



ATHABASCA

OIL CORPORATION

**Condensed Interim Consolidated
Financial Statements
(unaudited)**

Q3 2015

FOCUSED | EXECUTING | DELIVERING

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at (\$ Thousands)	September 30, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	\$ 671,447	\$ 531,475
Short-term investments (Note 4)	—	47,618
Accounts receivable (Note 13)	22,780	32,117
Income tax receivable (Note 11)	2,215	9,579
Prepaid expenses and other	11,513	10,582
Inventory (Note 3)	4,822	—
Current portion of derivative asset (Note 13)	4,543	930
Short-term Promissory Note (Note 5)	133,892	450,000
	851,212	1,082,301
Long-term Promissory Note (Note 5)	—	133,892
Long-term portion of derivative asset (Note 13)	49,672	11,708
Other long-term assets	3,044	3,747
Property, plant and equipment (Note 6)	2,283,328	2,103,334
Exploration and evaluation assets (Note 7)	973,088	962,821
	\$ 4,160,344	\$ 4,297,803
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 12)	\$ 71,352	\$ 168,500
Current portion of long-term debt (Note 10)	2,977	2,597
	74,329	171,097
Long-term debt (Note 10)	827,773	786,649
Provisions (Note 12)	78,223	68,949
Deferred income tax liability (Note 11)	94,520	106,922
	1,074,845	1,133,617
SHAREHOLDERS' EQUITY		
Common shares (Note 14)	2,000,343	1,984,134
Contributed surplus	151,703	154,201
Retained earnings	933,453	1,025,851
	3,085,499	3,164,186
	\$ 4,160,344	\$ 4,297,803

Commitments and contingencies (Note 20)

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(unaudited)

(\$ Thousands, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
REVENUE				
Petroleum and natural gas sales	\$ 20,995	\$ 33,411	\$ 53,625	\$ 102,683
Interest income and other	2,570	2,730	10,352	7,111
Midstream revenue	203	600	871	2,158
Royalties	(1,010)	(4,119)	(2,647)	(11,941)
Total revenue	22,758	32,622	62,201	100,011
EXPENSES				
Cost of diluent	3,272	—	3,272	—
Operating	20,324	8,738	34,372	26,597
Transportation and marketing	2,642	—	2,975	—
General and administrative (Note 17)	8,669	12,149	25,366	35,957
Restructuring and other charges (Note 18)	1,661	—	18,649	5,754
Stock-based compensation (Note 15)	2,677	3,936	8,608	6,794
Financing and interest (Note 19)	14,620	5,339	19,376	24,277
Depletion and depreciation (Note 6 and 7)	18,591	30,516	54,129	77,700
Exploration expense	613	—	1,364	—
Total expenses	73,069	60,678	168,111	177,079
Revenue less Expenses	(50,311)	(28,056)	(105,910)	(77,068)
Other income (expenses)				
Foreign exchange gain (loss), net	(20,243)	(12,103)	(39,344)	(7,233)
Derivative gain, net (Note 13)	23,418	13,134	44,145	3,147
Loss on Provisions (Note 12)	(4,663)	—	(6,067)	—
Gain (Loss) on sale of assets (Note 5)	—	2,449	912	(38,477)
Loss before income taxes	(51,799)	(24,576)	(106,264)	(119,631)
INCOME TAXES				
Deferred income tax recovery (Note 11)	(13,558)	(4,708)	(13,866)	(21,967)
Loss before the following	(38,241)	(19,868)	(92,398)	(97,664)
Equity loss on investments	—	(71)	—	(390)
Net loss and comprehensive loss	\$ (38,241)	\$ (19,939)	\$ (92,398)	\$ (98,054)
BASIC LOSS PER SHARE (Note 16)	\$ (0.09)	\$ (0.05)	\$ (0.23)	\$ (0.24)
DILUTED LOSS PER SHARE (Note 16)	\$ (0.09)	\$ (0.05)	\$ (0.23)	\$ (0.24)

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

(\$ Thousands)	Nine months ended September 30,	
	2015	2014
COMMON SHARES (Note 14)		
Balance, beginning of period	\$ 1,984,134	\$ 1,970,186
Exercise of stock options and RSUs	16,209	12,312
Balance, end of period	2,000,343	1,982,498
CONTRIBUTED SURPLUS		
Balance, beginning of period	154,201	150,362
Stock-based compensation (Note 15)	13,560	12,101
Exercise of stock options and RSUs	(16,058)	(11,233)
Balance, end of period	151,703	151,230
RETAINED EARNINGS		
Balance, beginning of period	1,025,851	1,253,409
Net loss	(92,398)	(98,054)
Balance, end of period	933,453	1,155,355
TOTAL SHAREHOLDERS' EQUITY	\$ 3,085,499	\$ 3,289,083

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(\$ Thousands)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
OPERATING ACTIVITIES				
Net loss	\$ (38,241)	\$ (19,939)	\$ (92,398)	\$ (98,054)
Items not affecting cash				
Stock-based compensation	2,677	3,936	8,608	6,794
Net non-cash financing and interest	4,339	940	6,629	1,868
Depletion and depreciation	18,591	30,516	54,129	77,700
Deferred income tax recovery	(13,558)	(4,708)	(13,866)	(21,967)
Long term portion of non-cash restructuring charges	2,512	—	6,160	—
Equity loss on investment	—	71	—	390
Unrealized foreign exchange (gain) loss	20,067	11,970	39,313	7,020
Unrealized (gain) loss on Derivative (Note 13)	(22,271)	(13,134)	(41,577)	(3,297)
(Gain) Loss on sale of assets	—	(2,449)	(912)	38,477
Income tax credits received	—	—	1,698	6,797
Reclamation expenditures (Note 12)	(852)	(63)	(3,180)	(1,325)
Changes in non-cash working capital (Note 21)	8,803	23,231	23,365	12,550
	(17,933)	30,371	(12,031)	26,953
FINANCING ACTIVITIES				
Proceeds from Term Loan	—	—	—	236,675
Repayment of long-term debt	(746)	(630)	(2,082)	(630)
Proceeds from exercised equity incentives (Note 15)	36	1,006	151	1,079
	(710)	376	(1,931)	237,124
INVESTING ACTIVITIES				
Proceeds on sale of investments (Note 5)	150,000	601,323	450,000	601,323
Proceeds on sale of assets	610	—	646	56,654
Additions to property, plant and equipment (Note 6)	(38,447)	(100,835)	(228,329)	(419,586)
Additions to exploration and evaluation assets (Note 7)	(2,615)	(11,424)	(10,686)	(35,984)
Contributions to assets held for sale and investments (Note 5)	—	(1,520)	—	(8,120)
(Increase) decrease in short-term investments (Note 4)	—	—	47,618	23,795
Changes in non-cash working capital (Note 21)	(1,855)	21,957	(105,315)	(58,407)
	107,693	509,501	153,934	159,675
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,050	540,248	139,972	423,752
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	582,397	182,499	531,475	298,995
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 671,447	\$ 722,747	\$ 671,447	\$ 722,747

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

As at and for the three and nine months ended September 30, 2015.

(Tabular amounts expressed in thousands of Canadian dollars, except where otherwise noted)

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1. NATURE OF BUSINESS

Athabasca Oil Corporation ("Athabasca" or the "Company") is an exploration and production company developing light and thermal oil resource plays in the Western Canadian Sedimentary Basin in Alberta, Canada. Athabasca was incorporated on August 23, 2006, under the laws governing the Province of Alberta. The domicile of the Company is 1200, 215 - 9th Avenue SW, Calgary, Alberta. The Company is publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "ATH". These unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on November 4, 2015.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. They do not contain all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2014.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at their estimated fair value. They have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2014. There were no changes to the Company's operating segments during the period.

General and administrative expenses for the nine month period ended September 30, 2014, have been reduced by \$5.8 million from those presented in prior periods to reflect Athabasca's decision to separately present costs incurred as part of the Company's cost structure reductions throughout 2014 and 2015 as restructuring and other charges. There were no restructuring costs for the three months ended September 30, 2014.

During the third quarter of 2015, the Hangingstone project ("Project 1") was deemed ready for use in the manner intended by management therefore operating results are now reported within the income statement. Initial operating results from Project 1 were capitalized until August 1, 2015. The Company also discontinued the capitalization of interest and financing charges.

3. ACCOUNTING POLICIES

Inventory

In the second quarter of 2015, Athabasca began acquiring inventory to support its Project 1 operations. Inventory consists of crude oil products and other consumables. The carrying value of inventory also includes transportation. Athabasca values its inventory using the weighted average cost method and inventory is held at the lower of cost and net realizable value at each reporting period.

Depletion and Depreciation

During the third quarter of 2015, Athabasca began recognizing depletion and depreciation of Project 1. The central processing facilities are depreciated on a unit-of-production basis over the total productive capacity of the facility. The supporting infrastructure is depreciated using a straight-line basis over the estimated useful life of the components. The producing oil sands properties, including estimated future development costs, are depleted using the unit of production method based on estimated proved reserves. Refer to Note 9 for depletion and depreciation charges.

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Initial Term (Days)	Interest Rates (%)	Amount (\$)
AS AT SEPTEMBER 30, 2015			
Cash	—	0.20 - 1.20	\$ 592,804
Cash equivalents	63 - 64	0.99 - 1.01	78,643
			671,447
Short-term investments			—
TOTAL			\$ 671,447
AS AT DECEMBER 31, 2014			
Cash	—	0.50 - 1.50	\$ 436,286
Cash equivalents	54 - 56	1.44 - 1.45	95,189
			531,475
Short-term investments	183	1.53	47,618
TOTAL			\$ 579,093

5. SALE OF DOVER

Initial sale of assets to PetroChina and sale of MacKay River

On February 10, 2010, the Company entered into a series of agreements pursuant to which, among other things, for \$1.90 billion, a wholly owned subsidiary of PetroChina International Investment Company Limited (Phoenix Energy Holdings Limited ("Phoenix")) acquired 100% of the shares of a corporation which held a 60% working interest in the Company's MacKay River and Dover oil sands projects (the "PetroChina Transaction"). The PetroChina Transaction also included Put/Call Options over the Company's remaining 40% working interest in the MacKay River oil sands project and the Dover oil sands projects. The MacKay River Put Option was exercised in 2011 and closing of the sale occurred in 2012.

Valuation of the Dover Put Option

In 2012, Athabasca was required to value its put option under the Put/Call Option Agreement in respect of the Dover oil sands project (the "Dover Put Option") given greater clarity around regulatory approval and potential exercise of the option. The initial fair value was determined to be the anticipated residual of the gross proceeds from the Dover Put Option, adjusted for estimated closing costs, over the anticipated carrying value of the Dover investment at the time of exercise, discounted for the duration to the expected transaction closing date using a risk-free rate given PetroChina's investment grade credit rating. The initial fair value of the Dover Put Option was adjusted for the probability of receipt of regulatory approval and the estimated probability of exercise. The valuation of the Dover Put Option resulted in an unrealized gain of \$374.6 million being recognized in net income in 2012. For the year ended

December 31, 2013, Athabasca recognized an unrealized loss of \$52.0 million in net income offset by \$5.6 million for the time value of money accretion. Time value of money accretion for the three and nine months ended September 30, 2014 was \$0.9 million and \$3.3 million respectively and was recognized in interest income. Regulatory approval for the Dover oil sands project was received on April 16, 2014, triggering Athabasca's right to exercise the Dover Put Option, which it did on April 17, 2014.

Thermal abandonment claims

Athabasca recognized a net loss of \$38.5 million during the nine months ended September 30, 2014, primarily related to transaction costs of \$49.0 million in respect of the settlement of certain claims made by Phoenix relating to future abandonment costs associated with petroleum and natural gas wells located in the Dover and MacKay River areas. The net loss incurred was offset by the de-recognition of certain decommissioning obligation liabilities previously recognized by Athabasca and working capital and other adjustments associated with the closing of the Dover investment.

Sale of Dover

On August 29, 2014, Athabasca closed the sale of its wholly owned subsidiary, AOC (Dover) Energy Inc., which held the Company's 40% interest in the Dover oil sands project, to Phoenix for a net purchase price of \$1,183.9 million, excluding working capital adjustments of \$2.3 million of which \$1.0 million was recognized in the first quarter of 2015.

At closing, Athabasca received a cash payment of \$600.0 million, as well as three interest bearing Promissory Notes (the "Promissory Notes") issued by Phoenix for the remaining \$583.9 million of the net purchase price.

As at	September 30, 2015	December 31, 2014
March 2, 2015 Promissory Note	\$ —	\$ 300,000
August 28, 2015 Promissory Note	—	150,000
August 29, 2016 Promissory Note	133,892	133,892
	\$ 133,892	\$ 583,892
Presented as:		
Short-term Promissory Note	\$ 133,892	\$ 450,000
Long-term Promissory Note	—	\$ 133,892

On March 2, 2015, the first Promissory Note matured and Athabasca received cash proceeds of \$302.5 million, comprised of \$300.0 million principal and accrued interest of \$2.5 million. On August 28, 2015, the second Promissory Note matured and Athabasca received cash proceeds of \$152.6 million, comprised of \$150.0 million principal and accrued interest of \$2.6 million.

The remaining Promissory Note is unconditional, secured by irrevocable, standby letter of credit issued by HSBC Bank Canada and bears interest at a rate of 1.72%. The Promissory Notes have been classified as held-to-maturity.

6. PROPERTY, PLANT AND EQUIPMENT (“PP&E”)

BALANCE, DECEMBER 31, 2013	\$ 1,598,205
PP&E expenditures	578,725
Non-cash capitalized costs ⁽¹⁾	11,694
Depletion and depreciation	(82,427)
Disposals	(2,863)
BALANCE, DECEMBER 31, 2014	\$ 2,103,334
PP&E expenditures	228,329
Non-cash capitalized costs ⁽¹⁾	6,440
Depletion and depreciation	(54,129)
Disposals	(646)
BALANCE, SEPTEMBER 30, 2015	\$ 2,283,328

(1) Non-cash PP&E expenditures include capitalized stock-based compensation, decommissioning obligation assets, land swap additions and non-cash interest and financing.

PP&E consists of the following:

Net book value (As at)	September 30, 2015	December 31, 2014
PP&E at cost	\$ 2,548,101	\$ 2,313,978
Accumulated depletion and depreciation	(264,773)	(210,644)
TOTAL PP&E	\$ 2,283,328	\$ 2,103,334

As at September 30, 2015, \$369.8 million (December 31, 2014, \$1,278 million) of PP&E was not subject to depletion or depreciation as the underlying oil and gas assets were not ready for use in the manner intended by management. The decrease in PP&E not subject to depletion or depreciation from December 31, 2014 was due to the determination that Project 1 was ready for operations on August 1, 2015.

7. EXPLORATION AND EVALUATION (“E&E”) ASSETS

BALANCE, DECEMBER 31, 2013	\$ 1,124,530
E&E expenditures	48,133
Non-cash capitalized costs ⁽¹⁾	10,506
Recognition of SR&ED tax credits	(2,172)
Disposals	(57,111)
Depletion, depreciation and impairment (Note 8)	(161,065)
BALANCE, DECEMBER 31, 2014	\$ 962,821
E&E expenditures	11,200
Non-cash capitalized costs ⁽¹⁾	(419)
Recognition of SR&ED tax credits	(514)
BALANCE, SEPTEMBER 30, 2015	\$ 973,088

(1) Non-cash E&E expenditures include capitalized stock-based compensation and decommissioning obligation assets.

During 2014, Athabasca disposed of exploratory non-core Thermal Oil properties for cash proceeds of \$56.1 million and exploratory non-core Light Oil properties for cash proceeds of \$1.0 million.

8. IMPAIRMENT

At each financial reporting date, the Company considers potential indicators of impairment for both its Light Oil and Thermal Oil Divisions. This assessment includes an analysis of current market conditions and activities as well as a review of pending land expiries and future development plans for each of the Company’s assets.

As at September 30, 2015, as a result of the reduced outlook for long term commodity prices and continuing softness in the equity

markets, Athabasca performed impairment tests on all of its cash generating units ("CGUs"). The results of the impairment tests indicated that the fair value of each CGU exceeded its carrying value and no impairment was identified. Athabasca combines E&E and PP&E assets that are in the same CGU together for the purposes of testing for impairment. The Company uses fair value less costs of disposal to calculate the recoverable amount of its CGUs.

The recoverable amounts of the CGUs are estimated based on after-tax discounted cash flows from the Company's Proved plus Probable Reserves and Contingent Resources (Level 3) and relevant transactions and trading multiples in the industry on assets and companies with similar geologic and geographic characteristics. Future cash flows are estimated using a two percent inflation rate and a discount rate of 10% to 14% based on the nature of the properties included in the CGU and the extent of future funding and development risk. A significant change to discounted cash flow assumptions, including forecasted price assumptions, cost estimates, recovery rates and discount rates, could have a material impact on these fair value estimates and lead to an impairment. Valuation metrics implied by future transactions could also have a material impact on the Company's estimate of recoverable amounts.

The following table summarizes the price forecast used in the Company's discounted cash flow estimates:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	Thereafter
WTI (\$US/bbl)	\$ 50.00	\$ 55.00	\$ 60.00	\$ 65.00	\$ 70.00	\$ 75.00	\$ 80.00	\$ 85.00	\$ 89.63	+2.0%/yr
Edmonton Par (C\$/bbl)	\$ 61.33	\$ 64.52	\$ 68.75	\$ 72.73	\$ 76.47	\$ 82.35	\$ 88.24	\$ 94.12	\$ 98.41	+2.0%/yr
AECO (C\$/Mmcf)	\$ 3.43	\$ 3.62	\$ 3.72	\$ 3.81	\$ 3.90	\$ 4.10	\$ 4.30	\$ 4.50	\$ 4.78	+2.0%/yr

Light Oil Division

The Light Oil Division consists of the Greater Kaybob Area development CGU as well as other exploration acreage located in northwest Alberta (the "Light Oil Exploration Areas"). For the year ended December 31, 2014, Athabasca recognized an impairment loss of \$74.4 million representing the full carrying value of the CGU in its Light Oil Exploration Areas. During 2014, Athabasca also recognized \$27.8 million of land expires in the Light Oil Exploration Areas, bringing the total Light Oil expiration and impairment charges to \$102.2 million. No impairments were recognized during the nine months ended September 30, 2015.

Thermal Oil Division

The Thermal Oil Division consists of the Hangingstone, Dover West, Birch and Grosmont CGUs located in the Athabasca region of northern Alberta. For the year ended December 31, 2014, Athabasca recognized an impairment loss of \$53.5 million representing the full carrying value of the CGU in its Grosmont exploration area. During 2014, Athabasca also relinquished \$5.3 million in non-commercial Grosmont leases bringing the total Thermal Oil relinquishment and impairment charges to \$58.8 million. No impairments have been recognized for any of the Thermal Oil CGUs for the nine months ended September 30, 2015.

9. SEGMENTED INFORMATION

Segmented capital expenditures

Athabasca's total capital expenditures by segment are as follows:

Capital expenditures	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
LIGHT OIL				
Property, plant and equipment	\$ 31,465	\$ 18,479	\$ 125,591	\$ 109,032
Exploration and evaluation ⁽¹⁾	—	1,293	76	3,036
	31,465	19,772	125,667	112,068
THERMAL OIL				
Property, plant and equipment	6,751	79,324	100,463	305,020
Exploration and evaluation ⁽¹⁾	2,615	10,131	10,610	32,948
Assets held for sale (Note 5)	—	1,520	—	8,120
	9,366	90,975	111,073	346,088
CORPORATE				
Corporate assets and other PP&E	231	3,032	2,275	5,534
TOTAL CAPITAL SPENDING⁽²⁾⁽³⁾	\$ 41,062	\$ 113,779	\$ 239,015	\$ 463,690

- (1) Due to the recognition of a full impairment loss in the Light Oil Exploration and Grosmont CGUs for the year ended December 31, 2014 any future spending in these CGUs will be expensed as incurred as exploration expense. For the nine months ended September 30, 2015, \$0.6 million of tax credits are included in the E&E capital expenditures.
- (2) Excludes non-cash capitalized costs consisting of capitalized stock based compensation, decommissioning obligation assets, land swap additions and non-cash interest and financing.
- (3) Includes capitalized project staff costs for the three and nine months ended September 30, 2015, of \$3.0 million and \$15.3 million respectively (three and nine months ended September 30, 2014 - \$9.3 million and \$31.4 million, respectively) and cash capitalized interest for the three and nine months ended September 30, 2015, of \$5.2 million and \$35.9 million respectively (three and nine months ended September 30, 2014 - \$12.6 million and \$30.6 million, respectively).

Segmented assets

Athabasca's total assets by segment are as follows:

Net book value (As at)	September 30, 2015	December 31, 2014
LIGHT OIL		
Property, plant and equipment	\$ 1,201,386	\$ 1,120,896
Exploration and evaluation	1,627	2,632
	1,203,013	1,123,528
THERMAL OIL		
Property, plant and equipment	1,072,132	971,627
Exploration and evaluation	971,461	960,189
	2,043,593	1,931,816
CORPORATE		
Current assets	851,212	1,082,301
Long-term Promissory Note	—	133,892
Long-term portion of derivative asset	49,672	11,708
Other long-term assets	3,044	3,747
Property, plant and equipment	9,810	10,811
	913,738	1,242,459
TOTAL ASSETS	\$ 4,160,344	\$ 4,297,803

Segmented operating results

Athabasca's operating results by segment are as follows:

Three month period ended September 30,	Light Oil		Thermal Oil		Consolidated	
	2015	2014	2015	2014	2015	2014
SEGMENT REVENUES						
Petroleum and natural gas sales	\$ 14,832	\$ 33,411	\$ 6,163	\$ —	\$ 20,995	\$ 33,411
Midstream revenue	203	600	—	—	203	600
Royalties	(992)	(4,119)	(18)	—	(1,010)	(4,119)
	14,043	29,892	6,145	—	20,188	29,892
SEGMENT EXPENSES & OTHER						
Cost of diluent	—	—	3,272	—	3,272	—
Operating expense	7,508	8,738	12,816	—	20,324	8,738
Transportation and marketing expense	439	—	2,203	—	2,642	—
Depletion and depreciation	15,193	28,300	2,524	—	17,717	28,300
Exploration expense	142	—	471	—	613	—
Gain on sale of assets	—	—	—	(2,449)	—	(2,449)
Equity loss on investments	—	—	—	71	—	71
	23,282	37,038	21,286	(2,378)	44,568	34,660
Segment income (loss)	\$ (9,239)	\$ (7,146)	\$ (15,141)	\$ 2,378	\$ (24,380)	\$ (4,768)
CORPORATE						
Interest income and other					2,570	2,730
Financing and interest					(14,620)	(5,339)
General and administrative					(8,669)	(12,149)
Restructuring and other charges					(1,661)	—
Stock-based compensation					(2,677)	(3,936)
Depreciation					(874)	(2,216)
Foreign exchange gain, net					(20,243)	(12,103)
Derivative loss, net					23,418	13,134
Loss on Provision					(4,663)	—
Deferred income tax recovery					13,558	4,708
NET LOSS AND COMPREHENSIVE LOSS					\$ (38,241)	\$ (19,939)

Nine month period ended September 30,	Light Oil		Thermal Oil		Consolidated	
	2015	2014	2015	2014	2015	2014
SEGMENT REVENUES						
Petroleum and natural gas sales	\$ 47,462	\$ 102,683	\$ 6,163	\$ —	\$ 53,625	\$ 102,683
Midstream revenue	871	2,158	—	—	871	2,158
Royalties	(2,629)	(11,941)	(18)	—	(2,647)	(11,941)
	45,704	92,900	6,145	—	51,849	92,900
SEGMENT EXPENSES & OTHER						
Cost of diluent	—	—	3,272	—	3,272	—
Operating expense	21,556	26,597	12,816	—	34,372	26,597
Transportation and marketing expense	772	—	2,203	—	2,975	—
Depletion and depreciation	48,317	65,339	2,524	5,264	50,841	70,603
Exploration expense	753	—	611	—	1,364	—
Gain on sale of assets	—	(182)	—	38,659	—	38,477
Equity loss on investments	—	—	—	390	—	390
	71,398	91,754	21,426	44,313	92,824	136,067
Segment income (loss)	\$ (25,694)	\$ 1,146	\$ (15,281)	\$ (44,313)	\$ (40,975)	\$ (43,167)
CORPORATE						
Interest income and other					10,352	7,111
Financing and interest					(19,376)	(24,277)
General and administrative					(25,366)	(35,957)
Restructuring and other charges					(18,649)	(5,754)
Stock-based compensation					(8,608)	(6,794)
Depreciation					(3,288)	(7,097)
Foreign exchange gain (loss), net					(39,344)	(7,233)
Derivative gain (loss), net					44,145	3,147
Loss on Provision and gain on sale of assets					(5,155)	—
Deferred income tax recovery					13,866	21,967
NET LOSS AND COMPREHENSIVE LOSS					\$ (92,398)	\$ (98,054)

10. INDEBTEDNESS

As at	September 30, 2015	December 31, 2014
Senior Secured Second Lien Notes (a)	\$ 550,000	\$ 550,000
Senior Secured Term Loans (b) ⁽¹⁾	297,617	259,719
Debt issuance costs	(31,542)	(30,804)
Amortization of debt issuance costs	14,675	10,331
TOTAL LONG-TERM DEBT	\$ 830,750	\$ 789,246
Presented as:		
Current portion of long-term debt	\$ 2,977	\$ 2,597
Long-term debt	\$ 827,773	\$ 786,649

(1) As at September 30, 2015 the US dollar denominated Senior Secured Term Loan of US\$222.2 million was translated into Canadian dollars at the period end exchange rate of US\$1.00 = C\$1.3394. As at December 31, 2014, the US dollar denominated Senior Secured Term Loan of US\$223.9 million was translated into Canadian dollars at the period end exchange rate of US\$1.00 = C\$1.1601.

a) Senior Secured Second Lien Notes

On November 19, 2012, Athabasca issued Senior Secured Second Lien Notes (the “Notes”) in an aggregate principal amount of \$550 million. The Notes bear interest at a rate of 7.50% per annum and have a term of five years maturing on November 19, 2017. Interest payments are required semi-annually on May 19 and November 19 of each year. These notes are secured by a second priority security interest on all present and after acquired property of the Company. Subject to certain exceptions and qualifications the Notes contain certain covenants that limit the Company’s ability to, among other things: incur additional indebtedness; create or permit liens to exist and make certain restricted payments, dispositions and transfers of assets. The Notes do not include any financial covenants.

Athabasca has the option to redeem the Notes at a price of 107.50%, 103.75% and 100.00% in the 12-month periods beginning November 19, 2014, 2015 and 2016, respectively. Debt issuance costs associated with the transaction were initially capitalized and are amortized to net income (loss) over the life of the Notes using the effective interest rate method.

As at September 30, 2015, Athabasca was in compliance with all of the Notes covenants.

b) Senior Secured Term Loans

On May 7, 2014, Athabasca entered into a credit agreement providing for a US\$225 million term loan (the "Term Loan"), which was fully funded at closing, plus an additional US\$50 million committed delayed draw term loan, which the Company may draw at its option at any time up until May 7, 2016, subject to compliance with certain conditions precedent and covenants (collectively the "Term Loans"). Borrowings on drawn amounts under the Term Loans bear interest at a floating rate based on LIBOR plus 7.25%, subject to a LIBOR floor of 1.00%. The Company incurs standby fees on the undrawn portion of the US\$50 million delayed draw term loan equal to 1.00% per annum. The Term Loans will amortize in equal quarterly installments in an aggregate annual amount equal to 1.00% of the original principal amount with the balance payable on May 7, 2019, or on May 19, 2017 if the Company has not redeemed or refinanced the Notes prior to that date. The Term Loans are secured by a first priority security interest on all present and after acquired property of the Company.

Athabasca has the option to redeem the Term Loan at a price of 102% for the 12-month period beginning May 7, 2015, 101% for the 12-month period beginning May 7, 2016 and at par thereafter.

The Term Loans are subject to substantially the same restrictive covenants as the Notes and certain additional restrictive covenants including: hedging restrictions; certain business operating requirements; a requirement to maintain a minimum ratio of adjusted consolidated net tangible assets ("ACNTA") to total debt of 3.5 times; and, beginning with the March 31, 2015 quarter-end, if the aggregate of the Company's unrestricted cash, cash equivalents and short-term investments do not exceed the amount of outstanding total debt, the Company must maintain a minimum ratio of the present value of proved reserves, discounted at 10%, to net first lien debt of 1.5 times.

ACNTA consists of the aggregate of the present value of the Company's Proved plus Probable Reserves (discounted at 10%), Athabasca's net working capital, the carrying value of the Promissory Note, the carrying value of equity investments and the carrying value of oil and gas assets without Proved Plus Probable Reserves assigned in the Company's consolidated balance sheet. Total debt consists of the aggregate of the Company's Notes and Term Loan. Net First Lien Debt is defined as the carrying value of the Term Loan less the Company's cash, cash equivalents and short-term investments.

As at September 30, 2015, Athabasca's ACNTA to total debt ratio was 4.9 times and the Company had a net first lien cash position of \$373.8 million. As at September 30, 2015, the Company was in compliance with all of the covenants related to the Term Loan.

Debt issuance costs associated with the Term Loans were initially capitalized and are amortized to net income over the life of the Term Loans using the effective interest rate method.

c) Revolving Senior Secured Credit Facility

On May 7, 2014, concurrent with entering into the Term Loans, the Company entered into a \$125 million amended and restated credit agreement with a syndicate of financial institutions to replace its previous \$350 million credit facility. The amended and restated credit facility (the "Credit Facility") is available on a revolving basis until April 30, 2017. The Credit Facility may be extended subject to lender consent and provided the term of the facility does not exceed three years from the date of extension.

Amounts borrowed under the Credit Facility bear interest at a floating rate based on the applicable Canadian prime rate, US base rate, LIBOR or bankers' acceptance rate, plus a margin of between 1.00% and 4.00% depending on the type of borrowing and the Company's indebtedness to consolidated cash flow ratio. The Company incurs a standby fee on the undrawn portion of the Credit Facility of between 0.50% and 1.00% based on the Company's indebtedness to consolidated cash flow ratio. For the nine months ended September 30, 2015, the Company paid a rate of 1.00% on the undrawn portion of the Credit Facility (September 30, 2014 - 1.00%). As of September 30, 2015, Athabasca had \$6.5 million in letters of credit secured by the Credit Facility (December 31, 2014 - \$0.5 million) and no amounts had been drawn under the Credit Facility (December 31, 2014 - \$ nil). If drawn, the credit facility is collateralized by a first priority security interest on all present and after acquired property of the Company and is effectively senior in priority to the Term Loans and the Senior Secured Second Lien Notes.

The Credit Facility is subject to substantially the same covenants as the Notes and Term Loans plus, among others, the requirement to maintain a minimum tangible net worth based on the Company's shareholders' equity of \$2,750 million. As at September 30,

2015, the Company's shareholders' equity was \$3,085 million (December 31, 2014 - \$3,164 million). As at September 30, 2015, Athabasca was in compliance with all of the Credit Facility covenants.

11. INCOME TAXES

During the second quarter of 2015, the Alberta Government announced a 2% increase to the 2015 provincial tax rate effective July 1, 2015. For the nine months ended September 30, 2015, Athabasca recognized a deferred income tax recovery of \$13.9 million which was primarily due to non-capital losses incurred, partially offset by a tax expense of approximately \$12.6 million from the impact of the tax rate increase.

The deferred income tax recoveries recognized during the three and nine months ended September 30, 2014 and for the three months ended September 30, 2015 were primarily due to non-capital losses incurred.

12. PROVISIONS

As at	September 30, 2015	December 31, 2014
Decommissioning obligations (a)	\$ 70,096	\$ 72,054
Office lease provision (b)	10,787	—
Other long-term obligations (c)	3,919	3,096
TOTAL PROVISIONS	\$ 84,802	\$ 75,150
Presented as:		
Accounts payable and accrued liabilities	\$ 6,579	\$ 6,201
Provisions	\$ 78,223	\$ 68,949

a) Decommissioning obligations

The total future costs to reclaim oil and gas assets are estimated by management based on the Company's ownership interest in wells and facilities, estimated costs to reclaim and abandon the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The following table reconciles the change in decommissioning obligations:

	Nine months ended September 30, 2015	Year ended December 31, 2014
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	\$ 72,054	\$ 64,115
Liabilities incurred	954	1,929
Liabilities settled	(3,180)	(7,887)
Liabilities disposed	—	(533)
Change in discount rate	—	2,222
Changes in estimates	(4,424)	6,059
Accretion expense	4,692	6,149
DECOMMISSIONING OBLIGATIONS, END OF PERIOD	\$ 70,096	\$ 72,054
Presented as:		
Accounts payable and accrued liabilities	\$ 1,952	\$ 6,201
Provisions	\$ 68,144	\$ 65,853

The Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2% (December 31, 2014 - 2%) and a credit-adjusted risk free discount rate of 8.25% per annum (December 31, 2014 - 8.25%). The payments to settle these obligations are expected to occur during a period of up to 50 years due to the long-term nature of the Company's oil and gas assets. The total undiscounted amount of estimated cash flows required to settle the obligations as at September 30, 2015 is \$251.3 million (December 31, 2014 - \$254.1 million).

A 1% increase in the credit-adjusted risk free discount rate would decrease the provision by \$7.3 million, with a corresponding adjustment to E&E and PP&E. A 1% decrease in the credit-adjusted risk free discount rate would increase the provision by \$8.6 million, with a corresponding adjustment to E&E and PP&E.

b) Office lease provision

As part of the restructuring activities completed in the first quarter of 2015 (Note 18), Athabasca recognized a \$7.0 million provision related to certain onerous office lease contracts in restructuring and other charges (December 31, 2014 - \$ nil). For the nine months ended September 30, 2015, an additional \$6.0 million was recognized as a loss on provisions due to refined estimates of the timing and amount of expected cash inflows associated with the liability and recognition of accretion expense for \$0.3 million. The increase in the office lease provision was partially offset by cash settlements of \$2.5 million during the second and third quarter of 2015.

The provision represents the present value of the minimum future lease payments that the Company is obligated to make under the non-cancellable onerous operating lease contracts less revenue expected to be earned through existing and potential sub-lease agreements. The total undiscounted amount of estimated future cash flows to settle the obligations is \$13.8 million (December 31, 2014 - \$ nil). These cash flows have been discounted using Athabasca's credit-adjusted risk free discount rate of 8.25% (December 31, 2014 - nil). This estimate may vary as a result of changes in the estimated utilization of the leased premises or the existing and potential sub-lease arrangements. Any subsequent changes in estimates will be recognized as a (Gain) Loss on Provisions.

As at September 30, 2015, \$4.6 million of the provision has been presented as current and included in accounts payable and accrued liabilities. A 1% increase in the credit-adjusted risk free discount rate would decrease the provision by \$0.3 million, with a corresponding adjustment against income. A 1% decrease in the credit-adjusted risk free discount rate would increase the provision by \$0.3 million, with a corresponding adjustment against income.

c) Other long-term obligations

In December 2013, Athabasca assigned an office lease to a third party. Under the terms of the reassignment, Athabasca continues to be liable to the landlord for any default under the lease that is caused by the assignee. In January 2014, Athabasca received a deposit of \$3.1 million which will be held as security for the term of the lease in order to cover any default by the assignee. Once the lease term has expired Athabasca will be required to refund the deposit to the third party plus any interest earned on the funds during the period the deposit was held. Athabasca does not anticipate any defaults as the assignee is a large investment-grade-rated energy company. The lease commenced on January 1, 2015, for a term of 12 years.

The Company also recognized \$0.8 million in other long-term obligations relating to the Company's newly issued deferred share unit plan. Refer to Note 15 for further details.

13. FINANCIAL INSTRUMENTS

The Company's consolidated financial assets and liabilities are comprised of cash and cash equivalents, short-term investments, accounts receivable, income tax receivable, derivative financial assets, the Promissory Note, other long-term assets, accounts payable and long-term debt.

a) Fair Value

The Company classifies its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's cash and cash equivalents and short-term investments have been assessed on the fair value hierarchy described above and have been classified as Level 1. The fair value of Athabasca's derivative financial asset of \$54.2 million has been classified as Level 2. The fair value was determined using a third party model which was verified for reasonableness by the Company by comparing it to other external market data. The fair value of the Promissory Note of \$136.4 million and the Notes of \$427.6 million have been classified as Level 2. The fair values were based on observable quoted prices from financial institutions. The Term Loan has a fair value of C\$237.3 million and has been classified as Level 3. As the Term Loan is not actively traded, the value of the Notes, adjusted for the senior priority of the loan, was used as a proxy.

b) Financial Risk Management

Credit Risk

The maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, income tax receivable, derivative assets and Promissory Notes on the consolidated balance sheets. Cash and cash equivalents and short-term investments held by the Company are invested with counterparties meeting credit quality requirements and concentration limits pursuant to an investment policy that is periodically reviewed by the Audit Committee. The policy emphasizes security of assets over investment yield.

The maximum exposure to credit risk at the reporting date is:

As at	September 30, 2015	December 31, 2014
Cash and cash equivalents	\$ 671,447	\$ 531,475
Short-term investments	—	47,618
Accounts receivable	22,780	32,117
Income tax receivable	2,215	9,579
Derivative asset	54,215	12,638
Promissory notes	133,892	583,892
MAXIMUM CREDIT RISK	\$ 884,549	\$ 1,217,319

As at September 30, 2015 and December 31, 2014 Athabasca's cash, cash equivalents and short-term investments were held with four counterparties. The Company holds investments in term deposits with large reputable financial institutions. The Company's management believes that credit risk associated with these investments is low. At September 30, 2015, the largest institution held 34% of the balances (December 31, 2014 - 35%).

As at September 30, 2015, 36% of the accounts receivable balance relates to the sale of petroleum and natural gas and was substantially collected within 30 days after the end of the period (December 31, 2014 - 23%). Joint interest billings and equipment disposals with partners account for 33% of accounts receivable (December 31, 2014 - 47%). 20% of the accounts receivable balance relates to GST and other receivables (December 31, 2014 - 22%). Additionally, 11% relates to accrued interest on the Promissory Note (December 31, 2014 - 8%). Management believes collection risk on the outstanding accounts receivable as at September 30, 2015 is low given the high credit quality of the Company's material counterparties. No material amounts were past due at September 30, 2015.

As at September 30, 2015 Athabasca holds \$136.4 million in a remaining Promissory Note including the note principal and accrued interest. The Promissory Note is unconditional and secured by an irrevocable, standby letter of credit issued by HSBC Bank Canada ("HSBC"). Management believes that credit risk associated with this receivable is low as Phoenix is a wholly owned subsidiary of PetroChina, an investment grade rated corporation, and HSBC is a large reputable financial institution. The first and second Promissory Notes, which matured on March 2, 2015 and August 28, 2015 respectively, were fully collected on maturity.

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient available reserves to meet its liquidity requirements at any point. The Company achieves this by managing its capital spending and maintaining sufficient funds for anticipated short-term spending in cash and cash equivalent accounts. Until required, excess cash will be invested in short-term investments.

It is anticipated that Athabasca's 2015 capital and operating budgets, including continued appraisal and development activities in the Greater Kaybob area and the ramp up of Project 1, will be funded with existing cash and cash equivalents, short-term investments, the Promissory Note, cash flows from operations and available credit. The Company's current liquidity and available credit will also be sufficient to fund any collateral that may be required under the Company's pipeline and transportation agreements with third parties. Beyond 2015, the Company will require additional capital to fully develop its assets and Athabasca believes it will fund its capital programs through some combination of cash and cash equivalents, short-term investments, receipts of the amounts owing under the final Promissory Note, cash flow from operations, a reasonable level of debt and other external financing options which could include joint ventures or equity issuances. The Company cannot guarantee the availability of these sources of additional funding and the availability of future funding will depend on, among other things, the current commodity price environment, performance in both the Light Oil Division and at Hangingstone, the Company's credit rating at the time and the current state of the equity and debt capital markets. The Company has significant flexibility to adjust its Light Oil capital program in response to commodity price cycles or other constraints and is prepared to implement a minimal 2016 capital budget to protect its balance sheet and liquidity position.

The Company's significant outstanding financial liabilities mature as follows: the Notes mature on November 19, 2017; the Term Loan matures on May 7, 2019 or on May 19, 2017 if the Company has not redeemed or refinanced the Notes prior to that date; and the long-term deposit, described in Note 12, will be held until December 31, 2026. The ability to draw on the delayed draw term loan expires on May 7, 2016 and the undrawn Credit Facility matures on April 30, 2017. All other financial liabilities mature within one year.

Interest Rate Risk

The Company's floating interest rate profile at the reporting date was as follows:

As at	September 30, 2015	December 31, 2014
Cash and cash equivalents ⁽¹⁾	\$ 592,804	\$ 436,286
Long-term debt ^{(2) (3)}	(297,617)	(259,719)
NET INTEREST RATE EXPOSURE	\$ 295,187	\$ 176,567

(1) As at September 30, 2015 \$78.6 million was held as cash equivalents (December 31, 2014 - \$95.2 million). All cash equivalents were fixed rate financial instruments and were not exposed to changes in interest rates as at the balance sheet date.

(2) The outstanding Term Loan which has a face value of US \$222.2 million as at September 30, 2015 (December 31, 2014 - US \$223.9 million) is subject to a floating interest rate based on the LIBOR, plus a credit spread of 7.25%, with a LIBOR floor of 1.00%.

(3) The Notes have a face value of \$550 million as at September 30, 2015 (December 31, 2014 - \$550 million), and are subject to a fixed interest rate of 7.50% per annum and are not exposed to changes in interest rates.

The Company's exposure to interest rate fluctuations on interest earned on the floating rate cash balance of \$592.8 million, from a 1.00% change in interest rates, would be approximately \$5.9 million for a 12 month period (year ended December 31, 2014 - \$4.4 million).

The Company is also exposed to interest rate cash flow risk on its floating rate Term Loan. However, given that the Company has a 1.00% LIBOR floor on its Term Loan, a decrease in the rate would have no impact. A 1.00% increase in LIBOR above the existing rate would result in a US\$0.7 million (\$1.0 million) increase in interest expense for a 12 month period (year ended December 31, 2014 - US\$0.6 million (\$0.7 million)).

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on its US dollar denominated Term Loan and US dollar forward contract as described below. If the Canadian dollar strengthened by 5% relative to the US dollar, holding all other variables constant, the derivative asset of \$54.2 million would decrease by \$16.6 million. Long-term debt would decrease by \$14.9 million resulting in a net \$1.7 million loss. A 5% decrease in the Canadian dollar relative to the US dollar, holding all other variables constant, would increase the derivative asset by \$16.6 million and increase long-term debt by \$14.9 million resulting in a net \$1.7 million gain.

c) Derivative Contract

Athabasca is exposed to foreign currency risk on its US dollar denominated Term Loan. To manage the currency exposure, in May 2014, Athabasca entered into a US dollar forward contract for US\$270.8 million relating to the interest payments and principal repayments on the Term Loan at a rate of US\$1.00 = C\$1.1211 expiring on March 31, 2017. This contract is accounted for as a derivative instrument and changes in the valuation are recognized in net income (loss) and the associated liability or asset is recognized on the balance sheet.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Unrealized derivative gain (loss)	\$ 22,271	\$ 13,134	\$ 41,577	\$ 3,297
Realized derivative gain (loss)	1,147	—	2,568	(150)
DERIVATIVE GAIN (LOSS), NET	\$ 23,418	\$ 13,134	\$ 44,145	\$ 3,147

As at	September 30, 2015	December 31, 2014
OPENING DERIVATIVE ASSET	\$ 12,638	\$ —
Unrealized derivative gain	41,577	12,638
CLOSING DERIVATIVE ASSET	\$ 54,215	\$ 12,638
Presented as:		
Current portion of derivative asset	\$ 4,543	\$ 930
Long-term portion of derivative asset	\$ 49,672	\$ 11,708

14. SHAREHOLDERS' EQUITY

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of first and second preferred shares. There are no first or second preferred shares outstanding at the reporting date. None of the Company's share capital has a par value. The following table summarizes changes to the Company's common share capital:

	Nine months ended September 30, 2015		Year ended December 31, 2014	
	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of period	402,119,473	\$ 1,984,134	400,844,142	\$ 1,970,186
Exercise of stock options and RSUs (Note 15)	1,513,864	16,209	1,275,331	13,948
BALANCE AT END OF PERIOD	403,633,337	\$ 2,000,343	402,119,473	\$ 1,984,134

15. STOCK-BASED COMPENSATION

The Company's stock-based compensation plans for employees, directors and certain other service providers, currently consist of stock options, restricted share units, deferred share units and performance awards. The following table summarizes the outstanding equity compensation units:

	September 30, 2015	December 31, 2014
Stock options (a)	10,921,195	13,339,894
Restricted share units (2010 RSU Plan) (b)	7,224,699	10,282,878
Restricted share units (2015 RSU Plan) (b)	2,741,050	—
Performance share units (c)	1,365,900	455,000
Deferred share units (d)	653,687	—
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	22,906,531	24,077,772

a) Stock Options

The Company has a stock option plan, approved in 2009, which allows options to be granted to employees, directors and certain other service providers. All options issued by the Company permit the holder to purchase one common share of the Company at the stated exercise price or to receive a cash payment equal to the appreciated value of the stock option at the sole discretion of the Company. The stock option plan is a rolling plan and currently limits the number of common shares that may be issued on exercise of options awarded under the plan to an aggregate of 10% of the common shares outstanding from time to time, less the number of common shares issuable under all other security-based compensation agreements. Currently, options generally vest within three years and have a life of five to seven years.

	Nine months ended September 30, 2015		Year ended December 31, 2014	
	Number of options	Exercise price ⁽¹⁾	Number of options	Exercise price ⁽¹⁾
Outstanding stock options at beginning of period	13,339,894	\$ 9.89	14,576,555	\$ 11.28
Granted	2,573,100	2.07	4,537,500	6.39
Forfeited	(4,262,999)	10.46	(5,359,961)	11.17
Expired	(728,800)	10.74	(245,000)	6.07
Exercised	—	—	(169,200)	5.81
OUTSTANDING STOCK OPTIONS AT END OF PERIOD	10,921,195	\$ 7.77	13,339,894	\$ 9.89
EXERCISABLE STOCK OPTIONS AT END OF PERIOD	3,838,911	\$ 11.99	5,409,170	\$ 12.44

(1) Weighted average

The estimated fair value per stock option granted during the nine months ended September 30, 2015 was \$0.84 (year ended December 31, 2014 - \$2.39). The weighted average exercise prices of the Company's outstanding stock options as at September 30, 2015 range from \$2.07 - \$17.22 as follows:

Range of exercise prices (\$)	Options outstanding			Options exercisable	
	Number of options	Exercise price ⁽¹⁾	Years to Expiry ⁽¹⁾	Number of options	Exercise price ⁽¹⁾
2.07 - 2.47	2,330,900	\$ 2.07	6.50	—	\$ —
2.48 - 6.48	2,168,400	5.69	5.43	153,850	6.48
6.49 - 7.98	2,276,840	7.11	4.43	433,050	6.96
7.98 - 11.87	2,041,105	10.68	1.76	1,306,561	10.90
11.88 - 17.22	2,103,950	14.11	0.90	1,945,450	14.27
	10,921,195	\$ 7.77	3.89	3,838,911	\$ 11.99

(1) Weighted average

b) Restricted Share Units

During the first quarter of 2010, the Company established an RSU stock-based compensation plan (the "2010 RSU Plan"). Under the terms of the 2010 RSU Plan, the Company may grant RSUs to employees, directors and consultants. All RSUs issued by the Company permit the holder to purchase one common share of the Company for \$0.10 or to receive a cash payment equal to the fair market value of the common shares less the exercise price of the RSU at the sole discretion of the Company.

The 2010 RSU Plan is a rolling plan and currently limits the number of common shares that may be issued on exercise of RSUs awarded under the plan to an aggregate of 10% of the common shares outstanding from time to time, less the number of common shares issuable under all other security based compensation arrangements. The RSUs generally vest within one to four years and have an average expected life of four years. The following summarizes the 2010 RSU Plan outstanding units:

	Nine months ended September 30, 2015	Year ended December 31, 2014
Outstanding RSUs at beginning of period	10,282,878	10,617,753
Granted	519,580	4,403,745
Forfeited and cancelled	(2,059,895)	(3,632,489)
Expired	(4,000)	—
Exercised	(1,513,864)	(1,106,131)
OUTSTANDING RESTRICTED SHARE UNITS AT END OF PERIOD	7,224,699	10,282,878
EXERCISABLE RESTRICTED SHARE UNITS AT END OF PERIOD	2,208,810	1,973,048

The average estimated fair value per RSU granted, under the 2010 RSU Plan, during the nine months ended September 30, 2015 was \$2.21 (year ended December 31, 2014 - \$6.79).

During the second quarter of 2015, the 2010 RSU Plan was replaced with a new RSU plan for employees (the "2015 RSU Plan"). The RSUs will vest evenly over three years and have no exercise price. The RSUs will be automatically settled at each vest date in either cash, shares issued from treasury or through the purchase of shares on the open market, at the Company's discretion. The 2015 RSU Plan has been accounted for as an equity-settled share-based compensation plan.

The following summarizes the 2015 RSU Plan outstanding units:

	Nine months ended September 30, 2015	Year ended December 31, 2014
Outstanding RSUs at beginning of period	—	—
Granted	2,913,050	—
Forfeited	(172,000)	—
OUTSTANDING RESTRICTED SHARE UNITS AT END OF PERIOD	2,741,050	—
EXERCISABLE RESTRICTED SHARE UNITS AT END OF PERIOD	—	—

The average estimated fair value per RSU granted, under the 2015 RSU Plan, during the nine months ended September 30, 2015 was \$2.07 (year ended December 31, 2014 - nil).

c) Performance Share Units

During 2014, the Company approved a performance award plan ("PSUs"). Under the PSU plan, the Company may grant performance awards to employees. PSUs will cliff vest over approximately three years and vested awards will be settled in cash, shares issued from treasury or through the purchase of shares on the open market, at the Company's discretion. The settlement value is based on a multiplier, which ranges from 0% to 200%, based on the Company's total shareholder return relative to a performance peer group consisting of other industry peers over the vesting period.

The performance award plan has been accounted for as an equity-settled share-based compensation plan, which has been adjusted for the probability of performance achievement. The following table summarizes the PSUs outstanding:

	Nine months ended September 30, 2015	Year ended December 31, 2014
Outstanding PSUs at beginning of period	455,000	—
Granted	1,429,500	455,000
Forfeited	(518,600)	—
OUTSTANDING PERFORMANCE SHARE UNITS AT END OF PERIOD	1,365,900	455,000

The average estimated fair value per PSU granted during the nine months ended September 30, 2015 was \$2.24 (year ended December 31, 2014 - \$7.25)

d) Deferred Share Units

During the second quarter of 2015, the Company approved a deferred share unit plan ("DSUs") for Athabasca's non-management directors. The DSUs vest immediately on the date of grant and become payable when the individual ceases to be a director of the Company. DSUs will be settled in cash based on the prevailing 20-day weighted average trading price of Athabasca's common shares at the date of settlement. The DSUs are expensed immediately and the liability is revalued at each reporting date based on the closing share price.

For the three and nine month periods ended September 30, 2015, the Company granted 18,885 units and 653,687 units respectively, to its directors. The Company recognized a recovery of \$0.5 million and \$0.8 million in stock-based compensation expense for the three and nine month periods ended September 30, 2015. As at September 30, 2015, the Company has also recognized an associated liability of \$0.8 million (December 31, 2014 - \$ nil).

e) Fair Value Assumptions for Stock-based Compensation

The Company uses the Black-Scholes pricing model to calculate the fair value for option, RSU and PSU grants under its stock-based compensation plans. Estimated fair values for the stock-based grants for the nine months ended September 30, 2015 were calculated using the following weighted average assumptions:

For the nine months ended September 30, 2015	Options	2010 RSUs	2015 RSUs	PSUs
Weighted average share price	\$ 2.07	\$ 2.30	\$ 2.07	\$ 2.24
Risk-free interest rate (%)	1.0	0.8	0.7	0.8
Estimated forfeiture rate (%)	7.0	7.5	7.5	7.5
Expected life (years)	4.4	3.6	2.7	3.3
Dividend rate (%)	—	—	—	—
Volatility (%)	48.9	47.4	52.1	49.5

The share price is determined using the TSX quoted market price on the date of grant. Volatility is based on the historical trading price variances of the Company's share price using market data.

16. PER SHARE COMPUTATIONS

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Weighted average shares outstanding - basic	403,396,304	401,718,942	402,933,671	401,564,195
Dilutive effect of stock options and RSUs	—	—	—	—
WEIGHTED AVERAGE SHARES OUTSTANDING - diluted	403,396,304	401,718,942	402,933,671	401,564,195

Dilutive securities will have a dilutive effect under the treasury stock method only when the average market price of the common shares during the period exceeds the sum of the exercise price of the securities and unamortized stock-based compensation. For the nine months ended September 30, 2015, 22,252,844 (September 30, 2014 - 23,525,571) in anti-dilutive securities were excluded from the calculation of diluted loss per share.

17. GENERAL AND ADMINISTRATIVE EXPENSES

For the three and nine months ended September 30, 2015 and 2014, the Company's general and administrative expenses consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Salaries and benefits	\$ 8,070	\$ 15,724	\$ 27,049	\$ 49,390
Office costs	2,518	4,198	9,834	12,811
Legal, accounting and consulting	877	1,235	3,123	3,974
Stakeholder relations and other	243	260	686	1,154
Capitalized staff costs	(3,039)	(9,268)	(15,326)	(31,372)
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 8,669	\$ 12,149	\$ 25,366	\$ 35,957

18. RESTRUCTURING AND OTHER CHARGES

For the three and nine months ended September 30, 2015 and 2014, the Company's restructuring and other charges consisted of the following :

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Staff restructuring charges	\$ 2,104	\$ —	\$ 8,089	\$ 5,754
Office lease provision (Note 12)	—	—	7,034	—
Cancellation charges	(443)	—	3,526	—
TOTAL RESTRUCTURING AND OTHER CHARGES	\$ 1,661	\$ —	\$ 18,649	\$ 5,754

For the nine months ended September 30, 2015 and 2014, Athabasca incurred staff restructuring charges of \$8.1 million and \$5.8 million, respectively, relating to the Company's cost reduction activities. The Company also recognized a loss of \$7.0 million for the nine months ended September 30, 2015, relating to lease commitments on vacated office space primarily as a result of the staff reductions. For the nine months ended September 30, 2015, Athabasca also recognized net cancellation charges of \$3.5 million relating to Thermal Oil rig commitments associated with the 2014/15 drilling season.

19. FINANCING AND INTEREST

For the three and nine months ended September 30, 2015 and 2014, the Company's financing and interest expense consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest expense on indebtedness (Note 10)	\$ 16,952	\$ 15,931	\$ 48,580	\$ 43,802
Accretion of provisions (Note 12)	1,584	1,587	5,002	4,646
Amortization of debt issuance costs	1,857	1,751	5,480	9,685
Capitalized financing and interest ⁽¹⁾	(5,773)	(13,930)	(39,686)	(33,856)
TOTAL FINANCING AND INTEREST	\$ 14,620	\$ 5,339	\$ 19,376	\$ 24,277

- (1) For the three months ended September 30, 2015, Athabasca's effective capitalization interest rate was 8.71% (three months ended September 30, 2014 - 8.76%).
For the nine months ended September 30, 2015, Athabasca's effective capitalization interest rate was 8.58% (nine months ended September 30, 2014 - 8.55%).

20. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future minimum commitments as at September 30, 2015 for the following five years and thereafter:

	2015	2016	2017	2018	2019	Thereafter	Total
Repayment of long-term debt (Note 10) ⁽¹⁾⁽²⁾	\$ 744	\$ 2,958	\$ 552,928	\$ 2,899	\$ 288,088	\$ —	\$ 847,617
Interest expense on long-term debt (Note 10) ⁽²⁾	16,588	65,989	60,837	24,182	8,444	—	176,040
Transportation	2,876	32,578	33,759	28,853	31,587	499,650	629,303
Office leases	1,079	4,291	4,291	4,291	4,291	28,173	46,416
Purchase commitments and other ⁽³⁾	11,646	—	—	—	—	—	11,646
Drilling rigs	1,705	4,656	—	—	—	—	6,361
TOTAL COMMITMENTS	\$ 34,638	\$ 110,472	\$ 651,815	\$ 60,225	\$ 332,410	\$ 527,823	\$ 1,717,383

- (1) The Term Loan is required to be repaid on May 19, 2017 if the Company has not redeemed or refinanced the Notes prior to this date.
(2) Estimated future interest and principal repayments relating to the Term Loan have been translated at a rate of US\$1.00 = C\$1.3394 in the table above which is based on the current spot rate as at September 30, 2015.
(3) Purchase commitments and other primarily relates to Thermal Oil camp costs and long-lead equipment in the Light Oil Division.

Athabasca has entered into two transportation services agreements which will support the Hangingstone projects. The first agreement was signed with Enbridge Pipelines (Athabasca) Inc. ("Enbridge") for the transportation of produced bitumen and blended diluents

from Hangingstone. Included in the table above under Transportation are the minimum take or pay commitments for terminalling and transportation from Cheecham to Edmonton. No amounts have been recognized in the table for the transportation from Hangingstone to Cheecham as that commitment takes effect upon the completion of a lateral pipeline, which is anticipated to be completed in the fourth quarter of 2015. The amount of the commitment for the transportation from Hangingstone to Cheecham is anticipated to be greater than \$475 million over the initial term of the agreement, but the final commitment depends on the actual costs incurred by Enbridge to construct the lateral pipeline. The initial term of the agreement is 25 years with Athabasca having the option to extend over four renewal terms of five years each.

The second agreement was signed with Inter Pipeline Polaris Inc. ("IPPI") for the transportation of condensate to the Hangingstone project using the IPPI owned and operated Polaris Condensate Pipeline System. Included in the table above under Transportation are the minimum take or pay commitments under the agreement. The initial term of the agreement is 25 years with Athabasca having the option to extend over five renewal terms of five years each.

Athabasca is subject to certain financial assurance provisions under its pipeline transportation agreements which will likely require the Company to provide financial collateral which could include letters of credit and/or certain security interests in line-fill and product sales receivables beginning in the fourth quarter of 2015. The amount of collateral that may be required under these agreements is approximately \$90.0 million.

Athabasca is responsible for the retirement of its resource assets at the end of their useful lives (Note 12).

Excluded from the table above is a commitment for \$133.7 million in office leases which were assigned to a third party in December 2013 (Note 12).

Athabasca has entered into indemnity agreements with its directors and officers whereby the Company indemnifies the directors and officers to the fullest extent permitted by law against all personal liability and loss that may arise in service to the Company.

The Company may, from time to time, be involved in claims arising in the normal course of business.

21. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

The following table reconciles the net changes in non-cash working capital from the balance sheet to the cash flow statement as at September 30, 2015 and 2014:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Change in accounts receivable	\$ (473)	\$ 22,645	\$ 9,337	\$ 8,951
Change in current income tax receivable	—	—	7,364	—
Change in prepaid expenses and other	(463)	(41)	(930)	10,589
Change in inventory	(2,484)	—	(4,822)	—
Change in accounts payable and accrued liabilities	1,280	19,222	(97,148)	(62,927)
	\$ (2,140)	\$ 41,826	\$ (86,199)	\$ (43,387)
Other items impacting changes in non-cash working capital:				
Change in current decommissioning obligations (Note 12)	9,088	3,362	4,249	(2,470)
	\$ 6,948	\$ 45,188	\$ (81,950)	\$ (45,857)
RELATED TO:				
Operating activities	\$ 8,803	\$ 23,231	\$ 23,365	\$ 12,550
Investing activities	(1,855)	21,957	(105,315)	(58,407)
NET CHANGE IN NON-CASH WORKING CAPITAL	\$ 6,948	\$ 45,188	\$ (81,950)	\$ (45,857)

CORPORATE INFORMATION

MANAGEMENT

Rob Broen
President & Chief Executive Officer

Kim Anderson
Chief Financial Officer

Blair Hockley
Vice President, Thermal Oil

Anne Schenkenberger
Vice President, General Counsel & Corporate Secretary

Kevin Smith
Vice President, Light Oil

Matthew Taylor
Vice President, Capital Markets & Communications

DIRECTORS

Thomas Buchanan
Chair

Gary Dundas ⁽¹⁾⁽²⁾⁽³⁾

Ronald Eckhardt ⁽²⁾⁽³⁾
Independent Lead Director

Carlos Fierro ⁽¹⁾

Paul Haggis ⁽³⁾

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Peter Sametz ⁽¹⁾⁽²⁾

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Detailed biographies of Athabasca's Board of Directors and Management are available on the Corporation's website.

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BANK

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AUDITORS

Ernst & Young LLP

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

INDEPENDENT EVALUATORS

GLJ Petroleum Consultants Ltd.
DeGolyer and MacNaughton Canada Limited

STOCK SYMBOL

ATH
Toronto Stock Exchange

Member of:

- (1) Audit Committee
- (2) Reserves and Health, Safety & Environmental Committee
- (3) Compensation and Governance Committee

