flow from operating activities	173,535	79,008
Changes in non-cash working capital	14,737	6,702
Transaction costs	4,416	1,386
Settlement of decommissioning liabilities	1,197	67
Funds from operations	193,885	87,163

BOE PRESENTATION

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

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; Whitecap's future plans and focus; 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 dividends and dividend policy; future results from operations and operating costs and metrics; future costs, expenses and royalty rates; Whitecap's ability to fund its current capital program and dividend payments for the remainder of the year, anticipated scheduling of Whitecap's review of its credit arrangements with its lenders, future taxes payable by Whitecap, Whitecap's tax pools and statements relating to the Invicta Transaction including Invicta's estimated net debt.

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; the impact of increasing competition; the general stability of the economic and political environment in which Whitecap operates; the ability of Whitecap to obtain qualified staff, equipment and services in a timely and cost efficient manner; drilling results; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; field production rates and decline rates; the ability to reduce operating costs; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion; the ability of the Company to secure adequate product transportation; future petroleum and natural gas prices; currency, exchange and interest rates; and the continued availability of adequate debt and equity financing and cash flow to fund its planned expenditures; Whitecap believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

The forward-looking information and statements included in this 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, competition from other producers, inability to retain drilling rigs and other services, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions, the inability to fully realize the benefits of acquisitions, delays resulting from or inability to obtain require regulatory approvals, increased debt levels or debt service requirements; inaccurate estimation of Whitecap's oil and gas reserve and resource volumes; limited, unfavorable or a lack of access to capital markets; increased costs; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time to time in Whitecap's public disclosure documents (including, without limitation, those risks identified in this annual report) and may be accessed through the SEDAR website (www.sedar.com).

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

The management of Whitecap Resources Inc. is responsible for the preparation of the financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Management has developed and maintains an extensive system of internal accounting controls that provide reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the Company's operating and financial results, and that the Company's assets are safeguarded. Management believes that this system of internal controls has operated effectively for the year ended December 31, 2012. The Company has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to the Company which complies with the requirements of Canadian securities legislation.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, was appointed by a resolution of the Board of Directors to audit the financial statements of the Company and to provide an independent professional opinion. PricewaterhouseCoopers LLP was appointed to hold such office until the next such annual meeting of the shareholders of the Company.

The Board of Directors, through its Audit Committee, has reviewed the financial statements including notes thereto with management and PricewaterhouseCoopers LLP. The members of the Audit Committee are composed of independent directors who are not employees of the Company. The Board of Directors has approved the information contained in the financial statements based on the recommendation of the Audit Committee.

GRANT B. FAGERHEIM
PRESIDENT AND CEO

THANH KANG
VICE PRESIDENT FINANCE AND CFO

March 19, 2013

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 sheets as at December 31, 2012 and December 31, 2011 and the statements of comprehensive income, changes in equity, and cash flows for the years then ended, 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 in our audits 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, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

CHARTERED ACCOUNTANTS
CALGARY, ALBERTA

March 19, 2013



WHITECAP RESOURCES INC.

BALANCE SHEET

As at <i>(CAD \$000s)</i>	December 31, 2012	December 31, 2011
Assets		
Current assets		
Cash	12	13
Accounts receivable	45,820	32,753
Deposits and prepaid expenses	1,835	1,241
Risk management contracts <i>[Notes 4 & 5]</i>	10,663	-
Assets held for sale <i>[Note 10]</i>	23,942	-
	82,272	34,007
Risk management contracts and other <i>[Notes 4, 5 & 20]</i>	1,055	-
Property, plant and equipment <i>[Notes 6 & 7]</i>	1,292,966	549,161
Exploration and evaluation <i>[Notes 6 & 8]</i>	33,100	15,408
Goodwill <i>[Notes 6 & 9]</i>	86,385	43,095
	1,495,778	641,671
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	102,393	62,014
Risk management contracts	-	5,318
Liabilities associated with assets held for sale <i>[Note 10]</i>	2,510	-
	104,903	67,332
Bank debt <i>[Note 11]</i>	310,700	130,804
Decommissioning liability <i>[Note 12]</i>	54,513	23,259
Deferred income tax	115,573	39,913
	585,689	261,308
Shareholders' equity		
Share capital <i>[Note 13]</i>	827,588	354,857
Contributed surplus <i>[Note 13]</i>	15,004	10,480
Retained earnings	67,497	15,026
	910,089	380,363
	1,495,778	641,671

See accompanying notes to financial statements.

Approved on behalf of the Board:

STEPHEN C. NIKIFORUK
DIRECTOR

GRANT B. FAGERHEIM
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

**For the years ended December 31***(CAD \$000s, except per share amounts)*

	2012	2011
Revenue		
Petroleum and natural gas sales	305,770	137,432
Royalties	(35,061)	(16,366)
	270,709	121,066
Gain on risk management contracts <i>[Note 5]</i>	31,661	2,745
	302,370	123,811
Expenses		
Operating	56,398	24,593
Transportation	12,145	4,078
General and administrative <i>[Notes 14 & 15]</i>	9,234	3,589
Stock-based compensation	3,876	1,883
Transaction costs	4,416	1,386
Interest and financing	12,893	4,614
Depletion, depreciation and amortization <i>[Note 7]</i>	116,096	48,075
Exploration and evaluation <i>[Note 8]</i>	3,502	901
Loss on non-core asset disposition	10,875	-
	229,435	89,119
Net income before income taxes	72,935	34,692
Taxes		
Deferred income tax expense <i>[Note 17]</i>	20,464	9,180
Net income and other comprehensive income	52,471	25,512
Retained earnings (deficit), beginning of period	15,026	(10,486)
Retained earnings, end of period	67,497	15,026
Net income per share <i>(\$/share) [Note 16]</i>		
Basic	0.46	0.40
Diluted	0.45	0.39

See accompanying notes to financial statements.



WHITECAP RESOURCES INC.

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(CAD \$000s)

	2012	2011
Share capital [Note 13(b)]		
Balance, beginning of year	354,857	153,228
Issued on exercise of options/warrants	3,614	345
Contributed surplus adjustment on exercise of options/warrants	1,808	176
Issued on the acquisition of Compass Petroleum Ltd. ("Compass")	106,020	-
Issued for cash through public prospectus offering	120,008	149,600
Issued on the acquisition of Midway Energy Ltd. ("Midway")	246,427	-
Issued on the acquisition of Spry Energy Ltd. ("Spry")	-	57,596
Share issue costs, net of deferred income tax	(5,146)	(6,088)
Balance, end of period	827,588	354,857
Contributed surplus [Note 13(e)]		
Balance, beginning of year	10,480	8,036
Option-based awards	5,142	2,620
Warrants acquired	1,190	-
Option/warrant exercises	(1,808)	(176)
Balance, end of period	15,004	10,480
Retained earnings (deficit)		
Balance, beginning of year	15,026	(10,486)
Net income	52,471	25,512
Balance, end of period	67,497	15,026

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

**For the years ended December 31***(CAD \$000s, except per share amounts)*

	2012	2011
Operating activities		
Net income for the period	52,471	25,512
Items not affecting cash:		
Depletion, depreciation and amortization	119,598	48,976
Deferred income tax expense	20,464	9,180
Stock-based compensation	3,876	1,883
Non-cash financing expense <i>[Note 12]</i>	1,025	434
Unrealized gain on risk management contracts <i>[Note 5]</i>	(18,840)	(208)
Loss on non-core asset disposition <i>[Note 10]</i>	10,875	-
Settlement of decommissioning liabilities <i>[Note 12]</i>	(1,197)	(67)
	188,272	85,710
Net change in non-cash working capital items <i>[Note 18]</i>	(14,737)	(6,702)
	173,535	79,008
Financing activities		
Increase in bank debt	179,897	113,250
Issuance of share capital, net of share issue costs	116,771	141,775
	296,668	255,025
Investing activities		
Expenditures on property, plant and equipment	(246,156)	(140,458)
Net expenditures on property acquisitions	(3,842)	(41,373)
Expenditures on corporate acquisitions <i>[Note 6]</i>	(234,006)	(171,664)
Net change in non-cash working capital items <i>[Note 18]</i>	13,800	19,465
	(470,204)	(334,030)
Increase (decrease) in cash, during the period	(1)	3
Cash, beginning of period	13	10
Cash, end of period	12	13
Cash interest paid	11,868	4,180

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 engaged in the acquisition, development, optimization and production of crude oil and natural gas in western Canada. The registered office is located at 500, 222-3rd Avenue SW, Calgary, Alberta, Canada, T2P 0B4.

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 financial statements have been prepared in accordance with IFRS as issued by IASB as at and for the year ended December 31, 2012 including 2011 comparative periods. The financial statements were authorized for issue by the Board of Directors on March 19, 2013.

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. 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.

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 capital expenditures on projects that are in progress are based on estimates.

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.

Estimated depletion, depreciation and amortization charges are based on estimates of oil and gas reserves that the Company expects to recover in the future.

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 is reported on 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, Account Receivable, Loans and Other Receivables

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments. Account 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.

A provision for impairment of account 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 receivable is impaired.

Financial Derivative Instruments

Financial derivative instruments are included in current assets/liabilities except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets/liabilities. The Company has not designated any of its financial derivative contracts as effective accounting hedges and, accordingly, fair values its financial derivative contracts with the resulting gains and losses recorded in net income.

Accounts Payable, Accrued Liabilities and Bank Debt

These financial instruments are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They 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 recognized on the statement of comprehensive income.

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 a gain or loss on disposal on 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.

Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. For the sale to be highly probable, management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in the statement of income in the period measured. Non-current assets held for sale are presented in current assets and liabilities within the balance sheet. Assets held for sale are not depleted, depreciated or amortized.

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 referencing the fair value of current arm's length transactions in the market to the carrying amount of E&E assets. 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 is 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. 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

The Company has assessed the impact of the following standards and amendments and has determined that the adoption of the standards is not expected to have any material impact to the Company. The standards are to be adopted for fiscal years beginning January 1, 2013 with earlier adoption permitted. A brief description of each new standard is listed below:

- > *IFRS 10, Consolidated Financial Statements - This standard provides a single model to be applied in control analysis for all investees including special purpose entities.*
- > *IFRS 11, Joint Arrangements - This standard divides joint arrangements into two types, joint operations and joint ventures, each with their own accounting model. All joint arrangements are required to be reassessed on transition to IFRS 11 to determine their type to apply the appropriate accounting.*
- > *IFRS 12, Disclosure of Interests in Other Entities - This standard combines in a single standard the disclosure requirements for subsidiaries, associates and joint arrangements as well as unconsolidated structured entities.*

- *IFRS 13, Fair Value Measurement* This standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as 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.

As of January 1, 2015, the Company will be required to adopt IFRS 9 “Financial Instruments”, which is the result of the first phase of the International Accounting Standards Board (“IASB”) project to replace IAS 39 “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. Portions of the standard remain in development and the full impact of the standard on the Company’s Financial Statements will not be known until the project is complete.

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) are estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The market value of E&E assets are estimated with reference to the market values of current arm’s length transactions in comparable locations.

(ii) Cash, accounts receivable, bank debt, accounts payable and accrued liabilities:

The fair value of cash, accounts receivable, bank debt, accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. As at December 31, 2012 and December 31, 2011, the fair value of these balances approximated their carrying value.

(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, accounts receivable, bank debt, accounts payable and accrued liabilities 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 or joint interest billings 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, 2012	December 31, 2011
Cash	12	13
Accounts receivable	45,820	32,753
	45,832	32,766

The majority of the credit exposure on accounts receivable at December 31, 2012 pertains to accrued revenue for December 2012 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, 2012, 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 2012.

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, 2012, there was \$1.4 million (December 31, 2011 - \$0.7 million) of receivables aged over 90 days. Subsequent to December 31, 2012, approximately \$0.7 million (December 31, 2011 - \$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, 2012:

<i>(\$000s)</i>	< 1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	102,393	-	102,393
Liabilities associated with assets held for sale	2,510	-	2,510
Bank debt	-	310,700	310,700
Total financial liabilities	104,903	310,700	415,603

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

<i>(\$000s)</i>	< 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

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, 2012, 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 \$30.2 million, whereas a 10 percent decrease would result in a positive impact of \$29.6 million.

At December 31, 2012 the following risk management contracts were outstanding with a mark-to-market asset value of \$10.7 million:

Financial WTI Crude Oil Contracts

Term		Contract	Volume (bbl/d)	Sold Swap Price (\$/bbl)	Index
01-Jan-13	28-Feb-13	Swap	300	102.00	C\$WTI
01-Jan-13	28-Feb-13	Swap	300	95.00	C\$WTI
01-Jan-13	30-Jun-13	Swap	500	102.52	C\$WTI
01-Jan-13	30-Jun-13	Swap	1,000	97.50	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	106.38	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	95.18	C\$WTI
01-Jan-13	31-Dec-13	Swap ⁽¹⁾	400	103.10	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	102.60	C\$WTI
01-Jan-13	31-Dec-13	Swap ⁽²⁾	1,000	100.85	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	97.10	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	97.00	C\$WTI
01-Jan-13	31-Dec-13	Swap	1,000	92.00	C\$WTI
01-Jan-13	31-Dec-13	Swap	500	91.00	C\$WTI
01-Jul-13	31-Dec-13	Swap	500	95.00	C\$WTI
01-Jan-14	30-Jun-14	Swap	1,000	94.10	C\$WTI
01-Jan-14	31-Dec-14	Swap	1,000	92.22	C\$WTI
01-Jan-14	31-Dec-14	Swap	1,000	91.00	C\$WTI
01-Jul-13	31-Dec-13	Swap	500	91.00	C\$WTI
01-Jan-14	31-Dec-14	Swap	2,000	91.82	C\$WTI
01-Jan-15	31-Dec-15	Swap	1,000	90.00	C\$WTI

Term	Contract	Volume (bbl/d)	Bought Put Price (\$/bbl)	Sold Call Price (\$/bbl)	Index	
01-Jan-13	31-Mar-13	Collar	300	95.00	105.40	C\$WTI

Subsequent to year end, the Company entered into the following crude oil derivative contracts:

Term		Contract	Volume (bbl/d)	Sold Swap Price (\$/bbl)	Index
01-Jul-13	31-Dec-13	Swap	1,000	95.05	C\$WTI
01-Jan-14	30-Jun-14	Swap	1,000	97.12	C\$WTI
01-Jan-14	31-Dec-14	Swap	1,000	93.12	C\$WTI
01-Jan-14	31-Dec-14	Swap	750	95.02	C\$WTI
01-Jan-14	31-Dec-14	Swap	250	95.05	C\$WTI
01-Jan-15	31-Dec-15	Swap	1,000	91.05	C\$WTI

Notes:

(1) Concurrent with entering into the swap, the Company sold a put at C\$74.60 WTI for 400 bbls/d in 2013.

(2) The counterparty has the option on November 30, 2013 to extend the risk management contract to December 31, 2014.

Financial Natural Gas Derivative Contracts

Term		Contract	Volume (GJ/d)	Sold Swap Price (\$/GJ)	Index
01-Jan-13	31-Dec-13	Swap	1,250	2.77	AECO
01-Jan-13	31-Dec-13	Swap	1,250	2.76	AECO
01-Jan-13	31-Dec-13	Swap	5,000	3.08	AECO
01-Jan-13	31-Dec-13	Swap	2,000	3.24	AECO
01-Jan-13	31-Dec-13	Swap	2,000	3.40	AECO

Subsequent to year end, the Company entered into the following natural gas derivative contracts:

Term		Contract	Volume (GJ/d)	Sold Swap Price (\$/GJ)	Index
01-Jan-13	31-Oct-13	Swap	2,000	3.00	AECO
01-Feb-13	31-Oct-13	Swap	2,000	2.98	AECO
01-Jan-14	31-Dec-14	Swap	5,000	3.50	AECO
01-Apr-13	31-Dec-13	Swap	2,000	3.45	AECO

Financial Power Derivative Contracts

Term		Contract	Volume (MWh)	Average Swap Price (\$/MWh)	Index
01-Jan-13	31-Dec-13		18,396	62.99	AESO
01-Jan-14	31-Dec-14		18,396	55.24	AESO

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, 2012 were to have increased by 25 basis points (0.25 percent) it is estimated that the Company's annual cash flows would decrease approximately \$0.8 million (2011 - \$0.2 million).

When assessing the potential impact of interest rate changes on the Company's interest rate swaps, the Company believes one percent interest rate volatility is a reasonable measure. A one percent increase or decrease in interest rate volatility would result in an impact of \$0.1 million.

Interest Rate Contracts

Term		Amount C\$(\$000s)	Fixed Rate (%)	Index
01-Oct-12	31-Oct-13	100,000	1.06	CDOR

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. Foreign exchange risk is mitigated by entering into Canadian dollar denominated commodity risk management contracts.

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)	December 31, 2012	December 31, 2011
Current assets	71,609	34,007
Current liabilities	(104,903)	(62,014)
Working capital deficit ⁽¹⁾	(33,294)	(28,007)
Bank debt	310,700	130,804
Shareholders' equity	910,089	380,363

Note:

(1) Excluding risk management contracts

6. ACQUISITIONS

(a) Compass Petroleum Ltd.

On February 10, 2012, Whitecap acquired all the issued and outstanding shares of Compass for an aggregate purchase price of approximately \$123.9 million which included \$14.0 million payable in cash, assumed debt and working capital deficit of \$3.9 million and 10.9 million common shares issued. The common shares issued were valued using the share price of Whitecap on February 10, 2012 of \$9.74 per share.

The transaction closed on February 10, 2012 and had the acquisition been acquired as of January 1, 2012, an additional \$3.2 million in revenue (net of royalties) would have been recognized. Net income is not readily determinable.

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

Net assets acquired⁽¹⁾ (\$000s):

Working capital deficit	(3,943)
Petroleum and natural gas properties	116,996
Exploration and evaluation assets	5,557
Goodwill	12,067
Risk management asset	286
Decommissioning liability	(2,893)
Deferred income tax	(8,074)
	119,996

Consideration:

Issuance of shares	106,020
Cash consideration	13,976
Total consideration	119,996

Note:

(1) The above amounts are estimates, which were made by management at the time of the preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

(b) Midway Energy Ltd.

On April 20, 2012, Whitecap acquired all the issued and outstanding shares of Midway for an aggregate purchase price of approximately \$489.2 million which included \$111.4 million payable in cash, assumed debt and working capital deficit of \$131.4 million and 32.1 million common shares issued. The common shares issued were valued using the share price of Whitecap on April 20, 2012 of \$7.68 per share.

The transaction closed on April 20, 2012 and had the acquisition been acquired as of January 1, 2012, an additional \$10.4 million in revenue (net of royalties) would have been recognized. Net income is not readily determinable.

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

Net assets acquired⁽¹⁾ (\$000s):

Working capital deficit	(6,108)
Petroleum and natural gas properties	509,161
Exploration and evaluation assets	13,908
Goodwill	31,223
Long-term debt	(125,281)
Risk management liability	(3,090)
Decommissioning liability	(12,016)
Deferred income tax	(48,827)
	358,970

Consideration:

Issuance of shares	246,427
Warrants assumed	1,190
Cash consideration	111,353
Total consideration	358,970

Note:

(1) The above amounts are estimates, which were made by management at the time of the preparation of these financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

(c) Property Acquisitions

The Company acquired strategic properties and working interests that complement the existing assets in the west central area of Alberta and west central area of Saskatchewan. The property acquisitions were accounted for as business combinations under IFRS 3. Had the properties been acquired as of January 1, 2012, an additional \$4.2 million in revenue (net of royalties) 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	22,588
Exploration and evaluation assets	10,110
Decommissioning liability	(830)
	31,868

Consideration:

Total consideration	31,868
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7. PROPERTY, PLANT AND EQUIPMENT

Net book value (\$000s)	December 31, 2012	December 31, 2011
Petroleum and natural gas properties	1,466,861	608,891
Other assets	783	353
Property, plant and equipment, at cost	1,467,644	609,244
Less: accumulated depletion, depreciation and amortization	(174,678)	(60,083)
Total net carrying amount	1,292,966	549,161

Cost (\$000s)	Oil and Natural Gas Properties	Other Assets	Total
Balance at January 1, 2011	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	608,891	353	609,244
Acquisitions	626,157	-	626,157
Additions	291,379	430	291,809
Transfer to assets held for sale	(23,190)	-	(23,190)
Disposals	(36,376)	-	(36,376)
Balance at December 31, 2012	1,466,861	783	1,467,644

The Company disposed of non-core properties for cash proceeds of \$28.9 million (2011 - \$2.5 million) which resulted in a non-cash loss recorded on the statement of comprehensive income of \$10.9 million (2011 - nil).

Depletion, depreciation and amortization (\$000s)	Oil and Natural Gas Properties	Other Assets	Total
Balance at January 1, 2011	11,908	100	12,008
Depletion, depreciation and amortization	47,983	92	48,075
Balance at December 31, 2011	59,891	192	60,083
Depletion, depreciation and amortization	115,948	148	116,096
Disposals	(1,501)	-	(1,501)
Balance at December 31, 2012	174,338	340	174,678

At December 31, 2012, \$23.5 million of salvage value (2011 - \$10.2 million) was excluded from the depletion calculation. Future development costs of \$513.1 million (2011 - \$272.5 million) were included in the depletion calculation. The Company capitalized \$3.3 million (2011 - \$1.8 million) of administrative costs directly relating to development activities which includes \$1.3 million (2011 - \$0.7 million) of stock-based compensation.

8. EXPLORATION AND EVALUATION

(\$000s)	December 31, 2012	December 31, 2011
Exploration and evaluation assets	37,503	16,309
Less: accumulated land expiries and write-offs	(4,403)	(901)
Total net carrying amount	33,100	15,408

(\$000s)	Undeveloped Land
Balance at January 1, 2011	8,960
Acquisitions	6,767
Additions	5,340
Transfers to property, plant and equipment	(4,758)
Balance at December 31, 2011	16,309
Acquisitions	19,465
Additions	10,110
Disposal	(6,158)
Transfer to assets held for sale	(752)
Transfers to property, plant and equipment	(1,471)
Balance at December 31, 2012	37,503

Land expiries and write-offs (\$000s)	Total
Balance at January 1, 2011	-
Land expiries and write-offs	901
Balance at December 31, 2011	901
Land expiries and write-offs	3,502
Balance at December 31, 2012	4,403

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, 2011	-
Spry acquisition	43,095
Balance at December 31, 2011	43,095
Compass acquisition (Note 6a)	12,067
Midway acquisition (Note 6b)	31,223
Balance at December 31, 2012	86,385

10. ASSETS HELD FOR SALE

In October 2012, the Company entered into a definitive agreement to sell a portion of its non-core assets. The designated assets classified as held for sale represent the lower of its carrying amount and the fair value less costs to sell of these assets. The associated liabilities relating to asset retirement obligation of \$2.5 million have been reclassified to current liabilities. The disposition is expected to close on or before March 25, 2013.

11. CREDIT FACILITIES

As at December 31, 2012, the Company had a \$450 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 30, 2013 and then for a further year under the term out provisions. Such initial term out date may be extended for further 364-day periods at the request of the Company, subject to approval by the banks. The credit facility provides that advances may be made by way of direct advances, banker's acceptances or letters of credit/guarantees. Direct advances bear interest at the bank's prime lending rate plus an applicable margin for Canadian dollar advances. The applicable margin charged by the bank is dependent upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The banker's acceptances bear interest at the applicable banker's acceptance rate plus an explicit stamping fee based upon the Company's net debt to annualized most recent quarter's funds from operations ratio. The credit facilities are secured by a fixed and floating charge debenture on the assets of the Company. As of December 31, 2012, the Company was compliant with all covenants provided for in the lending agreement.

12. DECOMMISSIONING LIABILITY

(\$000s)

Balance, January 1, 2011	6,730
Liabilities incurred	2,764
Liabilities acquired	12,897
Liabilities settled	(633)
Liabilities disposed	(67)
Revision in estimates	1,134
Accretion expense	434
Balance, December 31, 2011	23,259
Liabilities incurred	5,161
Liabilities acquired	15,739
Liabilities settled	(1,197)
Liabilities disposed	(1,301)
Transfer to assets held for sale	(2,510)
Revision in estimates	14,337
Accretion expense	1,025
Balance, December 31, 2012	54,513

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. Liabilities acquired of \$15.7 million are mainly attributed to the corporate acquisitions of Midway and Compass in 2012. Revision in estimates are mainly attributed to the change in discount rate used in the accounting for the decommissioning liabilities in the purchase price allocation. The key assumptions, on which the carrying amount of the decommissioning liability is based, include a risk-free rate of 2.3 percent and inflation rate of 2.0 percent. The total undiscounted amount of the estimated cash flows required to settle the obligations was \$74.4 million (2011 - \$31.4 million). The expected timing of payment of the cash flows required for settling the obligations extends up to 44 years.

13. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without nominal or par value.

b) Issued and Outstanding

<i>(000s)</i>	Shares	\$
Balance, January 1, 2011	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 ⁽¹⁾	22,000	149,600
Issued on the acquisition of Spry ⁽²⁾	8,228	57,596
Share issue costs, net of deferred income tax	-	(6,088)
Balance, December 31, 2011	72,191	354,857
Issued on exercise of options/warrants	855	3,614
Contributed surplus adjustment on exercise of options/warrants	-	1,808
Issued on the acquisition of Compass ⁽³⁾	10,885	106,020
Issued for cash through public prospectus offering ⁽⁴⁾	11,882	120,008
Issued on the acquisition of Midway ⁽⁵⁾	32,087	246,427
Share issue costs, net of deferred income tax	-	(5,146)
Balance, December 31, 2012	127,900	827,588

Notes:

(1) 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.

(2) 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.

(3) On February 10, 2012, as part of the Compass acquisition 10.9 million Whitecap shares were issued to Compass shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on February 10, 2012 of \$9.74 per share.

(4) On March 19, 2012, the Company completed a bought deal finance offering of 5.9 million units of Whitecap common shares at a price of \$20.20 per subscription receipt for total gross proceeds of \$120.0 million. Each unit was comprised of one subscription receipt at a price of \$10.10 per subscription receipt and one common share at a price of \$10.10 per common share. Each subscription receipt represented the right to acquire, without payment of additional consideration or further action, one common share upon closing of the previously announced plan of arrangement with Midway. Concurrent with the close of Midway on April 20, 2012, the subscription receipts were exchanged for Whitecap common shares.

(5) On April 20, 2012, as part of the Midway acquisition 32.1 million Whitecap shares were issued to Midway shareholders as part of the transaction. The common shares issued were valued using the share price of Whitecap on April 20, 2012 of \$7.68 per share.

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.

<i>(000s except per share amounts)</i>	Number of Options	Weighted Average Exercise Price (\$)
Balance, January 1, 2011	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
Granted	2,196	7.37
Exercised	(808)	4.33
Forfeited/expired	(162)	6.15
Balance, December 31, 2012	5,150	5.76

Exercise Price (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$/share)	Number Exercisable	Weighted Average Exercise Price (\$/share)
2.00-3.49	1,213	0.89	2.55	1,056	2.49
3.50-5.99	843	2.60	5.45	228	5.34
6.00-10.00	3,094	3.06	7.11	170	6.32
2.00-10.00	5,150	2.47	5.76	1,454	3.39

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:

	2012	2011
Risk-free interest rate	1.2%	1.7%
Expected life (year)	4	4
Expected volatility	47%	51%
Forfeiture rate	3.7%	3.4%
Fair value (\$/option)	\$2.88	\$3.13

d) Warrants

On June 25, 2010, 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.

In connection with the acquisition of Midway, Whitecap entered into a supplemental warrant indenture whereby it assumed the obligations of Midway in respect of Midway's previously 3.0 million outstanding share purchase warrants that were issued by Midway in connection with a private placement completed in February 2012. As a result, each previously outstanding warrant to acquire a class A common share of Midway entitles the holder thereof to acquire 0.4802 of a Whitecap common share at a price of \$4.00 per 0.4802 of a common share (\$8.33 per whole Whitecap common share). The share purchase warrants are fully vested and expire February 15, 2013. (See note 21)

(000s except per share amounts)	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, January 1, 2011	1,600	2.50
Exercised	(3)	2.50
Balance, December 31, 2011	1,597	2.50
Assumed	1,379 ⁽¹⁾	8.33 ⁽¹⁾
Exercised	(46)	2.50
Balance, December 31, 2012	2,930	5.24

Exercise Price (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$/share)	Number Exercisable	Weighted Average Exercise Price (\$/share)
2.50	1,551	2.4	2.50	1,551	2.50
8.33	1,379 ⁽¹⁾	0.2	8.33 ⁽¹⁾	1,379	8.33
2.50-8.33	2,930	1.4	5.24	2,930	5.24

Note:

(1) For presentation purposes, the 3.0 million purchase warrants assumed from Midway have been presented at the exchange ratio of .4802 to one Whitecap share.

e) Contributed Surplus

<i>(\$000s)</i>	
Balance, January 1, 2011	8,036
Stock-based compensation	2,620
Option exercises	(163)
Warrant exercises	(13)
Balance, December 31, 2011	10,480
Stock-based compensation	5,142
Warrants assumed	1,190
Option exercises	(1,632)
Warrant exercises	(176)
Balance, December 31, 2012	15,004

14. EXECUTIVE COMPENSATION

<i>(\$000s)</i>	Twelve months ended December 31,	
	2012	2011
Salaries and bonuses	2,269	1,411
Stock-based compensation	1,085	888
	3,354	2,299

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

The Company has employment agreements with each of the officers. Under each agreement, the Company has agreed to compensate each executive in the event of the termination of employment or change in control: (i) for any reason except just cause, voluntary retirement, voluntary resignation, death or permanent incapacity, and (ii) if the officer terminates employment by giving thirty days' notice to the Company within ninety (90) days of a change of control.

Assuming that the triggering event occurred on December 31, 2012 a total salary and benefit compensation expense of \$1.6 million would be paid. In addition, all of the executives' unexercised stock options would become fully vested upon a change of control. The options would have a value of \$8.5 million.

15. EXPENSES BY NATURE

<i>(\$000s)</i>	Twelve months ended December 31,	
	2012	2011
Salaries and benefits	10,869	4,160
Professional services	1,964	1,183
Building leases	1,091	946
Other	2,713	1,223
Overhead recoveries	(5,370)	(2,850)
Capitalized salaries	(2,033)	(1,073)
	9,234	3,589

16. PER SHARE RESULTS

<i>(000s except per share amounts)</i>	Twelve months ended December 31,	
	2012	2011
Per share income		
Basic	\$ 0.46	\$ 0.40
Diluted	\$ 0.45	\$ 0.39
Weighted average shares outstanding		
Basic	113,102	63,009
Diluted	115,484	65,007

17. INCOME TAXES

Income taxes for the years ended December 31, 2012 and 2011 are as follows:

Deferred tax:

<i>(\$000s)</i>	2012	2011
Origination and reversal of timing differences	20,464	9,180
Income tax expense	20,464	9,180

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 entity as follows:

<i>(\$000s)</i>	Twelve months ended December 31,	
	2012	2011
Profit before tax at statutory rate	18,378	9,228
Increase (decrease) resulting from		
Change in statutory rate and other	933	(549)
Non-deductible stock-based compensation	977	501
Non-deductible transaction costs	176	-
Income tax expense	20,464	9,180

The weighted average applicable tax rate was 25.1 percent (2011 - 26.6 percent).

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

<i>(\$000s)</i>	December 31, 2012	December 31, 2011
Deferred tax assets		
To be recovered after more than 12 months	(39,200)	(18,521)
To be recovered within 12 months		-
Deferred tax liabilities		
To be recovered after more than 12 months	154,773	58,434
To be recovered within 12 months		-
Deferred tax liability (net)	115,573	39,913

Deferred Tax Liabilities / (Assets)

<i>(\$000s)</i>	Capital Assets in Excess of Tax Value	Risk Management Asset/ (Liability)	Decommissioning Liability	Non-capital Loss Carry Forward	Share Issue Costs	Total
At January 1, 2011	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
Charged / (credited) to the income statement	17,247	4,809	6	(2,710)	1,112	20,464
Charged / (credited) directly to equity	-	-	-	-	(1,720)	(1,720)
Corporate acquisition	71,468	(688)	(3,927)	(9,484)	(460)	56,909
Other	5,432	-	(5,432)	-	7	7
At December 31, 2012	152,587	2,691	(15,192)	(20,678)	(3,835)	115,573

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

<i>(\$000s)</i>	December 31, 2012	December 31, 2011
Undepreciated capital cost	169,147	89,770
Canadian development expense	381,611	125,779
Canadian exploration expense	17,909	11,331
Canadian oil and gas property expense	172,645	103,274
Non-capital loss carry forward	82,974	33,796
Share issue costs	15,310	10,894
Total	839,596	374,844

At December 31, 2012, the Company has non-capital losses of \$83.0 million that expire between 2025 and 2030.

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31, 2012	December 31, 2011
Accounts receivable	4,664	(16,475)
Prepaid and deposits	(3)	(262)
Accounts payable and accrued liabilities	(5,598)	29,500
Change in non-cash working capital	(937)	12,763
Related to:		
Operating activities	(14,737)	(6,702)
Investing activities	13,800	19,465

19. COMMITMENTS

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

<i>(\$000s)</i>	2013	2014	2015	2016+	Total
Operating lease - office building	1,063	1,063	1,051	1,563	4,740

20. RELATED PARTY TRANSACTIONS

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

The Company has retained the law firm of Burnet, Duckworth and Palmer LLP ("BDP") to provide Whitecap with legal services. A director of Whitecap is a partner of this firm. During the year ended December 31, 2012, the Company incurred \$0.6 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, 2012 no payable balance was outstanding.

21. SUBSEQUENT EVENTS

In connection with the acquisition of Midway, Whitecap entered into a supplemental warrant indenture whereby it assumed the obligations of Midway in respect of Midway's previously 3.0 million outstanding share purchase warrants that were issued by Midway in connection with a private placement completed in February 2012. As a result, each previously outstanding warrant to acquire a class A common share of Midway entitles the holder thereof to acquire 0.4802 of a Whitecap common share at a price of \$4.00 per 0.4802 of a common share (\$8.33 per whole Whitecap common share). Subsequent to year end 2.8 million Midway warrants were exercised and 0.2 million Midway warrants expired. Total proceeds of \$11.3 million were received and accordingly 1.3 million Whitecap common shares were issued.

For 2013 our Board of Directors has approved an initial monthly dividend policy of \$0.05 per share commencing January 2013 with the first dividend payment in February 2013. Our dividend policy is reviewed monthly and is based on a number of factors including current and future commodity prices, foreign exchange rates, our commodity hedging program, current operations and future investment opportunities. Each dividend declaration will be confirmed by a monthly press release.

On March 18, 2013, Whitecap and Invicta Energy Corp. ("Invicta") announced that they have entered into an arrangement agreement providing for the acquisition by Whitecap of all the issued and outstanding common shares of Invicta (the "Transaction"). Invicta is a light oil-weighted public energy company with its operations immediately offsetting Whitecap's lands and Viking production in the Lucky Hills area of west central Saskatchewan. Under the terms of the Transaction, Invicta shareholders will receive, at their election, for each Invicta share held, either: (i) 0.05891 of a Whitecap common share; or (ii) \$0.51911 in cash, subject to an aggregate cash maximum of \$10.7 million. Whitecap will also assume the net debt of Invicta, estimated at \$17.4 million, after accounting for costs, severance and option proceeds associated with the Transaction, as at March 31, 2013. The total Transaction value is approximately \$60.2 million, including the assumption of net debt.

WHITECAP RESOURCES INC.
ABBREVIATIONS



<i>AECO</i>	<i>Alberta Energy Company</i>
<i>API</i>	<i>American Petroleum Institute</i>
<i>bbls</i>	<i>barrels</i>
<i>bbls/d</i>	<i>barrels per day</i>
<i>boe</i>	<i>barrel of oil equivalent</i>
<i>boe/d</i>	<i>barrel of oil equivalent per day</i>
<i>D&C</i>	<i>drill and complete</i>
<i>DPiIP</i>	<i>discovered petroleum initially in place</i>
<i>F&D</i>	<i>finding and development</i>
<i>FD&A</i>	<i>finding, development and acquisition</i>
<i>FDC</i>	<i>future development costs</i>
<i>GJ</i>	<i>gigajoule</i>
<i>GJ/d</i>	<i>gigajoules per day</i>
<i>IP(30)</i>	<i>initial production 30 days</i>
<i>Mbbls</i>	<i>thousand barrels</i>
<i>MMbbls</i>	<i>million barrels</i>
<i>Mboe</i>	<i>thousand barrels of oil equivalent</i>
<i>MMboe</i>	<i>million barrels of oil equivalent</i>
<i>Mcf</i>	<i>thousand cubic feet</i>
<i>Mcf/d</i>	<i>thousand cubic feet per day</i>
<i>MMcf</i>	<i>million cubic feet</i>
<i>MWh</i>	<i>megawatt hour</i>
<i>NGLs</i>	<i>natural gas liquids</i>
<i>WTI</i>	<i>West Texas Intermediate</i>

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



WHITECAP RESOURCES INC.

CORPORATE HISTORY

September 17, 2009

Acquired Valhalla North asset for \$58 million

Set stage for Whitecap with light oil focus

June 25, 2010

Going public transaction through reverse takeover of Spitfire Energy Ltd.

Acquired Fosterton oil pool in southwest Saskatchewan

July 12, 2010

Acquired Onyx 2006 Inc. for \$52 million

Entrance into Pembina horizontal Cardium oil play

October 18, 2010

Graduated to the Toronto Stock Exchange

January 14, 2011

Acquired partner interest in the Valhalla North asset for \$25 million

Provides for oil production and reserve growth in core asset

April 20, 2011

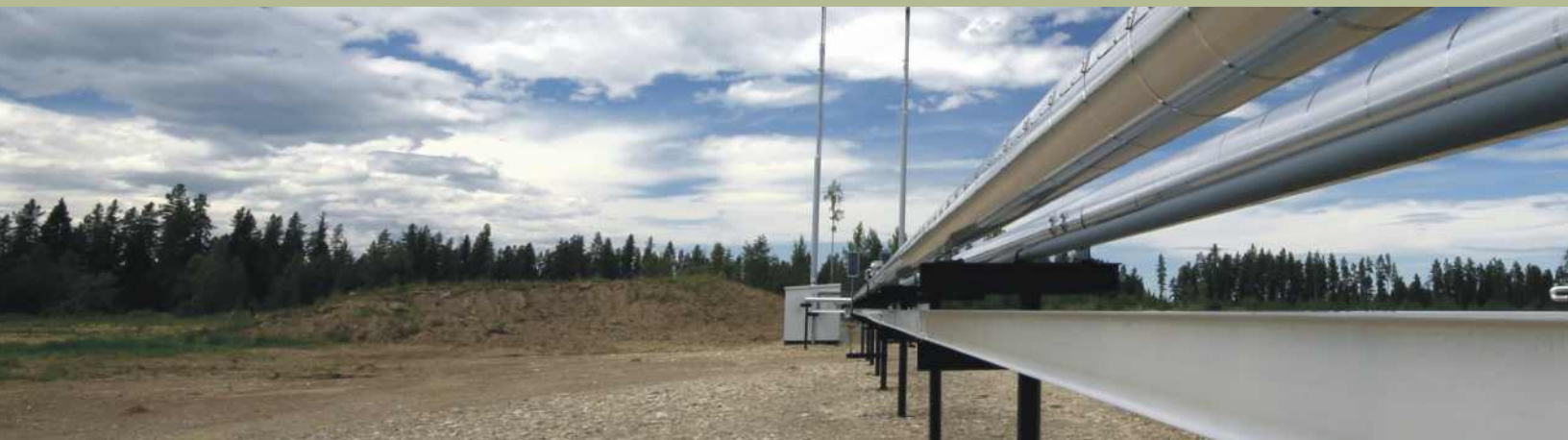
Acquired Spry Energy Ltd. for \$223 million

Significantly expands presence in the Cardium oil resource play

February 10, 2012

Acquired Compass Petroleum Ltd. for \$98 million

Entrance into the Viking oil resource play



CORPORATE INFORMATION



April 20, 2012

November 20, 2012

Acquired Midway Energy Ltd. for \$550 million

Adopted monthly dividend policy commencing January 2013

Significantly expands presence in the Cardium oil resource play



OFFICERS

Grant B. Fagerheim
Chairman, President & CEO

Joel M. Armstrong
Vice President Production & Operations

Daniel J. Christensen
Vice President Exploration

Darin R. Dunlop
Vice President Engineering

Thanh C. Kang
Vice President Finance & CFO

P. Gary Lebsack
Vice President Land

David M. Mombourquette
Vice President Business Development

DIRECTORS

Grant B. Fagerheim⁽²⁾
Donald G. Cowie⁽¹⁾
Gregory S. Fletcher⁽¹⁾⁽²⁾
Glenn A. McNamara⁽²⁾⁽³⁾
Murry K. Mullen⁽³⁾
Stephen C. Nikiforuk⁽¹⁾
Grant A. Zawalsky⁽³⁾

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

BANKERS

National Bank Financial
Alberta Treasury Branch
Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
The Toronto-Dominion Bank
HSBC Bank Canada
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 Fagerheim or
Thanh Kang at (403) 266-0767
Calgary, Alberta

ANNUAL GENERAL MEETING

The Annual and Special Meeting of Shareholders will be held at 10:30 a.m. on Tuesday, April 30, 2013, in the Lecture Theatre of the Metropolitan Conference Centre, 333 - 4th Avenue SW, Calgary, Alberta. All shareholders are cordially invited and encouraged to attend.

(1) Member of our audit committee.

(2) Member of our reserves committee.

(3) Member of our corporate governance and compensation committee.



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

www.wcap.ca