Consolidated Financial Statements

December 31, 2016

ATHABASCA OIL CORPORATION

FOCUSED | EXECUTING | DELIVERING

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Athabasca Oil Corporation**

We have audited the accompanying consolidated financial statements of Athabasca Oil Corporation, which comprise the consolidated balance sheets as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Athabasca Oil Corporation, as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst + Young LLP

Chartered Professional Accountants
Calgary, Canada
March 9, 2017

CONSOLIDATED BALANCE SHEETS

As at ($ Thousands)	December 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	$ 650,301	$ 559,487
Accounts receivable (Note 5)	52,475	27,816
Current portion of capital-carry receivable (Note 10)	43,457	—
Prepaid expenses and deposits	17,605	11,164
Inventory (Note 6)	14,871	8,910
Current portion of derivative asset (Note 18)	—	5,382
Promissory Note (Note 7)	—	133,892
	778,709	746,651
Restricted cash (Note 8)	107,012	3,044
Long-term portion of derivative asset (Note 18)	—	57,202
Long-term portion of capital-carry receivable (Note 10)	147,717	—
Other long-term deposits (Note 30)	28,500	—
Property, plant and equipment (Note 11)	756,515	1,856,136
Exploration and evaluation assets (Note 12)	439,434	799,409
	$ 2,257,887	$ 3,462,442
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 16)	$ 85,394	$ 54,707
Current portion of long-term debt (Note 15)	546,209	3,068
	631,603	57,775
Long-term debt (Note 15)	—	838,205
Provisions (Note 16)	69,187	84,322
	700,790	980,302
SHAREHOLDERS' EQUITY		
Common shares (Note 20)	2,020,159	2,005,770
Contributed surplus	144,592	147,290
Retained (deficit) earnings	(607,654)	329,080
	1,557,097	2,482,140
	$ 2,257,887	$ 3,462,442

Commitments and contingencies (Note 27)

See accompanying notes to the consolidated financial statements.

Approved by the Board:

(signed)

Ronald Eckhardt
Chairman

(signed)

Marshall McRae
Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Year ended ($ Thousands, except per share amounts)	December 31, 2016	December 31, 2015
REVENUE		
Petroleum and natural gas sales	$ 176,110	$ 83,848
Interest income and other (Note 23)	15,818	12,516
Midstream revenue	965	1,970
Royalties	(2,357)	(1,312)
Total revenue	190,536	97,022
EXPENSES		
Cost of diluent	66,706	10,408
Operating expenses	95,455	62,007
Transportation and marketing	34,569	8,363
General and administrative (Note 24)	26,221	32,529
Restructuring and other charges (Note 25)	—	22,908
Stock-based compensation (Note 21)	10,131	9,460
Financing and interest (Note 26)	76,895	40,037
Depletion and depreciation (Note 11)	61,070	72,629
Impairment loss (Note 13)	751,585	636,732
Exploration expense	287	1,728
Total expenses	1,122,919	896,801
Revenue less Expenses	(932,383)	(799,779)
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss), net (Note 18)	19,875	(49,235)
Derivative gain (loss), net (Note 18)	(21,628)	53,891
Gain (loss) on provisions and other (Note 10, 16)	1,873	(8,375)
Loss on sale of assets (Note 9)	(4,471)	(1,650)
Loss before income taxes	(936,734)	(805,148)
INCOME TAXES		
Deferred income tax recovery (Note 17)	—	(108,377)
Net loss and comprehensive loss	$ (936,734)	$ (696,771)
BASIC LOSS PER SHARE (Note 22)	$ (2.31)	$ (1.73)
DILUTED LOSS PER SHARE (Note 22)	$ (2.31)	$ (1.73)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended ($ Thousands)	December 31, 2016	December 31, 2015
OPERATING ACTIVITIES		
Net loss	$ (936,734)	$ (696,771)
Items not affecting cash		
Stock-based compensation	10,131	9,460
Net non-cash financing and interest	9,920	9,549
Depletion and depreciation (Note 11)	61,070	72,629
Impairment loss (Note 13)	751,585	636,732
Deferred income tax recovery (Note 17)	—	(108,377)
Non-cash foreign exchange (gain) loss (Note 18)	(20,595)	49,121
Non-cash (gain) loss on derivative (Note 18)	21,628	(49,946)
Non-cash (gain) loss on provision (Note 16)	(2,978)	6,879
Receipt of proceeds from derivative unwind (Note 18)	40,956	—
Loss on sale of assets (Note 9)	4,471	1,650
Income tax credits received	—	1,698
Settlement of provisions (Note 16)	(5,845)	(3,481)
Changes in non-cash working capital (Note 29)	(4,577)	3,031
	(70,968)	(67,826)
FINANCING ACTIVITIES		
Repayment of long-term debt (Note 15)	(285,441)	(2,921)
Proceeds from exercised equity incentives (Note 21)	145	218
Changes in non-cash working capital (Note 29)	669	—
	(284,627)	(2,703)
INVESTING ACTIVITIES		
Promissory Note proceeds (Note 7)	133,892	450,000
Proceeds from sale of assets (Note 9)	568,844	1,788
Additions to property, plant and equipment (Note 11)	(123,427)	(278,754)
Additions to exploration and evaluation assets (Note 12)	(4,652)	(12,913)
SR&ED tax credits received	171	—
Recovery of capital-carry proceeds (Note 10)	5,812	—
Increase in restricted cash (Note 8)	(103,920)	—
Decrease in short-term investments (Note 4)	—	47,618
Increase in other long-term deposits (Note 30)	(28,500)	—
Changes in non-cash working capital (Note 29)	(1,811)	(109,198)
	446,409	98,541
NET INCREASE IN CASH AND CASH EQUIVALENTS	90,814	28,012
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	559,487	531,475
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 650,301	$ 559,487

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended ($ Thousands)	December 31, 2016	December 31, 2015
COMMON SHARES (Note 20)		
Balance, beginning of period	$ 2,005,770	$ 1,984,134
Exercise of stock options and RSUs	14,389	21,636
Balance, end of period	2,020,159	2,005,770
CONTRIBUTED SURPLUS		
Balance, beginning of period	147,290	154,201
Stock-based compensation (Note 21)	11,545	14,507
Exercise of stock options and RSUs	(14,243)	(21,418)
Balance, end of period	144,592	147,290
RETAINED EARNINGS (DEFICIT)		
Balance, beginning of period	329,080	1,025,851
Net loss	(936,734)	(696,771)
Balance, end of period	(607,654)	329,080
TOTAL SHAREHOLDERS' EQUITY	$ 1,557,097	$ 2,482,140

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended December 31, 2016.

(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 audited consolidated financial statements (“consolidated financial statements”) were authorized for issue by the Board of Directors on March 9, 2017.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). They have been prepared on a historical cost basis, except for financial instruments which are measured at their estimated fair value, and have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2015. There were no changes to the Company’s operating segments during the period. The income tax receivable balance of $2.2 million as at December 31, 2015 has been presented as part of accounts receivable on the 2016 balance sheet (previously presented as a separate item). The other long-term assets balance of $3.0 million as at December 31, 2015 has been presented as part of restricted cash on the 2016 balance sheet (previously presented as a separate item).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Joint Arrangements

These consolidated financial statements reflect the activities of the Company and its wholly owned subsidiaries. Intercompany transactions and balances are eliminated upon consolidation. Athabasca also undertakes certain business activities through joint arrangements. A joint arrangement is established under contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Athabasca only recognizes its proportionate interests in the assets, liabilities, revenues and expenses associated with joint arrangements.

Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to use estimates, judgments and assumptions. These judgments and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the applicable reporting period. These estimates relate to unsettled transactions and events as of the date of the consolidated financial statements and may differ from actual results as future confirming events occur. Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the year in which the estimates are revised. Changes in the Company's accounting estimates and judgments could have a significant impact on net income.

Included in the carrying value of property, plant and equipment ("PP&E") are accumulated depletion, depreciation and impairment charges that are determined, in part, by utilizing estimates based on Athabasca's reserves, resources and land acreage values. The estimates of reserves and resources include estimates of the recoverable volumes of oil, gas and bitumen, future commodity prices and future costs required to develop and produce the assets. Reserve and resource estimates and future cash flows could be revised either upwards or downwards based on updated information from drilling and operating results as well as changes to future commodity price estimates, changes in cost estimates and changes to the anticipated timing of project development. The rates used to discount future cash flows are based on judgment of economic and operating factors. Changes in these factors could increase or decrease the discount rate which may result in material changes to the estimated recoverable amount of the assets. Exploration and evaluation assets ("E&E") require judgment as to whether future economic benefits exist, including the estimated recoverability of contingent resources, technology uncertainty and the ability to finance exploration and evaluation projects, where technical feasibility and commercial viability has not yet been determined.

The capital-carry receivable includes estimates for the anticipated timing of capital expenditures and the credit-adjusted discount rate (Note 10). The timing of actual cash inflows could differ from the estimates as a result of changes in the timing of the Greater Kaybob area development plan.

The Company evaluates the carrying value of its inventory at the lower of cost and net realizable value. The net realizable value is estimated based on anticipated current market prices that Athabasca would expect to receive from the sale of its inventory.

The provision for decommissioning obligations is based upon numerous assumptions including the ultimate settlement amounts, inflation factors, credit-adjusted discount rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. Actual costs and cash outflows could differ from the estimates as a result of changes in any of the above noted assumptions.

The provision for the office lease is based upon numerous assumptions including inflation factors, credit-adjusted discount rates, actual settlement amounts and estimates of future recoveries. Actual costs and cash outflows could differ from the estimates as a result of changes in any of the above noted assumptions.

The provision for income taxes is based on judgments in applying income tax law and estimates on the timing and likelihood of reversal of temporary differences between the accounting and tax bases of assets and liabilities. The provision for income taxes is based on Athabasca's interpretation of the tax legislation and regulations which are also subject to change. Athabasca recognizes a tax provision when a payment to tax authorities is considered more likely than not. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances and interpretations of the standards which may result in a material increase or decrease in the Company's provision for income taxes. As at December 31, 2016 and as at December 31, 2015, Athabasca did not recognize deductible temporary differences in respect of income tax assets (Note 17).

The Company previously held a derivative financial instrument to manage risks related to its US dollar denominated debt. The fair value of the derivative was determined using valuation models which require assumptions concerning the amount and timing of future cash flows, discount rates and foreign exchange rates. Athabasca's assumptions rely on external observable market data and data obtained from third parties. The resulting fair value estimates may not be indicative of the amount realized or settled in current market transactions and as such are subject to measurement uncertainty.

Stock-based compensation includes volatility, option life and forfeiture rates which are based on management's assumptions and estimates.

All of these estimates are subject to measurement uncertainty and changes in these estimates could materially impact the financial statements of future periods and have a significant impact on net income.

Segment Reporting

The Company's operating segments are determined based on differences in the nature of operations, products sold, economic characteristics, regulatory environments and management responsibility. Operating segments have been aggregated based on similar characteristics as follows:

- Light Oil - includes the Company's assets, liabilities and operating results for the exploration, development and production of unconventional oil, natural gas and natural gas liquids located primarily in the Greater Kaybob and Greater Placid areas.

- Thermal Oil - includes the Company's assets, liabilities and operating results for the exploration, development and production of bitumen from sand and carbonate rock formations located in the Athabasca region of Northern Alberta.

Segment results, assets and liabilities only include items directly attributable to a segment and those items that can be allocated on a reasonable basis. Unallocated items are comprised mainly of corporate assets, head office expenses, interest income and financing and interest expense. There were no changes to the Company's operating segments during the year. Segmented information is presented in Note 14.

Financial Instruments

All financial instruments are initially recognized at fair value on the consolidated balance sheet. The Company has classified each financial instrument into the following categories: "held-for-trading"; "loans and receivables"; "held-to-maturity"; or "other financial assets or liabilities." The Company has classified its financial instruments as follows:

Financial Assets and Liabilities	Classification
Cash and cash equivalents	Held-for-trading
Restricted cash	Held-for-trading
Derivative asset	Held-for-trading
Accounts receivable	Loans and receivables
Capital-carry receivable	Loans and receivables
Promissory Notes	Held-to-maturity
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities

Subsequent measurement of financial instruments is based on their classification. Unrealized gains and losses on held-for-trading financial instruments are recognized in the statement of loss. The other categories of financial instruments are recognized at amortized cost using the effective interest rate method.

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.

Transaction costs for all financial assets and liabilities are expensed as incurred, with the exception of long-term debt. Transaction costs related to long-term debt are included in the initial carrying value of the debt and the debt is subsequently carried at amortized cost using the effective interest rate method. The fair value of Athabasca's long-term debt is derived from quoted prices provided by financial institutions or derived from quoted prices on debt instruments with similar credit risk and yield profiles.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Athabasca's loans and receivables are comprised of various accounts receivables and the capital-carry receivable. The capital-carry receivable has been discounted due to the long-term nature of the instrument in order to reflect its fair value.

Derivative financial instruments are used by the Company to manage risks related to its US dollar denominated debt. All derivatives are classified at fair value though income or loss. Derivative financial instruments are included on the balance sheet and are classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement of derivatives are shown separately on the income statement in the period in which they arise. As at December 31, 2016, Athabasca held no derivative instruments on the balance sheet.

At each reporting date, the Company assesses whether there are any indicators that its financial assets are impaired. An impairment loss is only recognized if there is evidence of impairment and the loss event has an impact on future cash flow and can be reliably estimated.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash and investments in money market instruments with an initial maturity date of three months or less. Cash held in a restricted account is primarily used to secure letters of credit issued as security in respect of long-term transportation commitments and is reported as long-term restricted cash on the consolidated balance sheets.

Inventory

Inventory consists of crude oil products and warehouse consumables. The carrying value of inventory includes all direct expenditures required to bring the inventory to its present location and condition, including transportation expenses. 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. If the carrying value exceeds the net realizable value, a write-down is recognized. A change in circumstance could result in a reversal of the write-down for inventory that remains on hand in a subsequent period.

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

Items of PP&E are measured using historical cost less any accumulated impairment losses. The initial cost of an asset comprises its purchase price, any cost directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located. Included in PP&E are assets that have been transferred from exploration and evaluation assets upon the establishment of technical feasibility and commercial viability. Once Athabasca's projects are available for use in the manner intended by management, they will either be depleted or depreciated over their useful lives depending on the nature of the asset. When an asset is disposed of in the PP&E phase, the carrying value of the assets sold are de-recognized from the PP&E asset pool with any difference, relative to the proceeds from the disposal, recognized as a gain or loss in net income.

Light Oil assets that are ready for use in the manner intended by management are depleted using the unit-of-production method based on the production in the year relative to the proved plus probable reserve base, taking into account estimated future development costs necessary to bring those reserves into production. Depreciation of the Light Oil infrastructure assets is calculated using the straight-line method over the estimated useful life of the assets, which ranges from three to fifty years.

During the third quarter of 2015, Athabasca began recognizing depletion and depreciation of the Hangingstone Thermal Oil project ("Hangingstone Project"). 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.

Depreciation of corporate assets is calculated using the straight-line method over the estimated useful life of the asset, ranging from one to five years. Refer to Note 14 for depletion and depreciation charges for each division.

Exploration and Evaluation ("E&E") Assets

Costs of exploring for and evaluating oil and gas activities are initially capitalized and primarily consist of lease acquisition costs, exploratory drilling to delineate resource formations, geological and geophysical costs, engineering, licensing and regulatory fees, carrying charges on non-productive assets, estimates of the reclamation and abandonment obligations incurred as a result of the exploration activities, employee salaries and stock-based compensation directly related to E&E activities. Tangible assets acquired and utilized to develop an E&E asset are also recorded as part of the cost of the E&E asset. When an asset is disposed of in the E&E phase the proceeds of the assets sold are de-recognized from the E&E asset pool with no gain or loss recognized. E&E costs do not include general prospecting or evaluation costs incurred prior to having obtained the legal rights to explore an area, and as a result, these costs are expensed directly to the statement of income as they are incurred.

E&E assets are carried at cost on the consolidated balance sheet until both the technical feasibility and commercial viability of extracting a mineral resource is established. Upon technical feasibility and commercial viability being established, E&E assets are tested for impairment and then reclassified from E&E assets to PP&E. Technical feasibility and commercial viability of Light Oil and Thermal Oil activities are considered achieved when proved reserves are determined to exist and the Company has received approval to proceed with commercial development by its Board of Directors and, in some cases, approval from regulatory authorities.

If the technical feasibility and commercial viability cannot be proved or if a full impairment is recognized, subsequent expenditures are no longer capitalized and will be recognized as exploration expense.

Impairment

E&E and PP&E assets are tested for impairment at the cash-generating unit ("CGU") level at each reporting date when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. The recoverable amount is determined as the greater of the CGU's value in use ("VIU") and fair value less costs to sell ("FVLCTS"). CGUs are not larger than an operating segment. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. FVLCTS is defined as the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable parties, less the costs to dispose of the CGU.

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 (Level 3) and/or imputed from relevant sales transactions on assets with similar geologic and geographic characteristics (Level 3). Future cash flows are estimated using an appropriate inflation rate and discount rate based on the nature of the properties included in the CGU and the extent of future funding and development risk.

Impairment test calculations require the use of estimates and assumptions and are subject to changes as new information becomes available. Factors that are subject to change include estimates of future commodity prices, expected production volumes, land values, quantity of reserves and resources, discount rates, recovery rates, timing of anticipated ramp-up of production, and future development and operating costs. Changes in assumptions used in determining the recoverable amount could have a material effect on the carrying value of the related E&E and PP&E assets and CGU's.

At each reporting period, E&E and PP&E assets are tested for impairment reversal at the CGU level when facts and circumstances suggest that the recoverable amount of the CGU may significantly exceed the carrying value due to significant changes in the technological, market, economic or legal environment.

Capitalized Borrowing Costs

The proportion of borrowing costs that relates to qualifying assets is capitalized per IAS 23 *Borrowing Costs*. A qualifying asset is an asset that has probable future economic benefit and necessarily takes a substantial period of time to get ready for its intended use. Athabasca capitalized borrowing costs associated with its Hangingstone Project until the third quarter of 2015 when the project was deemed ready for use in the manner intended by management. Athabasca's Thermal Oil E&E assets have not yet proven technical feasibility and commercial viability and are, therefore, not qualifying assets. Athabasca's Light Oil PP&E assets are not qualifying assets because they do not take a substantial period of time to get ready for their intended use.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The Company's oil and gas activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provisions are made for the estimated cost of site restoration and capitalized to the corresponding asset. Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the obligation discounted using the Company's credit-adjusted discount rate. Subsequent to initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time, changes in the estimated future cash flows underlying the obligation and changes in discount rates. The increase in the obligation due to the passage of time is recognized as a finance cost whereas changes due to revisions in the estimated future cash flows and discount rate are capitalized to the extent the related asset is not impaired. If the related asset is impaired, the change in estimate is recognized as exploration expense. Actual costs incurred upon settlement of the obligations are charged against the provision.

Revenue Recognition

Revenue earned from the sale of petroleum and natural gas products is recognized when title passes from Athabasca to the customer. Midstream revenues are recognized in the period the product is delivered and the service provided. Royalty expenses are recognized as production occurs. Interest income on cash equivalents is recorded as incurred. For outstanding investments that mature in future periods, revenue is accrued up to and including the final day of the applicable reporting period based on the terms and conditions of the individual instruments. Time value of money accretion income is recognized in the period as the capital-carry receivable is unwound. Incidental revenues are recognized in net income as incurred.

Income Taxes

Income tax is comprised of current and deferred tax. Income tax expense is recognized in the statement of loss and comprehensive loss except to the extent that it relates to share capital, in which case it is recognized in equity. Current tax is the expected tax payable (receivable) on the taxable income (loss) for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and does not affect profit, other than temporary differences that arise in shareholder's equity. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset on the consolidated balance sheet if there is a legally enforceable right to offset and they relate to income taxes levied by the same tax authority. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are not recognized until such time that it is more likely than not that the related tax benefit will be realized. Athabasca also recognizes deferred tax liabilities on temporary differences associated with investments in subsidiaries unless the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Scientific Research & Experimental Development credits ("SR&ED") are recognized as a reduction of PP&E and E&E assets when the research program is approved by the Canada Revenue Agency or if the expenditure is a continuation of a previously approved program, unless the Company has elected not to recognize deductible temporary differences in respect of deferred income tax assets, in which case, the SR&ED credits are not recorded.

Stock-based Compensation

The Company's stock-based compensation plans for employees, directors, and consultants consist of stock options, restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs"). Other than the DSUs, all of the stock-based compensation plans are equity settled. The fair values of the equity settled awards are initially measured using the Black-Scholes model using an estimated forfeiture rate, volatility, risk free rate and instrument life. The fair value is recorded as stock-based compensation over the vesting period with a corresponding amount reflected in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital.

The DSUs are a cash-settled share-based compensation plan. DSUs are expensed immediately upon grant and a liability is recognized. The liability is revalued at each reporting date based on the Company's closing share price.

For employees who are working on capital projects, the stock-based compensation is allocated to E&E or PP&E assets. For the remainder of employees, the compensation is expensed.

Per Share Amounts

Basic income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted income per share reflects the potential dilution that would occur if dilutive securities were exercised using the Treasury stock method. To determine the dilutive effect of its dilutive instruments, the Company assumes that proceeds received from the exercise of "in-the-money" equity instruments are used to repurchase common shares. In any period in which there is a loss, diluted per share amounts are calculated excluding potentially dilutive securities.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of the contract. Leases which transfer substantially all the risks and rewards of ownership to Athabasca are classified as finance leases. Finance leases are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments and are depreciated over the shorter of the estimated useful life of the asset and the lease term. Other leases are classified as operating leases and payments are recognized as an expense in the period incurred. Lease inducement costs are initially capitalized and amortized to net income over the lease term. As at December 31, 2016, Athabasca does not have any finance leases.

Commitments and contingencies

Athabasca discloses its financial commitments, yet to be incurred, based on the minimum contractual costs at the reporting date. Contingent assets and liabilities are not recognized in the financial statements. Disclosure of contingent liabilities is provided when the possibility of an outflow of a resource embodying economic benefits is other than remote. Contingent assets are disclosed if a future economic benefit is probable but are only recorded when recovery of the contingent asset is considered imminent.

Foreign Currency Translation

Transactions in foreign currencies are translated into the functional currency using the exchange rate on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss.

Future Accounting Pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company does not expect a significant impact on its statement of financial position and equity on applying the classification and measurement requirements of IFRS 9. Athabasca will adopt the new standard on the required effective date.

IFRS 15 *Revenue from Contracts with Customers*
The IASB issued IFRS 15 *Revenue from Contracts with Customers* in May 2014. This IFRS replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The new standard is effective for periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company does not expect a significant impact on its statement of financial position and equity on applying the classification and measurement requirements of IFRS 15. Athabasca will adopt the new standard on the required effective date.

IFRS 16 *Leases*

The IASB issued its new Lease Standard on January 13, 2016. This new IFRS requires that, for lessees, former operating leases will now be capitalized and recognized on the balance sheet (exceptions for short-term leases and low-value assets are provided). Lease assets and liabilities will be initially measured at the present value of the unavoidable lease payments and amortized over the lease term. Lessor accounting remains consistent with current IFRS standards. Two transition methods are available under IFRS 16: full retrospective and cumulative catch-up. The latter method is similar in principle to the modified retrospective approach under IFRS 15. A significant amount of transition relief is permitted under the cumulative catch-up method, but will require additional disclosure information. The effective date will be for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only if IFRS 15 - *Revenue from Contracts with Customers* is also applied. The Company is currently evaluating the impact of adopting IFRS 16 on the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

	Initial Term (Days)	Interest Rates (%)		Amount ($)
AS AT DECEMBER 31, 2016				
Cash	—	0.20 - 1.10	$	650,301
Cash equivalents	—	—		—
TOTAL[1]			$	650,301
AS AT DECEMBER 31, 2015				
Cash	—	0.20 – 1.10	$	480,619
Cash equivalents	63 - 70	1.05 - 1.08		78,868
TOTAL			$	559,487

(1) Cash and cash equivalents do not include restricted cash of $107.0 million (Note 8).

Cash and cash equivalents 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.

As at December 31, 2016 and December 31, 2015, Athabasca's cash, cash equivalents and restricted cash (Note 8) were held with five counterparties and four counterparties, respectively. All counterparties were large reputable financial institutions. The Company believes that credit risk associated with these investments is low. At December 31, 2016, no institution held more than 30% of the balances (December 31, 2015 - 32%).

The Company's cash, cash equivalents and restricted cash have been assessed on the fair value hierarchy described above and have been classified as Level 1.

5. ACCOUNTS RECEIVABLE

As at		December 31, 2016		December 31, 2015
Joint interest billings	$	25,468	$	7,103
Petroleum and natural gas receivables		21,082		10,287
Government receivables and other		5,925		7,369
Accrued interest on the Promissory Note (Note 7)		—		3,057
TOTAL	$	52,475	$	27,816

Management believes collection risk on the outstanding accounts receivable as at December 31, 2016 is low given the high credit quality of the Company's material counterparties. No material amounts were past due at December 31, 2016.

6. INVENTORY

As at	December 31, 2016	December 31, 2015
Diluent	$ 447	$ 253
Blended bitumen	10,051	4,067
Warehouse inventory	4,373	4,590
TOTAL	$ 14,871	$ 8,910

7. PROMISSORY NOTE

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 Energy Holdings Limited, a wholly owned subsidiary of PetroChina International Investment Company Limited ("Phoenix") for a net purchase price of $1,183.9 million, excluding working capital adjustments. 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 December 31, 2016, all of the interest bearing Promissory Notes had matured and were fully collected.

	Collection date	Principal value	Interest earned	Value at maturity
Promissory note #1	March 2, 2015	$ 300,000	$ 2,469	$ 302,469
Promissory note #2	August 28, 2015	150,000	2,573	152,573
Promissory note #3	August 29, 2016	133,892	4,614	138,506
		$ 583,892	$ 9,656	$ 593,548

8. RESTRICTED CASH

Restricted cash primarily consists of a restricted, interest-bearing, cash-collateral account (the "Cash-Collateral Account") into which the Company is required to deposit cash to secure letters of credit issued under the Company's $110.0 million cash-collateralized letter of credit facility (the "Letter of Credit Facility") (Note 15). As at December 31, 2016, $103.9 million was held in the Cash-Collateral Account (December 31, 2015 - nil).

Athabasca also holds a deposit of $3.1 million (December 31, 2015 - $3.0 million) received from a counterparty in respect of an office lease reassignment in 2013 (Note 16). The deposit is refundable to the counterparty at the end of the reassigned lease term in 2026.

9. SALE OF ASSETS

Thermal Oil Contingent Bitumen Royalty

During the year ended December 31, 2016, Athabasca granted a Contingent Bitumen Royalty (the "Royalty") on its legacy Thermal Oil assets to Burgess Energy Holdings L.L.C. ("Burgess") for gross cash proceeds of $307.0 million. Athabasca will pay Burgess a linear-scale royalty of 0% - 12%, relative to a WCS benchmark price, applied to Athabasca's realized bitumen price (C$), which is determined net of diluent, transportation and storage costs.

The following table summarizes the Royalty rates applicable at different WCS benchmark prices:

Hangingstone WCS benchmark price (US$/bbl)	Royalty rate	Other Thermal Oil exploration areas [1] WCS benchmark price (US$/bbl)	Royalty rate
Below $60/bbl	--	Below $70/bbl	--
$60/bbl to $139.99/bbl[2]	2% - 12%	$70/bbl to $149.99/bbl[2]	2% - 12%
$140/bbl and above	12%	$150/bbl and above	12%

(1) Other Thermal Oil exploration areas consists of Birch, Dover West and Grosmont.
(2) The WCS benchmark price is used to determine the linear sliding-scale royalty rate.

With respect to Hangingstone, the minimum trigger for a 2% Royalty rate is a WCS price of US$60/bbl. Beyond a WCS benchmark price of $140/bbl, the Royalty rate is capped at 12%. For the Company's other Thermal Oil assets (Dover West, Birch and Grosmont), the minimum trigger for a 2% Royalty rate is a WCS price of US$70/bbl. Beyond a WCS benchmark price of $150/bbl, the Royalty rate is capped at 12%. There were no embedded derivatives associated with the Royalties.

Burgess has the option of either receiving the Royalty in cash or in kind. The Royalty has no associated commitments to develop future expansions or projects.

The following table summarizes the net proceeds from the sale of the Royalty to Burgess during the year ended December 31, 2016:

Cash proceeds	$	307,000
Transaction costs and other		(195)
Net proceeds from sale of Royalty	$	306,805

During the year ended December 31, 2016, net proceeds of $53.7 million were credited to PP&E (Note 11) and net proceeds of $253.1 million were credited to E&E assets (Note 12).

No amounts were payable by Athabasca in respect of the Royalty during 2016.

Light Oil Joint Venture

On January 27, 2016, Athabasca entered into a series of agreements to form a strategic joint venture with Murphy Oil Company Ltd. ("Murphy") to develop the Montney and Duvernay formations in the Greater Kaybob and Greater Placid areas (the "Murphy Transaction"). As part of the transaction, Athabasca sold an operated 70% interest in its Greater Kaybob area assets and a non-operated 30% interest in its Greater Placid area assets.

The Murphy Transaction was completed on May 13, 2016. At the date of closing, Athabasca received $267.5 million in cash, including purchase price adjustments from the January 1, 2016 effective date. Athabasca also recognized additional consideration of $219.0 million (undiscounted) in the form of a capital-carry in the Greater Kaybob area, whereby Murphy will fund 75% of Athabasca's share of development capital up to a maximum five year period (Note 10).

The following table summarizes the net proceeds from the sale of assets to Murphy:

Cash proceeds	$	267,479
Capital-carry receivable (discounted) (Note 10)		188,648
Transaction costs and purchase price adjustments		(5,664)
Net proceeds from sale of assets to Murphy	$	450,463

As at December 31, 2016, Athabasca has de-recognized $460.5 million of PP&E, $0.6 million of E&E and $6.3 million in decommissioning obligations relating to the Light Oil assets sold to Murphy. During the year ended December 31, 2016, Athabasca recognized a loss of $4.3 million primarily related to closing adjustments and transaction costs.

10. CAPITAL-CARRY RECEIVABLE

During the second quarter of 2016, Athabasca recognized a receivable in respect of Murphy's capital-carry obligation to fund 75% of Athabasca's share of development capital in Greater Kaybob for up to a maximum five year period. The capital-carry receivable is based on management's best estimate of the present value of the expected timing of the recovery of the receivable. The timing of the recovery is dependent on the amount of capital expenditures in the Greater Kaybob area, subject to a minimum annual recovery to be realized by Athabasca, which is set out in the joint development agreement between the parties.

The following table reconciles the change in the capital-carry receivable during the year ended December 31, 2016:

As at	December 31, 2016	December 31, 2015
CAPITAL-CARRY RECEIVABLE, BEGINNING OF PERIOD	$ —	$ —
Initial recognition on completion of the Murphy Transaction	188,648	—
Recovery of capital-carry through capital expenditures	(5,812)	—
Revisions in expected timing of future capital expenditures	371	—
Time value of money accretion	7,967	—
CAPITAL-CARRY RECEIVABLE, END OF PERIOD	$ 191,174	$ —
Presented as:		
Current portion of capital-carry receivable	$ 43,457	$ —
Long-term portion of capital-carry receivable	$ 147,717	$ —

The total undiscounted capital-carry receivable as at December 31, 2016 was $213.5 million (December 31, 2015 - nil). The Company has calculated the net present value of its capital-carry receivable using a credit-adjusted discount rate of 6.50% per annum. The capital-carry receivable is considered to have low credit risk given the high credit quality of the Murphy subsidiary that has guaranteed the obligation. A 1.00% change in the credit-adjusted discount rate would impact the discounted value of the capital-carry receivable by approximately $3.0 million. Changes in estimate regarding the timing of the recovery of the capital-carry receivable and any changes to the credit-adjusted discount rate are recorded as gain or loss in net income.

The capital-carry receivable (current and long-term portion) has been classified as Level 3 on the fair value hierarchy.

11. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

BALANCE, DECEMBER 31, 2014	$ 2,103,334
PP&E expenditures	278,754
Transfers from E&E to PP&E	3,110
Non-cash capitalized costs(1)	3,298
Depletion and depreciation	(72,629)
Impairment loss (Note 13)	(456,100)
Disposals	(3,631)
BALANCE, DECEMBER 31, 2015	$ 1,856,136
PP&E expenditures(2)	123,427
Non-cash capitalized costs(1)	326
Depletion and depreciation	(61,070)
Impairment loss (Note 13)	(647,717)
Disposals (Note 9)	(514,587)
BALANCE, DECEMBER 31, 2016	$ 756,515

(1) Non-cash PP&E expenditures include capitalized stock-based compensation, decommissioning obligation assets and non-cash financing and interest expenses.
(2) As at December 31, 2016, $10.2 million of Light Oil PP&E expenditures related to assets sold in the Murphy Transaction (Note 9).

As at December 31, 2016, Athabasca de-recognized $460.9 million of PP&E, net of accumulated depletion, depreciation and impairment, primarily relating to the Light Oil assets sold to Murphy. The Company also de-recognized $53.7 million of PP&E relating to the Royalty sold to Burgess (Note 9).

PP&E consists of the following:

Net book value (As at)	December 31, 2016	December 31, 2015
PP&E at cost	$ 2,176,386	$ 2,595,480
Accumulated depletion and depreciation	(344,241)	(283,244)
Accumulated impairment losses (Note 13)	(1,075,630)	(456,100)
TOTAL PP&E	$ 756,515	$ 1,856,136

As at December 31, 2016, $116.0 million (December 31, 2015 - $218.6 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.

12. EXPLORATION AND EVALUATION ("E&E") ASSETS

BALANCE, DECEMBER 31, 2014	$	962,821
E&E expenditures		13,431
Transfer from E&E to PP&E		(3,110)
Non-cash capitalized costs[(1)]		7,417
Recognition of SR&ED tax credits		(518)
Impairment loss (Note 13)		(180,632)
BALANCE, DECEMBER 31, 2015	$	799,409
E&E expenditures		4,652
Non-cash capitalized costs[(1)]		(6,862)
Recognition of SR&ED tax credits		(171)
Disposals (Note 9)		(253,726)
Impairment loss (Note 13)		(103,868)
BALANCE, DECEMBER 31, 2016	$	439,434

(1) Non-cash E&E expenditures primarily consist of capitalized stock-based compensation and changes to estimates relating to decommissioning obligation assets.

As at December 31, 2016, Athabasca de-recognized $253.1 million of E&E relating to the Royalty sold to Burgess and $0.6 million of E&E relating to the Light Oil assets sold to Murphy (Note 9).

13. IMPAIRMENT

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

Light Oil Division

The Light Oil Division consists of the Greater Kaybob and Greater Placid areas (collectively the "Light Oil CGU"). For the year ended December 31, 2016, no indicators of impairment were identified.

For the year ended December 31, 2015, Athabasca recognized an impairment loss of $456.7 million for its Light Oil CGU. The recoverable value of the CGU was determined based on the fair value of the assets implied by the pending Murphy Transaction (Note 9).

Thermal Oil Division

The Thermal Oil Division consists of the Hangingstone, Dover West and Birch CGUs. In the fourth quarter of 2016, Athabasca identified indicators of impairment over its Hangingstone CGU primarily due to the pending acquisition of the Leismer Corner assets by the Company (Note 30) which implied that the recoverable value of the Hangingstone CGU was below it's carrying value. The Company completed an impairment test which resulted in an estimated recoverable value for the Hangingstone CGU of approximately $411.4 million (based on FVLCTS), which was below the CGU's carrying value of $1,163.0 million. As a result, Athabasca recognized an impairment loss of $751.6 million for the year ended December 31, 2016 (December 31, 2015 - nil).

Future cash flows utilized in the impairment test were estimated using a two percent inflation rate and a discount rate of 16% based on the nature of the properties included in the CGU and the extent of future funding and development risk (Note 3). The following table summarizes the price forecast used in the Company's discounted cash flow estimates utilized in the 2016 impairment test:

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Thereafter
WTI (US$/bbl)	$ 55.00	$ 59.00	$ 64.00	$ 67.00	$ 71.00	$ 74.00	$ 77.00	$ 80.00	$ 83.00	$ 86.05	+2.0%/yr
WCS (C$/bbl)	$ 53.32	$ 56.79	$ 61.27	$ 63.00	$ 65.90	$ 69.42	$ 72.91	$ 76.45	$ 79.93	$ 83.47	+2.0%/yr
Edmonton Par (C$/bbl)	$ 69.33	$ 72.26	$ 75.00	$ 76.36	$ 78.82	$ 82.35	$ 85.88	$ 89.41	$ 92.94	$ 95.61	+2.0%/yr
AECO (C$/Mmcf)	$ 3.46	$ 3.10	$ 3.27	$ 3.49	$ 3.67	$ 3.86	$ 4.05	$ 4.16	$ 4.24	$ 4.32	+2.0%/yr
FX (CAD:USD)	1.33	1.29	1.25	1.21	1.18	1.18	1.18	1.18	1.18	1.18	1.18

There were no indicators of impairment identified in the Dover West or Birch CGUs. During the year ended December 31, 2015, Athabasca recognized an impairment loss of $180.0 million for the Dover West CGU (based on FVLCTS). The recoverable value of the CGU was based on comparable third party market transactions.

14. SEGMENTED INFORMATION

Segmented operating results

	Light Oil		Thermal Oil		Consolidated	
Year ended December 31,	2016	2015	2016	2015	2016	2015
SEGMENT REVENUES						
Petroleum and natural gas sales	$ 45,899	$ 62,547	$ 130,211	$ 21,301	$ 176,110	$ 83,848
Midstream revenue	965	1,970	—	—	965	1,970
Royalties	(1,792)	(1,189)	(565)	(123)	(2,357)	(1,312)
	45,072	63,328	129,646	21,178	174,718	84,506
SEGMENT EXPENSES & OTHER						
Cost of diluent	—	—	66,706	10,408	66,706	10,408
Operating expense	20,997	28,902	74,458	33,105	95,455	62,007
Transportation and marketing	291	498	34,278	7,865	34,569	8,363
Depletion and depreciation	30,212	60,645	28,857	7,967	59,069	68,612
Impairment	—	456,732	751,585	180,000	751,585	636,732
Exploration expense	54	748	233	980	287	1,728
Loss on sale of assets	4,471	1,486	—	164	4,471	1,650
	56,025	549,011	956,117	240,489	1,012,142	789,500
Segment loss	$ (10,953)	$ (485,683)	$ (826,471)	$ (219,311)	$ (837,424)	$ (704,994)
CORPORATE						
Interest income and other					15,818	12,516
Financing and interest					(76,895)	(40,037)
General and administrative					(26,221)	(32,529)
Restructuring and other charges					—	(22,908)
Stock-based compensation					(10,131)	(9,460)
Depreciation					(2,001)	(4,017)
Foreign exchange gain (loss), net					19,875	(49,235)
Derivative gain (loss), net					(21,628)	53,891
Gain (loss) on provisions and other					1,873	(8,375)
Deferred income tax recovery					—	108,377
NET LOSS AND COMPREHENSIVE LOSS					$ (936,734)	$ (696,771)

Segmented capital expenditures

Capital expenditures		December 31, 2016		December 31, 2015
LIGHT OIL[1]				
Property, plant and equipment [2]	$	117,090	$	175,977
		117,090		175,977
THERMAL OIL				
Property, plant and equipment		6,293		101,237
Exploration and evaluation		4,652		12,913
		10,945		114,150
CORPORATE				
Corporate assets and other PP&E		44		1,540
TOTAL CAPITAL SPENDING[3][4]	$	128,079	$	291,667

(1) Including the recovery of the capital-carry, Athabasca's net cash outflow from capital expenditures in the Light Oil Division during the year ended December 31, 2016 was $111.3 million (December 31, 2015 - $176.0 million).

(2) For the year ended December 31, 2016, capital expenditures included $10.2 million relating to assets sold as part of the Murphy Transaction (Note 9).

(3) Excludes non-cash capitalized costs consisting of capitalized stock-based compensation, decommissioning obligation assets, and non-cash financing and interest.

(4) For the year ended December 31, 2016, expenditures include cash capitalized staff costs of $7.8 million (December 31, 2015 - $17.6 million) and cash capitalized interest of $nil (December 31, 2015 - $35.9 million).

Segmented assets

Net book value (As at)		December 31, 2016		December 31, 2015
LIGHT OIL				
Capital-carry receivable (current and long-term)	$	191,174	$	—
Property, plant and equipment		407,312		779,457
Exploration and evaluation		410		1,084
		598,896		780,541
THERMAL OIL				
Inventory		14,871		8,910
Property, plant and equipment		342,474		1,067,991
Exploration and evaluation		439,024		798,325
		796,369		1,875,226
CORPORATE				
Current assets[1]		720,381		737,741
Restricted cash (Note 8)		107,012		3,044
Long-term portion of derivative asset (Note 18)		—		57,202
Other long-term deposits (Note 30)		28,500		—
Property, plant and equipment		6,729		8,688
		862,622		806,675
TOTAL ASSETS	$	2,257,887	$	3,462,442

(1) Current assets under Corporate excludes inventory and the current portion of the capital-carry receivable which have been included under the Thermal Oil Division and Light Oil Division, respectively.

15. INDEBTEDNESS

As at		December 31, 2016		December 31, 2015
Senior Secured Second Lien Notes (a)[1]	$	550,000	$	550,000
Senior Secured Term Loan (b)[2]		—		306,759
Debt issuance costs		(21,664)		(31,644)
Amortization of debt issuance costs		17,873		16,158
TOTAL INDEBTEDNESS	$	546,209	$	841,273
Presented as:				
Current portion of long-term debt	$	546,209	$	3,068
Long-term debt	$	—	$	838,205

(1) The Notes were repaid during the first quarter of 2017. Refer to Note 15(a) and Note 30 for further details.

(2) The Term Loan was repaid on June 17, 2016. As at December 31, 2015, the US dollar denominated Senior Secured Term Loan of US$221.6 million and associated deferred borrowing costs were translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.3840.

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 bore interest at a rate of 7.50% per annum and had a term of five years maturing on November 19, 2017. Interest payments were required semi-annually on May 19 and November 19 of each year. During the first quarter of 2017, Athabasca will repay the Notes using the proceeds of a new issue of US$450.0 million (C$589.0 million) Senior Secured Second Lien Notes (the "New Notes"). Refer to Note 30 for further details on the Company's balance sheet refinancing transactions.

Debt issuance costs associated with the Notes were initially capitalized and were amortized to net income (loss) over the life of the Notes using the effective interest rate method. As at December 31, 2016, the Notes were presented as current on the consolidated balance sheet as the maturity date was within 12 months of the balance sheet date. As at December 31, 2016, the fair value of the Notes was $549.3 million and had been classified as Level 2. The fair values were based on observable quoted prices from financial institutions.

b) Senior Secured Term Loans

On May 7, 2014, Athabasca entered into a US$225.0 million term loan (the "Term Loan") which was fully drawn and a US$50 million committed delayed draw term loan which remained undrawn. The Term Loan amortized in equal quarterly installments in an aggregate annual amount equal to 1.00% of the original principal amount. Borrowings on drawn amounts under the Term Loan bore interest at a floating rate based on LIBOR plus 7.25%, subject to a LIBOR floor of 1.00%. On June 17, 2016, Athabasca repaid the principal outstanding on the Term Loan at par for $285.4 million (US$221.1 million). The delayed draw term loan was also canceled during the second quarter of 2016. Unamortized debt issuance costs related to the Term Loan of $5.9 million were expensed during the second quarter of 2016 (Note 26).

Concurrent with the repayment of the Term Loan, Athabasca also unwound its US dollar forward contract associated with the Term Loan for net proceeds of $41.0 million (Note 18).

c) Revolving Senior Secured Credit Facility

On June 17, 2016, Athabasca amended its $125.0 million Revolving Senior Secured Credit Facility (the "Credit Facility") which included a reduction of the amount of available credit to $44.5 million. The Credit Facility was held with a syndicate of financial institutions and was available on a revolving basis until April 30, 2017. During the first quarter of 2017, Athabasca replaced the Credit Facility with a new $120.0 million revolving senior secured credit facility (the "New Credit Facility"). Refer to Note 30 for further details on the Company's refinancing transactions.

During the year ended December 31, 2016, the Company paid standby fees at a rate of 1.25% on the undrawn portion of the Credit Facility (December 31, 2015 - 1.00%). Issuance costs on letters of credit issued under the Credit Facility ranged between 2.67% and 5.00%.

On June 17, 2016, all letters of credit issued and outstanding under the Credit Facility were transferred to a new Letter of Credit Facility (Note 15(d)) and no letters of credit remained outstanding. As at December 31, 2015, the Credit Facility had $7.3 million of letters of credit issued and outstanding.

d) Bilateral Cash-Collateralized Letter of Credit Facility

On June 17, 2016, Athabasca entered into a $110.0 million Letter of Credit Facility with a Canadian bank for issuing letters of credit to counterparties. The facility is available on a demand basis and letters of credit issued under the Letter of Credit Facility incur an issuance fee of 0.25%. Letters of credit issued under the Letter of Credit Facility are primarily used to satisfy certain financial assurance requirements under Athabasca's long-term transportation agreements.

Under the terms of the Letter of Credit Facility, Athabasca is required to contribute cash to a Cash-Collateral Account equivalent to 101% of the value of all letters of credit issued under the facility (Note 8). The Company currently earns interest on the Cash-Collateral Account at a rate of approximately 0.89%. As at December 31, 2016, Athabasca had $102.9 million in letters of credit issued and outstanding under the Letter of Credit Facility.

The terms of the Letter of Credit Facility were substantially unchanged following completion of the Company's refinancing activities in the first quarter of 2017 (Note 30).

16. PROVISIONS

As at	December 31, 2016	December 31, 2015
Decommissioning obligations (a)	$ 65,321	$ 75,537
Office lease provision (b)	5,428	12,338
Other long-term obligations (c)	5,448	4,113
TOTAL PROVISIONS	$ 76,197	$ 91,988
Presented as:		
Accounts payable and accrued liabilities	$ 7,010	$ 7,666
Provisions	$ 69,187	$ 84,322

a) Decommissioning obligations

The total future costs to reclaim the Company's oil and gas assets are estimated by management based on Athabasca's ownership interest in wells and facilities, estimated costs to abandon and reclaim 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:

As at	December 31, 2016	December 31, 2015
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	$ 75,537	$ 72,054
Liabilities incurred	1,730	1,324
Liabilities settled	(835)	(3,481)
Liabilities disposed	(6,316)	—
Change in discount rate	(4,794)	(4,943)
Changes in estimates	(6,637)	4,449
Accretion expense	6,636	6,134
DECOMMISSIONING OBLIGATIONS, END OF PERIOD	$ 65,321	$ 75,537
Presented as:		
Accounts payable and accrued liabilities	$ 4,376	$ 2,208
Provisions	$ 60,945	$ 73,329

The Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2% (December 31, 2015 - 2%) and a credit-adjusted discount rate of 10.00% per annum (December 31, 2015 - 9.00%). 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, uninflated amount of estimated cash flows required to settle the obligations as at December 31, 2016 is $141.8 million (December 31, 2015 - $172.7 million).

A 1.00% change in the credit-adjusted discount rate would impact the discounted value of the decommissioning obligation by approximately $4.5 million with a corresponding adjustment to E&E and PP&E.

b) Office lease provision

The office lease provision represents the present value of the minimum future lease payments that the Company is obligated to make under the Company's non-cancellable, under-utilized, operating lease contracts, less revenue expected to be earned through existing and potential future sub-lease agreements. As at December 31, 2015, Athabasca had recognized a liability related to the office lease provision of $12.3 million. As at December 31, 2016, the liability declined to $5.4 million primarily due to cash settlements and refined estimates of the timing and amount of expected cash inflows associated with the liability.

As at December 31, 2016, the total undiscounted, uninflated amount of estimated future cash flows to settle the obligations is $6.6 million (December 31, 2015 - $15.4 million). These cash flows have been discounted using Athabasca's credit-adjusted discount rate of 10.00% (December 31, 2015 - 9.00%). This estimate may vary as a result of changes in the estimated utilization of the leased premises or the terms of existing and potential sub-lease arrangements. Any subsequent changes in estimates will be recognized as a gain or loss on provisions.

As at December 31, 2016, $1.9 million of the office lease provision has been presented as current and included in accounts payable and accrued liabilities (December 31, 2015 - $5.5 million). A 1.00% change in the credit-adjusted discount rate would impact the discounted value of the office lease provision by approximately $0.1 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 for any default under the lease that is caused by the assignee. Under the terms of the lease reassignment, Athabasca received a deposit of $3.1 million which will be held as security over the lease term and is refundable once the lease expires. The remainder of the long-term obligations relates to the Company's cash-settled DSU plan (Note 21).

17. INCOME TAXES

As at December 31, 2016, Athabasca did not recognize deductible temporary differences of $1.3 billion primarily consisting of approximately $1.0 billion in non-capital losses and $0.3 billion in CCA and resource pools in excess of capital assets. As at December 31, 2015, Athabasca did not recognize deductible temporary differences of $0.3 billion primarily consisting of approximately $0.9 billion in non-capital losses, partially offset by $0.6 billion of capital assets in excess of CCA and resource pools.

The Company has approximately $2.2 billion in tax pools, including approximately $1.5 billion in non-capital losses and exploration tax pools available for immediate deduction against future income. The non-capital losses begin to expire after 2025.

The following table reconciles expected income tax expense calculated at the Canadian statutory rate of 27% (2015 - 26%) to actual income tax expense:

As at	December 31, 2016	December 31, 2015
LOSS BEFORE INCOME TAXES	$ (936,734)	$ (805,148)
EXPECTED INCOME TAX RECOVERY		
Income tax recovery at statutory rate (27%)	(252,918)	(209,338)
ADJUSTMENTS RELATED TO THE FOLLOWING:		
Non-taxable portion on foreign exchange losses, net	(5,698)	6,387
Non-taxable portion of derivative gains, net	5,379	(5,930)
Stock-based compensation	(378)	2,008
Impact from change in future statutory rate	—	5,588
Non-taxable portion of gains on sale of assets and other	1,394	(935)
Unrecognized deferred income tax asset	252,221	93,843
DEFERRED INCOME TAX RECOVERY	$ —	$ (108,377)

Athabasca's deferred income tax recovery of $108.4 million during the year ended December 31, 2015 as well as the unrecognized deferred income tax assets incurred during the year ended December 31, 2015 and 2016, in the amount of $93.8 million and $252.2 million, respectively, were primarily due to impairment losses.

18. FINANCIAL INSTRUMENTS

As at December 31, 2016, the Company's consolidated financial assets and liabilities are comprised of cash, cash equivalents, restricted cash, accounts receivable, the capital-carry receivable, accounts payable and long-term debt.

Credit Risk

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

As at	December 31, 2016	December 31, 2015
Cash and cash equivalents (Note 4)	$ 650,301	$ 559,487
Accounts receivable (Note 5)	52,475	27,816
Capital-carry receivable (current and long-term) (Note 10)	191,174	—
Derivative asset	—	62,584
Promissory Note (Note 7)	—	133,892
Restricted cash (Note 8)	107,012	3,044
MAXIMUM CREDIT RISK	$ 1,000,962	$ 786,823

Refer to the accompanying notes for additional information.

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient available reserves to meet its liquidity requirements at any point in time. The Company expects to achieve this objective through disciplined capital spending, an active commodity risk management program and by maintaining sufficient funds for anticipated short-term spending in cash, cash equivalent and short-term investment accounts.

It is anticipated that Athabasca's 2017 Light Oil and Thermal Oil capital and operating activities will be funded through cash flow from operations, the capital-carry receivable and existing cash and cash equivalents. Beyond 2017, the Company anticipates that its operating and capital activities, at current spending levels, will be funded primarily through operating cash flow and the capital-carry receivable. Any significant acceleration of Light Oil development activities or future expansion of the Company's Thermal Oil projects will potentially require additional funding which could include debt, equity, joint ventures or other external financing. The availability of any additional future funding will depend on, among other things, the current commodity price environment, operating performance, the Company's credit rating at the time and the current state of the equity and debt capital markets.

The Company's significant outstanding financial liabilities consist of the Notes which mature on November 19, 2017 and the long-term deposit, described in Note 16, which will be held until December 31, 2026. On February 24, 2017, the Company completed a debt refinancing transaction, including an offering of US$450 million of New Notes, the proceeds of which will be used to retire the Company's existing Notes. The New Notes mature in 2022. Refer to Note 30 for additional details around the Company's refinancing transactions. 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	December 31, 2016	December 31, 2015
Cash(1)	$ 650,301	$ 480,619
Restricted cash	107,012	3,044
Long-term debt(2)(3)	—	(306,759)
NET INTEREST RATE EXPOSURE	$ 757,313	$ 176,904

(1) As at December 31, 2016, $nil was invested in cash equivalents (December 31, 2015 - $78.9 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 Term Loan, repaid during the second quarter of 2016, had a face value of US $221.6 million as at December 31, 2015 and was 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 $550.0 million as at December 31, 2016 (December 31, 2015 - $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 its floating rate cash balance of $757.3 million (December 31, 2015 - $483.7 million), from a 1.00% change in interest rates, would be approximately $7.6 million for a 12 month period (year ended December 31, 2015 - $4.8 million).

Foreign exchange risk

Athabasca was previously exposed to foreign currency risk on its US dollar denominated Term Loan. 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 was accounted for as a derivative instrument and changes in the valuation were recognized in net income (loss) and the associated liability or asset was recognized on the balance sheet. During the second quarter of 2016, Athabasca unwound its derivative contract and received net cash proceeds of $41.0 million.

The following tables summarize the unrealized and realized derivative gains (losses) during the year ended December 31, 2016 and 2015:

Year ended		December 31, 2016		December 31, 2015
Unrealized derivative gain (loss)	$	—	$	49,946
Realized derivative gain (loss)		(21,628)		3,945
DERIVATIVE GAIN (LOSS), NET	$	(21,628)	$	53,891

As at		December 31, 2016		December 31, 2015
OPENING DERIVATIVE ASSET	$	62,584	$	12,638
Unrealized derivative gain		—		49,946
Realized derivative loss		(21,628)		—
Receipt of proceeds from derivative unwind		(40,956)		—
CLOSING DERIVATIVE ASSET	$	—	$	62,584
Presented as:				
Current portion of derivative asset	$	—	$	5,382
Long-term portion of derivative asset	$	—	$	57,202

During the first quarter of 2017, Athabasca became exposed to foreign currency risk on its US dollar denominated New Notes.

19. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to preserve the Company's ability to develop its core resource properties, ensure liquidity to manage periods of volatility and maintain flexibility to pursue strategic opportunities. As at December 31, 2016, the Company's capital consisted of shareholders' equity, long-term debt, the Credit Facility and Letter of Credit Facility.

Capital managed by the Company as at December 31, 2016 and December 31, 2015 was as follows:

As at		December 31, 2016		December 31, 2015
Senior Secured Second Lien Notes (Note 15)(1)	$	550,000	$	550,000
Senior Secured Term Loan (Note 15)(2)		—		306,759
Shareholders' Equity		1,557,097		2,482,140
TOTAL CAPITAL MANAGED	$	2,107,097	$	3,338,899

(1) As at December, 31, 2016, the Notes were presented as current on the consolidated balance sheet.
(2) The Term Loan was repaid on June 17, 2016.

On February 9, 2017, Athabasca announced a comprehensive refinancing plan to repay its current maturing debt and to issue new long-term debt in order to continue to meet the Company's capital management objectives. Refer to Note 30 for additional details regarding Athabasca's refinancing transactions.

20. 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 and none of the Company's share capital has a par value.

The following table summarizes changes to the Company's common share capital:

	December 31, 2016			December 31, 2015		
	Number of Shares		Amount	Number of Shares		Amount
Balance at beginning of period	404,299,592	$	2,005,770	402,119,473	$	1,984,134
Exercise of stock options and RSUs (Note 21)	2,190,509		14,389	2,180,119		21,636
BALANCE AT END OF PERIOD[1]	406,490,101	$	2,020,159	404,299,592	$	2,005,770

(1) Refer to Note 30 on the issuance of common shares in respect of the Leismer Corner Acquisition.

21. 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, performance share units and deferred share units. The following table summarizes the outstanding equity compensation units:

Year ended	December 31, 2016	December 31, 2015
Stock options (a)	9,369,885	9,942,905
Restricted share units (2010 RSU Plan) (b)	4,285,427	6,035,950
Restricted share units (2015 RSU Plan) (b)	4,950,063	2,329,550
Performance share units (c)	2,691,300	1,260,500
Deferred share units (d)	1,132,727	663,082
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	22,429,402	20,231,987

a) Stock Options

The Company has a stock option plan 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, 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.

	December 31, 2016			December 31, 2015		
	Number of options		Exercise price[1]	Number of options		Exercise price[1]
Outstanding stock options at beginning of period	9,942,905	$	7.52	13,339,894	$	9.89
Granted	3,102,100		1.34	2,792,800		2.02
Forfeited	(2,116,270)		8.22	(5,366,489)		10.07
Expired	(1,558,850)		12.31	(823,300)		10.67
OUTSTANDING STOCK OPTIONS AT END OF PERIOD	9,369,885	$	4.52	9,942,905	$	7.52
EXERCISABLE STOCK OPTIONS AT END OF PERIOD	3,069,603	$	7.59	3,814,252	$	11.29

(1) Weighted average

The estimated fair value per stock option granted during the year ended December 31, 2016 was $0.57 (year ended December 31, 2015 - $0.82). The weighted average exercise prices of the Company's outstanding stock options as at December 31, 2016 range from $1.07 - $13.30 as follows:

	Options outstanding				Options exercisable		
Range of exercise prices ($)	Number of options		Exercise price(1)	Years to Expiry(1)	Number of options		Exercise price(1)
1.07 - 1.35	770,000	$	1.09	6.29	—	$	—
1.36 - 1.46	2,292,800		1.43	6.25	—		—
1.47 - 2.47	2,320,600		2.01	5.31	773,543		2.01
2.48 - 7.34	2,022,640		6.65	3.27	675,865		6.36
7.35 - 13.30	1,963,845		10.25	1.05	1,620,195		10.76
	9,369,885	$	4.52	4.29	3,069,603	$	7.59

(1) Weighted average

b) Restricted Share Units

Under the Company's former RSU stock-based compensation plan (the "2010 RSU Plan"), the Company granted restricted share units ("2010 Plan RSUs") to employees, directors and consultants. All 2010 Plan RSUs issued by the Company permitted 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 2010 Plan RSUs, at the sole discretion of the Company. During the second quarter of 2015, the 2010 RSU Plan was replaced with a new RSU plan for employees (the "2015 RSU Plan", described below).

The 2010 RSU Plan was a rolling plan and limited the number of common shares that could be issued on exercise of 2010 Plan RSUs awarded under the plan to an aggregate of 10% of the common shares outstanding, less the number of common shares issuable under all other security-based compensation arrangements. Grants of 2010 Plan RSUs generally vested within one to four years and had an average expected life of four years.

Year ended	December 31, 2016	December 31, 2015
Outstanding RSUs at beginning of period	6,035,950	10,282,878
Granted	—	519,580
Forfeited	(288,162)	(2,582,389)
Expired	(11,500)	(4,000)
Exercised	(1,450,861)	(2,180,119)
OUTSTANDING RESTRICTED SHARE UNITS AT END OF PERIOD	4,285,427	6,035,950
EXERCISABLE RESTRICTED SHARE UNITS AT END OF PERIOD	2,399,176	3,238,714

There were no 2010 Plan RSUs granted in the year ended December 31, 2016. The estimated fair value per 2010 Plan RSUs granted during year ended December 31, 2015 was $2.21.

Restricted share units granted under the 2015 RSU Plan ("2015 Plan RSUs") vest evenly over three years and have no exercise price. The 2015 Plan RSUs automatically settle at each vesting 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.

Year ended	December 31, 2016	December 31, 2015
Outstanding RSUs at beginning of period	2,329,550	—
Granted	3,850,675	2,996,150
Forfeited	(490,514)	(666,600)
Exercised	(739,648)	—
OUTSTANDING RESTRICTED SHARE UNITS AT END OF PERIOD	4,950,063	2,329,550

The average estimated fair value per 2015 Plan RSUs granted during the year ended December 31, 2016 was $1.13 (year ended December 31, 2015 - $2.05).

c) Performance Share Units

Athabasca has a performance award plan ("the PSU Plan") which allows the Company to grant performance awards ("PSUs") to employees. PSUs 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 PSU Plan has been accounted for as an equity-settled share-based compensation plan, which has been adjusted for the probability of performance achievement.

Year ended	December 31, 2016	December 31, 2015
Outstanding PSUs at beginning of period	1,260,500	455,000
Granted	1,454,000	1,429,500
Forfeited	(23,200)	(624,000)
OUTSTANDING PERFORMANCE SHARE UNITS AT END OF PERIOD	2,691,300	1,260,500

The estimated fair value per PSU granted during the year ended December 31, 2016 was $1.40 (year ended December 31, 2015 - $2.24).

d) Deferred Share Units

The Company has a deferred share unit plan ("DSUs") for Athabasca's non-management directors. The DSUs vest immediately on the date of grant and will be settled in cash when the individual ceases to be a director of the Company. The DSUs are expensed immediately upon grant and the resulting liability is revalued at each reporting date based on the closing share price.

Year ended	December 31, 2016	December 31, 2015
Outstanding DSUs at beginning of period	663,082	—
Granted	537,212	663,082
Exercised	(67,567)	—
OUTSTANDING DEFERRED SHARE UNITS AT END OF PERIOD	1,132,727	663,082

As at December 31, 2016, Athabasca recognized a DSU provision of $2.3 million (December 31, 2015 - $1.0 million) of which $0.8 million was included in accounts payable and accrued liabilities (December 31, 2015 - $nil) (Note 16).

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 year ended December 31, 2016 were calculated using the following weighted average assumptions:

Year ended December 31, 2016	Options	2015 Plan RSUs	PSUs
Weighted average share price	$ 0.57	$ 1.13	$ 1.40
Risk-free interest rate (%)	0.6	0.5	0.5
Estimated forfeiture rate (%)	7.0	7.5	7.5
Expected life (years)	4.3	2.8	3.1
Dividend rate (%)	—	—	—
Volatility (%)	53.6	57.7	55.7

22. PER SHARE COMPUTATIONS

Year ended	December 31, 2016	December 31, 2015
Weighted average shares outstanding - basic	405,621,706	403,214,050
Dilutive effect of stock options and RSUs	—	—
WEIGHTED AVERAGE SHARES OUTSTANDING - diluted	405,621,706	403,214,050

Dilutive securities will have a dilutive effect on the weighted average shares outstanding 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 year ended December 31, 2016, 21,296,675 in anti-dilutive securities were excluded from the calculation of diluted loss per share (December 31, 2015 - 19,568,905).

23. INTEREST INCOME AND OTHER

Year ended	December 31, 2016	December 31, 2015
Interest on cash, cash equivalents and short-term investments	$ 6,282	$ 7,243
Interest on Promissory notes (Note 7)	1,555	4,864
Accretion of capital-carry receivable (Note 10)	7,967	—
Other	14	409
TOTAL INTEREST INCOME AND OTHER	$ 15,818	$ 12,516

24. GENERAL AND ADMINISTRATIVE EXPENSES

Year ended	December 31, 2016	December 31, 2015
Salaries and benefits	$ 21,495	$ 31,867
Office costs	7,331	12,908
Legal, accounting and consulting	4,407	4,205
Stakeholder relations and other	768	1,174
Capitalized staff costs	(7,780)	(17,625)
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	$ 26,221	$ 32,529

25. RESTRUCTURING AND OTHER CHARGES

There were no restructuring and other charges for year ended December 31, 2016. For the year ended December 31, 2015, Athabasca incurred restructuring and other charges of $22.9 million including staff restructuring charges of $11.3 million relating to the Company's 2015 cost reduction activities, $7.0 million relating to lease commitments on vacated office space primarily as a result of staff reductions, and net cancellation charges of $4.6 million relating to Thermal Oil rig commitments associated with the 2014/15 drilling season.

26. FINANCING AND INTEREST

Year ended	December 31, 2016	December 31, 2015
Financing and interest expense on indebtedness (Note 15)	$ 56,223	$ 65,652
Accretion of provisions (Note 16)	7,543	6,667
Amortization of debt issuance costs	13,129	7,404
Capitalized financing and interest(1)	—	(39,686)
TOTAL FINANCING AND INTEREST	$ 76,895	$ 40,037

(1) In August of 2015, Athabasca discontinued the capitalization of interest and financing costs associated with the Hangingstone Project when the project became ready for use in the manner intended by management.

27. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future minimum commitments as at December 31, 2016 for the following five years and thereafter:

	2017	2018	2019	2020	2021	Thereafter	Total
Transportation	$ 51,093	$ 53,322	$ 55,299	$ 54,431	$ 50,835	$ 797,828	$ 1,062,808
Repayment of long-term debt (Note 15)	550,000	—	—	—	—	—	550,000
Interest expense on long-term debt (Note 15)	36,094	—	—	—	—	—	36,094
Office leases	2,452	2,452	2,452	2,452	2,452	9,356	21,616
Purchase commitments and drilling rigs	14,274	2,976	—	—	—	—	17,250
TOTAL COMMITMENTS	$ 653,913	$ 58,750	$ 57,751	$ 56,883	$ 53,287	$ 807,184	$ 1,687,768

Athabasca filed an insurance claim for $8.7 million with respect to business interruption losses and other incremental costs sustained as a result of the evacuation at Hangingstone due to regional wildfires in the Fort McMurray area during the second quarter of 2016. The likelihood of the recovery of the claim is considered probable. No amounts have been recognized in the consolidated financial statements.

Excluded from the table above is a commitment for $120.0 million of office leases which were assigned to an investment-grade third party in December 2013 (Note 16).

Athabasca is responsible for the retirement of its resource assets at the end of their useful lives (Note 16).

The Company is currently undergoing income tax related audits in the normal course of business. The final outcome of such audits cannot be predicted with certainty and management believes that it has appropriately reflected the Company's anticipated current and deferred income taxes in the consolidated financial statements.

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

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.

During the first quarter of 2017, Athabasca entered into a long-term transportation service agreement with Trans Mountain Pipeline L.P. to deliver up to 20,000 bbl/d of the Company's blended bitumen on the Trans Mountain Pipeline Expansion (Note 30). Certain Thermal Oil transportation commitments were also reassigned to Athabasca as part of the Leismer Corner Acquisition (Note 30). These commitments have not been reflected in the table above.

28. RELATED PARTY TRANSACTIONS

Athabasca has determined that the Company's key management personnel consist of the Company's directors and officers. The compensation and other benefits paid to key management personnel are as follows:

Year ended	December 31, 2016	December 31, 2015
Salaries, fees and short-term employee benefits	$ 3,273	$ 7,098
Termination benefits	1,068	3,508
Stock-based compensation	5,328	8,477
TOTAL EXECUTIVE COMPENSATION	$ 9,669	$ 19,083

29. 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 December 31, 2016 and 2015:

Year ended	December 31, 2016	December 31, 2015
Change in accounts receivable	$ (24,659)	$ 13,880
Change in prepaid expenses and other	(6,441)	(582)
Change in inventory	(5,961)	(8,910)
Change in accounts payable and accrued liabilities	30,687	(113,793)
	(6,374)	(109,405)
Other items impacting changes in non-cash working capital:		
Change in current portion of accrued interest income on Promissory Note (Note 7)	—	(755)
Change in current portion of provisions	655	3,993
	$ (5,719)	$ (106,167)
RELATED TO:		
Operating activities	$ (4,577)	$ 3,031
Financing activities	669	—
Investing activities	(1,811)	(109,198)
NET CHANGE IN NON-CASH WORKING CAPITAL	$ (5,719)	$ (106,167)

30. SUBSEQUENT EVENTS

Acquisition of Thermal Oil assets

Leismer Corner Acquisition

On December 14, 2016, Athabasca entered into agreements with Statoil Canada Ltd. and its wholly-owned affiliate KKD Oil Sands Partnership, both subsidiaries of Statoil ASA (collectively "Statoil"), to acquire its Canadian oil sands assets including the operating Leismer Thermal Oil Project, the delineated Corner exploration area and related strategic infrastructure (the "Leismer Corner Acquisition"). The Leismer Corner Acquisition had an effective date of January 1, 2017 and was completed on January 31, 2017.

At the date of closing, Athabasca paid $431.3 million in cash, consisting of the initial purchase price of $435.0 million, net of $3.7 million in purchase price adjustments, and issued 100 million common shares which were valued at Athabasca's closing share price of $1.66/share as at January 31, 2017. Athabasca also agreed to a series of contingent value payments triggered at oil prices above US$65/bbl WTI over a four year term ending in 2020. The annual payment is calculated on one-third of the Leismer bitumen production and an oil price factor that is based on an inflation adjusted WTI price in excess of US$65/bbl. The payment is capped at $75.0 million annually and $250.0 million over the term. Athabasca's preliminary estimate of the total consideration is approximately $622 million.

At the date of closing, Athabasca anticipates that the majority of the purchase price will be allocated to the acquired Leismer PP&E assets with the remaining balance allocated to inventory.

As at December 31, 2016, Athabasca had paid a deposit of $28.5 million in respect of the Leismer Corner Acquisition which was applied against the purchase price at the date of closing.

Sale of Contingent Bitumen Royalty

On February 24, 2017, Athabasca granted an additional Royalty to Burgess on its newly acquired Leismer and Corner assets for additional cash proceeds of $90.0 million, bringing the total gross proceeds received by the Company from the sale of the Royalty to $397.0 million.

Transportation Commitments

On March 6, 2017, Athabasca acquired firm service on the Trans Mountain Pipeline Expansion (the "TMX Pipeline") by entering into a long-term transportation service agreement with Trans Mountain Pipeline L.P. to deliver up to 20,000 bbl/d of the Company's blended bitumen from Edmonton, Alberta to Burnaby, B.C., starting in late 2019. Athabasca's minimum discounted take or pay commitment on the TMX Pipeline is approximately $345 million(1) ($1.1 billion undiscounted) over the term of the agreement. The Company will be required to provide financial assurances, in the form of a letter of credit, of approximately $40 million beginning in March 2017.

During the first quarter of 2017, in conjunction with the Leismer Corner Acquisition, Statoil reassigned to Athabasca its existing commitment for the transportation of blended bitumen on the Waupisoo pipeline. The remaining commitment is for $68.5 million which expires at various times through 2021. A second transportation commitment was reassigned by Statoil to Athabasca for the transportation of diluent to the Leismer Project's central processing facility. The remaining commitment is for $37.8 million and expires in the fourth quarter of 2018.

Debt Refinancing Transactions

On February 24, 2017, Athabasca completed a balance sheet refinancing transaction to extend the Company's upcoming 2017 debt maturities, provide multi-year funding certainty, and support a strong liquidity outlook that will allow the Company to advance its strategic objectives and maintain business flexibility.

Debt issuance and repayment

Athabasca issued New Notes in an aggregate principal amount of US$450 million (C$589.0 million). The New Notes bear interest at a rate of 9.875% per annum, payable semi-annually, and have a term of five years maturing on February 24, 2022. Proceeds from the New Notes will be used to refinance the Company's existing Notes and pay related fees and expenses.

The New Notes are not subject to any maintenance or financial covenants and are secured by a second priority lien on substantially all of the assets of Athabasca. Subject to certain exceptions and qualifications, the New 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 New Notes also contain certain minimum hedging requirements for 2017 and maximum hedging requirements over the term of the New Notes.

At any time prior to February 24, 2019, Athabasca has the option to redeem the New Notes at the make whole redemption price set forth in the New Notes indenture. On or after February 24, 2019, Athabasca may redeem the New Notes at the following specified redemption prices:

- February 24, 2019 to February 23, 2020 - 104.9% of principal
- February 24, 2020 to February 23, 2021 - 102.5% of principal
- February 24, 2021 to Maturity - 100% of principal

On February 9, 2017, Athabasca commenced a cash tender offer for any and all of the outstanding Notes and $439.5 million of Notes were settled on the February 24, 2017 early tender deadline. Any additional Notes tendered under the tender offer will be settled on, or about, March 10, 2017. Any Notes that remain outstanding following completion of the tender offer will be redeemed by the Company on, or about, March 27, 2017.

New Credit Facility

Athabasca also replaced its existing C$44.5 million Credit Facility with the New Credit Facility, a $120.0 million senior extendible revolving term credit facility. The New Facility is a 364 day committed facility available on a revolving basis until February 24, 2018, at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding would be required to be repaid at the end of the non-revolving term, being February 24, 2019. The New Credit Facility is subject to a semi-annual borrowing base review of the Company's Light Oil and Thermal Oil properties with the first semi-annual review occurring in the second quarter of 2017. The borrowing base of the facilities will be based on the lender's evaluation of the Company's petroleum and natural gas reserves at the time and their commodity price outlook. The review of the borrowing base could result in a reduction to the credit facility, which may require repayment to the lenders.

The New Credit Facility is secured by a first priority security interest on all present and after acquired property of the Company and is senior in priority to the New Notes. The New Credit Facility contains 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 New Credit Facility also contains certain minimum hedging requirements in 2017 and maximum hedging requirements over the term of the New Credit Facility.

(1) Figure is based on Athabasca's credit-adjusted discount rate of 10%.

Amounts borrowed under the New 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 4.50% depending on the type of borrowing and the Company's debt to EBITDA ratio. The Company incurs a standby fee on the undrawn portion of the New Credit Facility of between 0.50% and 1.125% based on the Company's debt to EBITDA ratio.

Risk management program

During the first quarter of 2017, Athabasca commenced a risk management program designed to protect a base level of cash flow and support its capital plans. Athabasca has entered into 12,000 bbl/d of WCS fixed forward price swaps effective from February 2017 through December 2017. The forward price swaps have an effective fixed price of approximately C$52.70/bbl.

CORPORATE INFORMATION

MANAGEMENT

Rob Broen
President & Chief Executive Officer

Kim Anderson
Chief Financial Officer

Anne Schenkenberger
Vice President, General Counsel & Corporate Secretary

Kevin Smith
Vice President, Light Oil

Rod Sousa
Vice President, Corporate Development

Dave Stewart
Vice President, Operations

Matthew Taylor
Vice President, Capital Markets & Communications

Don Verdonck
Vice President, Thermal Oil

DIRECTORS

Ronald Eckhardt(2)
Chair

Bryan Begley(2)(3)

Rob Broen(2)

Carlos Fierro(1)(3)

Marshall McRae(1)

Bob Rooney(1)(3)

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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

TD Canada Trust

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 & Environment Committee
(3) Compensation and Governance Committee