Consolidated Financial Statements

December 31, 2017

ATHABASCA OIL CORPORATION

FOCUSED | EXECUTING | DELIVERING

MANAGEMENT'S REPORT

Management's responsibility for the consolidated financial statements

The accompanying consolidated financial statements of Athabasca Oil Corporation (the "Company") are the responsibility of Management. The consolidated financial statements have been presented and prepared within acceptable limits of materiality by Management in Canadian dollars in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect Management's best judgments.

The Company maintains systems of internal accounting and administrative controls. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are properly accounted for and adequately safeguarded. Management's evaluation concluded that the Company's internal controls over financial reporting were effective as of December 31, 2017.

The Company's Board of Directors approves the consolidated financial statements. Their consolidated financial statement related responsibilities are fulfilled primarily through the Audit Committee, which is made up of three independent directors. The Audit Committee has a written mandate that complies with the current requirements of Canadian securities legislation. The Audit Committee meets regularly with Management and the external auditors to discuss reporting and control issues and ensures each party is properly discharging its responsibilities.

Ernst & Young LLP, an independent firm of auditors, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to audit and provide their independent audit opinion on the Company's consolidated financial statements as at and for the year ended December 31, 2017. Their report, contained herein, outlines the nature of their audit and expresses their opinion on the consolidated financial statements.

(Signed)	*(Signed)*
Robert Broen President and Chief Executive Officer	Kim Anderson Chief Financial Officer

March 7, 2018

INDEPENDENT AUDITOR'S 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, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 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, 2017 and 2016, 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 7, 2018

CONSOLIDATED BALANCE SHEETS

As at ($ Thousands)	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	$ 163,321	$ 650,301
Accounts receivable (Note 5)	111,575	52,475
Current portion of capital-carry receivable (Note 11)	77,012	43,457
Prepaid expenses and deposits	26,301	17,605
Inventory (Note 6)	36,717	14,871
Risk management contracts (Note 12)	4,054	—
	418,980	778,709
Restricted cash (Note 8)	113,406	107,012
Long-term portion of capital-carry receivable (Note 11)	79,024	147,717
Other long-term deposits (Note 9)	—	28,500
Property, plant and equipment (Note 13)	1,419,883	756,515
Exploration and evaluation assets (Note 14)	292,279	439,434
	$ 2,323,572	$ 2,257,887
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 123,606	$ 85,394
Risk management contracts (Note 12)	7,602	—
Current portion of long-term debt (Note 17)	—	546,209
	131,208	631,603
Long-term debt (Note 17)	526,206	—
Provisions (Note 18)	141,548	69,187
	798,962	700,790
SHAREHOLDERS' EQUITY		
Common shares (Note 22)	2,201,690	2,020,159
Contributed surplus	139,981	144,592
Retained deficit	(817,061)	(607,654)
	1,524,610	1,557,097
	$ 2,323,572	$ 2,257,887

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, 2017	December 31, 2016
REVENUE		
Petroleum and natural gas sales	$ 770,172	$ 176,110
Interest income and other (Note 25)	15,224	15,818
Royalties	(11,625)	(2,357)
	773,771	189,571
Unrealized loss on commodity risk management contracts (Note 12)	(3,548)	—
Realized loss on commodity risk management contracts (Note 12)	(388)	—
	769,835	189,571
EXPENSES		
Cost of diluent	343,742	66,706
Operating expenses	175,661	94,490
Transportation and marketing	58,408	34,569
General and administrative	29,168	26,221
Stock-based compensation (Note 23)	7,046	10,131
Financing and interest (Note 26)	82,807	76,895
Depletion and depreciation (Note 13)	115,435	61,070
Impairment loss (Note 15)	189,535	751,585
Exploration expense	320	287
Total expenses	1,002,122	1,121,954
Revenue less Expenses	(232,287)	(932,383)
OTHER INCOME (EXPENSES)		
Foreign exchange gain, net (Note 20)	24,124	19,875
Loss on foreign exchange risk management contracts, net (Note 12)	—	(21,628)
Gain on revaluation of provisions and other (Note 9, 11, 18)	1,684	1,873
Insurance proceeds	7,976	—
Acquisition expenses (Note 9)	(11,047)	—
Gain (loss) on sale of assets (Note 10)	143	(4,471)
Net loss and comprehensive loss	$ (209,407)	$ (936,734)
BASIC LOSS PER SHARE (Note 24)	$ (0.42)	$ (2.31)
DILUTED LOSS PER SHARE (Note 24)	$ (0.42)	$ (2.31)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended ($ Thousands)	December 31, 2017	December 31, 2016
OPERATING ACTIVITIES		
Net loss and comprehensive loss	$ (209,407)	$ (936,734)
Items not affecting cash		
Stock-based compensation (Note 23)	7,046	10,131
Net non-cash financing and interest	10,399	9,920
Depletion and depreciation (Note 13)	115,435	61,070
Impairment loss (Note 15)	189,535	751,585
Non-cash foreign exchange gain (Note 20)	(23,653)	(20,595)
Non-cash loss on risk management contracts (Note 12)	3,548	21,628
Non-cash gain on revaluation of provisions and other (Note 9, 11, 18)	(1,684)	(2,978)
(Gain) loss on sale of assets (Note 10)	(143)	4,471
Settlement of provisions (Note 18)	(8,647)	(5,845)
Receipt of proceeds from derivative unwind	—	40,956
Changes in non-cash working capital (Note 29)	(20,732)	(4,577)
	61,697	(70,968)
FINANCING ACTIVITIES		
Issuance of 2022 Notes (Note 17)	541,924	—
Repayment of 2017 Notes and other (Note 17)	(550,000)	(285,441)
Proceeds from exercised equity incentives (Note 23)	175	145
Changes in non-cash working capital (Note 29)	(318)	669
	(8,219)	(284,627)
INVESTING ACTIVITIES		
Proceeds from sale of assets (Note 10)	90,211	568,844
Promissory Note proceeds (Note 7)	—	133,892
Cash portion of Leismer Corner Acquisition (Note 9)	(407,406)	—
Additions to property, plant and equipment (Note 13)	(258,011)	(123,427)
Additions to exploration and evaluation assets (Note 14)	(4,037)	(4,652)
Recovery of capital-carry proceeds (Note 11)	49,447	5,812
SR&ED tax credits received	49	171
Increase in restricted cash (Note 8)	(6,326)	(103,920)
Increase in other long-term deposits (Note 9)	—	(28,500)
Changes in non-cash working capital (Note 29)	(4,385)	(1,811)
	(540,458)	446,409
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(486,980)	90,814
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	650,301	559,487
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 163,321	$ 650,301

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended ($ Thousands)	December 31, 2017	December 31, 2016
COMMON SHARES (Note 22)		
Balance, beginning of period	$ 2,020,159	$ 2,005,770
Issuance of common shares on Leismer Corner Acquisition (Note 9)	166,000	—
Exercise of stock options, RSUs and PSUs (Note 23)	15,531	14,389
Balance, end of period	2,201,690	2,020,159
CONTRIBUTED SURPLUS		
Balance, beginning of period	144,592	147,290
Stock-based compensation (Note 23)	10,745	11,545
Exercise of stock options, RSUs and PSUs (Note 23)	(15,356)	(14,243)
Balance, end of period	139,981	144,592
RETAINED EARNINGS (DEFICIT)		
Balance, beginning of period	(607,654)	329,080
Net loss	(209,407)	(936,734)
Balance, end of period	(817,061)	(607,654)
TOTAL SHAREHOLDERS’ EQUITY	$ 1,524,610	$ 1,557,097

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended December 31, 2017.

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

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 7, 2018.

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”) and have been prepared on a historical cost basis, except for financial instruments which are measured at their estimated fair value and prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2016. There were no changes to the Company’s operating segments during the period.

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 (loss).

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, relevant market transactions and land acreage values. The estimates of reserves and resources include estimates of the recoverable volumes of oil, gas, NGLs 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.

For purposes of impairment testing, PP&E and E&E are aggregated into cash-generating units ("CGUs"), based on separately identifiable and largely independent cash inflows. The determination of the Company's CGUs is subject to judgment. Factors considered in the classification of CGUs include the integration between assets, shared infrastructures, the existence of common sales points, geography, geologic structure and the manner in which management monitors and makes decisions regarding operations. CGUs are not larger than an operating segment.

The capital-carry receivable includes estimates for the anticipated timing of capital expenditures and the credit-adjusted discount rate (Note 11). 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 contingent payment obligation is based upon numerous assumptions including anticipated timing and extent of future cash outflows associated with the obligation using forecasted WTI prices, inflation factors, foreign exchange rates, Leismer bitumen sales and credit-adjusted discount rates. Actual 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, 2017 and as at December 31, 2016, Athabasca did not recognize deductible temporary differences in respect of income tax assets (Note 19).

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of PP&E and E&E assets acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties. Changes in any of the assumptions or estimates used in determining the fair value of the acquired assets and liabilities could impact the amounts assigned to the assets and liabilities in the acquisition equation. Future net income (loss) can be affected as a result of changes in future depletion, depreciation or asset impairment.

The Company utilizes commodity risk management contracts to manage its commodity price risk on its petroleum and natural gas sales. The calculated fair value of the risk management contracts relies on external observable market data including quoted forward commodity prices. The resulting fair value estimates may not be indicative of the amounts actually realized at settlement 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 (loss).

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, near the town of Fox Creek, Alberta.
- 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. There were no changes to the Company's operating segments during the year. The Leismer Corner Acquisition assets (Note 9) have been reported within the Thermal Oil segment. Segmented information is presented in Note 16.

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 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
Risk management contracts	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
Contingent payment obligation	Other financial liabilities
Long-term debt	Other financial liabilities

Subsequent measurement of financial instruments is based on their classification. Unrealized gains and losses on financial instruments are recognized in net income (loss).

The Company also 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.

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 commodity prices, and previously to its US dollar denominated debt. All derivatives are classified at fair value through net income (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 statement of income (loss) in the period in which they arise. As at December 31, 2017, Athabasca only held commodity 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. Restricted cash primarily consists of cash held in a restricted account 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 accumulated depletion and depreciation and 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 producing 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.

Thermal Oil assets that are ready for use in the manner intended by management are depleted or depreciated based on three separate components. 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, which ranges from two to forty years. The producing oil sands assets, including estimated future development costs, are depleted using the unit-of-production method based on estimated proved reserves or proved developed producing reserves.

Depreciation of corporate assets is calculated using the straight-line method over the estimated useful life of the asset, ranging from two to five years. Refer to Note 13 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 (loss) 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 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"). 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 a 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 FVLCTS to calculate the recoverable amount of its CGUs. The recoverable amounts of the CGUs are estimated based on after-tax discounted cash flows from the Company's Proved plus Probable Reserves and/or Contingent Resources (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, development timing, land values, quantity of reserves and resources, discount rates, recovery rates, timing of anticipated ramp-up of production, and future development, regulatory and operating costs. Changes in assumptions used in determining the recoverable amount could have a prospective material effect on the carrying value of the related E&E and PP&E CGUs.

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.

Business Combinations

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

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 abandonments and reclamations relating to wells and facilities. Provisions are made for the estimated cost of abandoning and reclaiming the wells and facilities and are 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 outflows 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 outflows 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.

A contingent payment obligation was incurred in 2017 relating to the Leismer Corner Acquisition (Note 9). The contingent payment obligation is 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. Any change in the obligation is recognized as a revaluation gain or loss in net income (loss). Actual costs incurred upon settlement of the obligation 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. Royalty expenses are recognized as production occurs. Interest income on cash and cash equivalents and restricted cash 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 (loss) as incurred.

Income Taxes

Income tax is comprised of current and deferred tax. Income tax expense is recognized in the statement of income (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.

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 (loss) 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 (loss) over the lease term. As at December 31, 2017, 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. A contingent liability is disclosed when the possibility is considered more than remote but not yet probable, where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are disclosed if a future economic benefit is probable but are only recorded when recovery of the contingent asset is considered virtually certain.

Foreign Currency Translation

Transactions in foreign currencies are translated into the functional currency using the exchange rate on the transaction date. The consolidated financial statements are presented in Canadian dollars which is the Company's functional currency. 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 income (loss).

Future Accounting Pronouncements

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

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 Company has completed its review of its various revenue streams and related contracts and has concluded IFRS 15 will not have a material impact on its consolidated financial statements outside of additional disclosure. Athabasca intends to retroactively adopt IFRS 15 on January 1, 2018.

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 & measurement, impairment and hedge accounting. IFRS 9 introduces a single approach to determining whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income. The Company has concluded IFRS 9 will not have a material impact on its consolidated financial statements and intends to adopt the new standard on January 1, 2018.

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. 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, with earlier adoption permitted. The Company is currently evaluating the impact of adopting IFRS 16 on its consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

As at December 31, 2017 and December 31, 2016, Athabasca's cash, cash equivalents and restricted cash (Note 8) were held with five counterparties, all of which were large reputable financial institutions. The Company believes that credit risk associated with these investments is low. The Company's cash, cash equivalents and restricted cash have been assessed on the fair value hierarchy and have been classified as Level 1.

5. ACCOUNTS RECEIVABLE

As at	December 31, 2017	December 31, 2016
Petroleum and natural gas receivables	$ 78,420	$ 21,082
Joint interest billings	29,922	25,468
Government receivables and other	3,233	5,925
TOTAL	$ 111,575	$ 52,475

Management believes collection risk of the outstanding accounts receivable as at December 31, 2017 is low given the high credit quality of the Company's material counterparties. No material amounts were past due as at December 31, 2017.

6. INVENTORY

As at	December 31, 2017	December 31, 2016
Product inventory	$ 28,301	$ 10,498
Warehouse inventory	8,416	4,373
TOTAL	$ 36,717	$ 14,871

7. PROMISSORY NOTE

On August 29, 2014, Athabasca closed the sale of its wholly owned subsidiary, AOC (Dover) Energy Inc. to Phoenix Energy Holdings Limited ("Phoenix"). 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. In August 2016, Athabasca received $133.9 million from Phoenix representing the final Promissory Note installment.

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 17). As at December 31, 2017, $110.2 million was held in the Cash-Collateral Account (December 31, 2016 - $103.9 million).

Athabasca also holds a deposit of $3.2 million (December 31, 2016 - $3.1 million) received from a counterparty in respect of an office lease reassignment in 2013 (Note 18). The deposit is refundable to the counterparty at the end of the reassigned lease term in 2026.

9. ACQUISITION OF ASSETS

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. The acquired assets include the operating Leismer Thermal Oil Project (the "Leismer 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.

Consideration for the acquisition included cash of $435.9 million, including $0.9 million in purchase price adjustments, and the issuance of 100 million common shares which were valued at Athabasca's January 31, 2017 closing share price of $1.66/share. 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.

Athabasca also agreed to a contingent payment obligation for a four-year term ending in 2020 which is only triggered at oil prices above US$65/bbl WTI. The payments are determined annually and calculated on one-third of the Leismer Project bitumen production multiplied by an oil price factor (Yearly average US$WTI/bbl less US$65/bbl, adjusted for inflation). The payments are capped at $75.0 million annually and $250.0 million over the term.

At the date of closing, Athabasca estimated that the fair value of the contingent payment obligation was $24.7 million. The estimate was based on the anticipated timing and extent of future cash outflows associated with the obligation using a forecast WTI price, adjusted for varying probabilities and discounted using Athabasca's credit-adjusted discount rate of 10.0%. The obligation has been classified as a Level 3 financial instrument as there are no observable market inputs. Athabasca's estimate of the contingent payment obligation is subject to measurement uncertainty and the difference in the actual cash outflows associated with the obligation could be material.

The contingent payment obligation is remeasured at each reporting period with any gains or losses recognized in net income (loss). During the year ended December 31, 2017, Athabasca incurred a loss of $1.5 million due to an increase in forecasted WTI prices from the date of the Leismer Corner Acquisition to December 31, 2017. No amounts were payable by Athabasca in respect of the contingent payment obligation during the year ended December 31, 2017.

Athabasca recognized the Leismer Corner Acquisition as a business combination under IFRS and applied the acquisition method of accounting under which the net identifiable assets were measured and recorded at fair value on the acquisition closing date. Athabasca did not recognize any goodwill on the transaction. Transaction costs of $11.0 million related to the business combination were expensed as incurred.

The following table summarizes the consideration paid and the purchase price allocation associated with the transaction:

Purchase price allocation		
Consideration		
Cash	$	435,000
Common shares (100 million shares)		166,000
Contingent payment obligation		24,738
Purchase price adjustments		907
Total consideration	$	626,645
Inventory		28,398
Property, plant and equipment		638,286
Decommissioning liabilities		(40,039)
Net assets acquired	$	626,645

10. 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 $307.0 million. Under the terms of the Royalty, Athabasca will pay Burgess a linear-scale royalty of 0% - 12%, relative to a WCS benchmark price, applied to Athabasca's realized bitumen price (C$), which is determined net of diluent, transportation and storage costs.

On February 24, 2017, Athabasca granted an additional Royalty under the same terms 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.

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

Hangingstone, Leismer and Corner WCS benchmark price (US$/bbl)	Royalty rate
Below $60/bbl	--
$60/bbl to $139.99/bbl(1)	2% - 12%
$140/bbl and above	12%

Dover West, Birch and Grosmont WCS benchmark price (US$/bbl)	Royalty rate
Below $70/bbl	--
$70/bbl to $149.99/bbl(1)	2% - 12%
$150/bbl and above	12%

(1) The WCS benchmark price is used to determine the linear sliding-scale royalty rate.

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.

No amounts were payable by Athabasca in respect of the Royalty during the year ended December 31, 2017 or 2016.

Light Oil Joint Venture

On May 13, 2016, Athabasca entered into 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 for gross proceeds of $486.5 million. Athabasca received $267.5 million in cash, including purchase price adjustments from the January 1, 2016 effective date and also recognized additional consideration of $219.0 million (undiscounted) in the form of a capital-carry in the Greater Kaybob area, whereby Murphy would fund 75% of Athabasca's share of development capital up to a maximum five year period (Note 11).

11. CAPITAL-CARRY RECEIVABLE

The capital-carry receivable recognized on the Murphy Transaction 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:

As at		December 31, 2017		December 31, 2016
CAPITAL-CARRY RECEIVABLE, BEGINNING OF PERIOD	$	191,174	$	—
Initial recognition on completion of the Murphy Transaction		—		188,648
Recovery of capital-carry through capital expenditures		(49,447)		(5,812)
Revisions in expected timing of future capital expenditures		410		371
Change in discount rate		2,227		—
Time value of money accretion		11,672		7,967
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - DISCOUNTED	$	156,036	$	191,174
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - UNDISCOUNTED	$	164,023	$	213,469

The Company has calculated the net present value of its capital-carry receivable using a credit-adjusted discount rate of 5.0% per annum (December 31, 2016 - 6.5% 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. The capital-carry receivable (current and long-term portion) has been classified as Level 3 on the fair value hierarchy.

12. RISK MANAGEMENT CONTRACTS

During the year ended December 31, 2017, Athabasca entered into certain derivative financial instruments in order to manage its exposure to fluctuations in commodity prices. As at December 31, 2017, the following risk management contracts were in place:

Instrument	Period	Volume		C$ Average Price/bbl
WTI/WCS differential fixed price swaps	January - March 2018	8,000 bbl/d	$	(17.82)
WCS fixed price swaps	January - March 2018	10,000 bbl/d	$	48.60
WTI fixed price swaps	January - March 2018	11,000 bbl/d	$	66.15
WTI/WCS differential fixed price swaps	April - June 2018	9,000 bbl/d	$	(18.88)
WCS fixed price swaps	April - June 2018	4,000 bbl/d	$	49.53
WTI fixed price swaps	April - June 2018	12,000 bbl/d	$	67.14
WTI/WCS differential fixed price swaps	July - September 2018	3,000 bbl/d	$	(19.27)
WCS fixed price swaps	July - September 2018	3,000 bbl/d	$	48.87
WTI fixed price swaps	July - September 2018	3,000 bbl/d	$	67.27
WTI/WCS differential fixed price swaps	January - December 2018	3,000 bbl/d	$	(17.72)

Additional commodity risk management activity related to 2018 has taken place subsequent to December 31, 2017, as noted in the table below:

Instrument	Period	Volume		C$ Average Price/bbl
WTI fixed price swaps	April - June 2018	3,000 bbl/d	$	76.25
WTI costless collars	July - September 2018	7,000 bbl/d	$	68.48 - 81.71
WTI costless collars	July - December 2018	1,000 bbl/d	$	69.50 - 81.50

The following table summarizes the net loss on risk management contracts for the year ended December 31, 2017 and 2016:

Year ended		December 31, 2017		December 31, 2016
COMMODITY CONTRACTS				
Unrealized loss on commodity risk management contracts	$	(3,548)	$	—
Realized loss on commodity risk management contracts		(388)		—
FOREIGN EXCHANGE CONTRACTS				
Realized loss on foreign exchange risk management contracts		—		(21,628)
LOSS ON RISK MANAGEMENT CONTRACTS (NET)	$	(3,936)	$	(21,628)

For the year ended December 31, 2017, Athabasca incurred a net loss on commodity risk management contracts of $3.9 million. The net derivative loss of $21.6 million incurred during the year ended December 31, 2016 was in respect of a foreign exchange par forward contract related to the Company's previous US$225.0 million term loan that was unwound during the second quarter of 2016.

As at December 31, 2017, Athabasca's risk management contracts were held with five counterparties, all of which were large reputable financial institutions. The Company believes that credit risk associated with risk management contracts is low. Risk management contracts have been classified as Level 2 on the fair value hierarchy.

Risk management contracts assets and liabilities are offset and the net amount presented on the balance sheet when the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. The following table summarizes the gross asset and liability positions of the Company's individual risk management contracts that are offset on the balance sheet as at December 31, 2017 (there were no risk management contracts in place as at December 31, 2016):

	As at December 31, 2017					
		Asset		Liability		Net
RISK MANAGEMENT CONTRACTS (GROSS)	$	18,711	$	(22,259)	$	(3,548)
Individual counterparty offsets		(14,657)		14,657		—
RISK MANAGEMENT CONTRACTS (NET)	$	4,054	$	(7,602)	$	(3,548)

As at December 31, 2017, Athabasca had a net commodity risk management liability of $3.5 million in respect of the risk management contracts (December 31, 2016 - nil). A 5.0% change in the pricing for the commodity risk management contracts would result in a change to the net derivative position of approximately $8.8 million.

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

BALANCE, DECEMBER 31, 2015	$	1,856,136
PP&E expenditures		123,427
Non-cash capitalized costs[1]		326
Depletion and depreciation		(61,070)
Impairment loss (Note 15)		(647,717)
Disposals (Note 10)		(514,587)
BALANCE, DECEMBER 31, 2016	$	756,515
Leismer Corner Acquisition (Note 9)		638,286
PP&E expenditures		258,011
Non-cash capitalized costs[1]		13,739
Depletion and depreciation		(115,435)
Impairment loss (Note 15)		(41,212)
Disposals (Note 10)		(90,021)
BALANCE, DECEMBER 31, 2017	$	1,419,883

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

During the year ended December 31, 2017, Athabasca de-recognized $90.0 million in PP&E relating to the Royalty sold to Burgess (December 31, 2016 - $53.7 million). During the year ended December 31, 2016, Athabasca de-recognized $460.9 million of PP&E primarily relating to the Light Oil assets sold to Murphy (Note 10).

PP&E consists of the following:

Net book value (As at)		December 31, 2017		December 31, 2016
PP&E at cost	$	2,564,240	$	1,744,225
Accumulated depletion and depreciation		(295,183)		(179,748)
Accumulated impairment losses		(849,174)		(807,962)
TOTAL PP&E	$	1,419,883	$	756,515

As at December 31, 2017, $122.9 million (December 31, 2016 - $116.0 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.

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

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)
Impairment loss (Note 15)		(103,868)
Disposals (Note 10)		(253,726)
BALANCE, DECEMBER 31, 2016	$	439,434
E&E expenditures		4,037
Non-cash capitalized costs[(1)]		(2,344)
Recognition of SR&ED tax credits		(49)
Impairment loss (Note 15)		(148,323)
Disposals		(476)
BALANCE, DECEMBER 31, 2017	$	292,279

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

For the year ended 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 10).

15. IMPAIRMENT

At each financial reporting date, the Company considers potential indicators of impairment or reversal of previous impairments 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 years ended December 31, 2017 and December 31, 2016, no indicators of impairment or reversal of previous impairment were identified.

Thermal Oil Division

The Thermal Oil Division consists of the Leismer/Corner, Hangingstone, Dover West and Birch CGUs.

In the fourth quarter of 2017, Athabasca identified indicators of impairment over its Hangingstone and Birch CGUs as a result of revised estimates around recoverable reserves and/or contingent resources and future development timing associated with each property. The Company completed an impairment test on the Hangingstone CGU which resulted in an estimated recoverable value of approximately $300.0 million (based on FVLCTS), which was below the CGU's carrying value of $399.5 million. The Birch CGU impairment test (based on FVLCTS) resulted in a full impairment of the CGU's carrying value of $90.0 million. As a result, Athabasca recognized an impairment loss of $189.5 million for the year ended December 31, 2017.

Future cash flows utilized in the impairment tests were estimated using a two percent inflation rate and discount rates ranging from 10% - 15% 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 2017 impairment tests:

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	Thereafter
WTI (US$/bbl)	$58.50	$58.70	$62.40	$69.00	$73.10	$74.50	$76.00	$77.50	$ 79.10	$ 80.70	+2.0%/yr
WCS (C$/bbl)	$51.90	$57.00	$61.40	$66.00	$67.90	$69.20	$70.60	$72.00	$ 73.50	$ 74.90	+2.0%/yr
Edmonton Par (C$/bbl)	$70.10	$71.30	$74.90	$80.50	$82.80	$84.40	$86.10	$87.80	$ 89.60	$ 91.40	+2.0%/yr
AECO (C$/Mcf)	$ 2.25	$ 2.65	$ 3.05	$ 3.40	$ 3.60	$ 3.65	$ 3.75	$ 3.80	$ 3.90	$ 3.95	+2.0%/yr
FX (CAD:USD)	0.79	0.79	0.80	0.83	0.85	0.85	0.85	0.85	0.85	0.85	0.85

There were no indicators of impairment identified on the Leismer/Corner CGU and there were no indicators of impairment or reversal of previous impairment on the Dover West CGU. In the fourth quarter of 2016, Athabasca recognized an impairment loss of $751.6 million on its Hangingstone CGU.

16. SEGMENTED INFORMATION

Segmented operating results

	Light Oil		Thermal Oil[1]		Consolidated	
Year ended December 31,	2017	2016	2017	2016	2017	2016
SEGMENT REVENUES						
Petroleum and natural gas sales	$ 96,261	$ 45,899	$ 673,911	$ 130,211	$ 770,172	$ 176,110
Royalties	(5,483)	(1,792)	(6,142)	(565)	(11,625)	(2,357)
	90,778	44,107	667,769	129,646	758,547	173,753
SEGMENT EXPENSES & OTHER						
Cost of diluent	—	—	343,742	66,706	343,742	66,706
Operating expenses	25,569	20,032	150,092	74,458	175,661	94,490
Transportation and marketing	1,512	291	56,896	34,278	58,408	34,569
Depletion and depreciation	40,515	30,212	73,182	28,857	113,697	59,069
Impairment loss	—	—	189,535	751,585	189,535	751,585
Exploration expenses	86	54	234	233	320	287
Acquisition expenses	—	—	11,047	—	11,047	—
(Gain) loss on sale of assets	(429)	4,471	286	—	(143)	4,471
	67,253	55,060	825,014	956,117	892,267	1,011,177
Loss on commodity risk management contracts, net					(3,936)	—
Segment income (loss)	$ 23,525	$(10,953)	$(157,245)	$(826,471)	$ (137,656)	$ (837,424)
CORPORATE						
Interest income and other					15,224	15,818
Financing and interest					(82,807)	(76,895)
General and administrative					(29,168)	(26,221)
Stock-based compensation					(7,046)	(10,131)
Depreciation					(1,738)	(2,001)
Foreign exchange gain, net					24,124	19,875
Loss on foreign exchange risk management contracts, net					—	(21,628)
Gain on revaluation of provisions and other					1,684	1,873
Insurance proceeds					7,976	—
NET LOSS AND COMPREHENSIVE LOSS					$ (209,407)	$ (936,734)

(1) From February 1, 2017 to December 31, 2017, Athabasca recognized Thermal Oil revenues and segment income relating to the assets acquired in the Leismer Corner Acquisition of $460.0 million and $58.8 million, respectively.

Segmented capital expenditures

Athabasca's total capital expenditures by segment (excluding business combinations) are as follows:

Year ended	December 31, 2017	December 31, 2016
LIGHT OIL[1]		
Property, plant and equipment	$ 203,101	$ 117,090
THERMAL OIL		
Property, plant and equipment	52,707	6,293
Exploration and evaluation	4,037	4,652
	56,744	10,945
CORPORATE		
Corporate assets and other	2,203	44
TOTAL CAPITAL SPENDING[2][3]	$ 262,048	$ 128,079

(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, 2017 was $153.7 million (December 31, 2016 - $111.3 million).

(2) Excludes non-cash capitalized costs consisting of capitalized stock-based compensation and decommissioning obligation assets.

(3) For the year ended December 31, 2017, expenditures include cash capitalized staff costs of $12.6 million (December 31, 2016 - $7.8 million).

Segmented assets

Net book value (As at)	December 31, 2017	December 31, 2016
LIGHT OIL		
Capital-carry receivable (current and long-term)	$ 156,036	$ 191,174
Property, plant and equipment	573,204	407,312
Exploration and evaluation	410	410
	729,650	598,896
THERMAL OIL		
Inventory	36,717	14,871
Property, plant and equipment	839,485	342,474
Exploration and evaluation	291,869	439,024
	1,168,071	796,369
CORPORATE		
Current assets[1]	305,251	720,381
Restricted cash (Note 8)	113,406	107,012
Other long-term deposits (Note 9)	—	28,500
Property, plant and equipment	7,194	6,729
	425,851	862,622
TOTAL ASSETS	$ 2,323,572	$ 2,257,887

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

17. INDEBTEDNESS

As at	December 31, 2017	December 31, 2016
Senior Secured Second Lien Notes ("2022 Notes")[1]	$ 563,310	$ —
Senior Secured Second Lien Notes ("2017 Notes")	—	550,000
Debt issuance costs[1]	(45,039)	(21,664)
Amortization of debt issuance costs	7,935	17,873
TOTAL INDEBTEDNESS	$ 526,206	$ 546,209

(1) As at December 31, 2017, the 2022 Notes (as defined below) and associated debt issuance costs were translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.2518.

Senior Secured Second Lien Notes

During the first quarter of 2017, Athabasca repaid its existing C$550.0 million of Senior Secured Second Lien Notes (the "2017 Notes") using the proceeds from the issuance of US$450.0 million (C$589.0 million) of new Senior Secured Second Lien Notes (the "2022 Notes") on February 24, 2017. The 2022 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.

The 2022 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 2022 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 2022 Notes also contain maximum hedging restrictions.

At any time prior to February 24, 2019, Athabasca has the option to redeem the 2022 Notes at the make whole redemption price set forth in the 2022 Notes indenture. On or after February 24, 2019, Athabasca may redeem the 2022 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

Debt issuance costs associated with the 2022 Notes were initially capitalized and will be amortized to net income (loss) over the life of the 2022 Notes using the effective interest rate method. As at December 31, 2017, the fair value of the 2022 Notes was $547.7 million (US$437.5 million) and the 2022 Notes have been classified as Level 1. The fair values were based on observable quoted prices from market data.

Senior Extendible Revolving Term Credit Facility

During the first quarter of 2017, Athabasca entered into a new $120.0 million reserve based credit facility (the "New Credit Facility") replacing the Company's previous credit facility. The New Credit Facility, which was reaffirmed by the lenders on November 30, 2017, is a 364 day committed facility available on a revolving basis until May 31, 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 any amounts outstanding would be repayable at the end of the non-revolving term, being May 31, 2019. The New Credit Facility is subject to a semi-annual borrowing base review with the next semi-annual review occurring in the second quarter of 2018. The borrowing base of the facility is determined based on the lenders evaluation of the Company's petroleum and natural gas reserves and their commodity price outlook at the time of each review, which could result in an increase or a reduction to the credit facility.

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 2022 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 maximum hedging limitations. The Company is in compliance with all covenants.

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 3.50% to 4.50%. The Company incurs an issuance fee for letters of credit of 4.50% and a standby fee on the undrawn portion of the New Credit Facility of 1.125%.

As at December 31, 2017, the New Credit Facility had $58.1 million of letters of credit issued and outstanding.

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 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). As at December 31, 2017, Athabasca had $109.1 million (December 31, 2016 - $102.9 million) in letters of credit issued and outstanding under the Letter of Credit Facility.

18. PROVISIONS

As at	December 31, 2017	December 31, 2016
Decommissioning obligations (a)	$ 113,830	$ 65,321
Contingent payment obligation (Note 9) (b)	26,286	—
Other long-term obligations (c)	8,734	10,876
TOTAL PROVISIONS	$ 148,850	$ 76,197

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, 2017	December 31, 2016
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	$ 65,321	$ 75,537
Liabilities incurred	1,170	1,730
Liabilities acquired	40,039	—
Liabilities settled	(5,989)	(835)
Liabilities disposed	—	(6,316)
Change in discount rate	—	(4,794)
Changes in estimates	4,010	(6,637)
Accretion expense	9,279	6,636
DECOMMISSIONING OBLIGATIONS, END OF PERIOD - DISCOUNTED	$ 113,830	$ 65,321
DECOMMISSIONING OBLIGATIONS, END OF PERIOD - UNDISCOUNTED	$ 290,041	$ 141,800

During the year ended December 31, 2017, Athabasca acquired $40.0 million in decommissioning obligations relating to the Leismer Corner Acquisition (Note 9). The Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2.0% (December 31, 2016 - 2.0%) and a credit-adjusted discount rate of 10.0% per annum (December 31, 2016 - 10.0%). 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. A 1.0% change in the credit-adjusted discount rate would impact the discounted value of the decommissioning obligation by approximately $9.7 million with a corresponding adjustment to E&E and PP&E.

b) Contingent payment obligation

The following table reconciles the change in the contingent payment obligation:

As at	December 31, 2017	December 31, 2016
CONTINGENT PAYMENT OBLIGATION, BEGINNING OF PERIOD	$ —	$ —
Initial recognition on completion of the Leismer Corner Acquisition	24,738	—
Changes in estimates	1,548	—
CONTINGENT PAYMENT OBLIGATION, END OF PERIOD - DISCOUNTED	$ 26,286	$ —
CONTINGENT PAYMENT OBLIGATION, END OF PERIOD - UNDISCOUNTED	$ 33,520	$ —

No amounts were payable by Athabasca in respect of the contingent payment obligation during the year ended December 31, 2017. The payments are capped at $75.0 million annually and $250.0 million over a four-year term ending in 2020. A 1.0% change in the credit-adjusted discount rate would impact the discounted value of the contingent payment obligation by approximately $0.8 million with a corresponding adjustment to the statement of income (loss).

c) Other long-term obligations

Other long-term obligations are comprised of Athabasca's office lease provision, a deposit on an assigned office lease and obligations relating to the Company's cash-settled DSU plan (Note 23).

Athabasca's 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, 2017, Athabasca had recognized a liability related to the office lease provision of $3.9 million (December 31, 2016 - $5.4 million).

In December 2013, Athabasca reassigned 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 holds a deposit of $3.2 million (December 31, 2016 - $3.1 million) which will be held as security over the lease term and is refundable once the lease expires.

19. INCOME TAXES

As at December 31, 2017, Athabasca did not recognize deductible temporary differences of $1.5 billion (December 31, 2016 - $1.3 billion) primarily consisting of approximately $1.2 billion (December 31, 2016 - $1.0 billion) in non-capital losses and $0.3 billion (December 31, 2016 - $0.3 billion) in CCA and resource pools in excess of capital assets. The Company has approximately $2.9 billion in tax pools, including approximately $1.7 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 recovery calculated at the Canadian statutory rate of 27% (2016 - 27%) to actual income tax recovery:

Year ended	December 31, 2017	December 31, 2016
LOSS BEFORE INCOME TAXES	$ (209,407)	$ (936,734)
Statutory tax rate	27%	27%
Expected income tax recovery	(56,540)	(252,918)
ADJUSTMENTS RELATED TO THE FOLLOWING:		
Non-taxable portion on foreign exchange gains, net	(3,257)	(5,698)
Non-taxable portion of derivative losses, net	—	5,379
Stock-based compensation	1,906	(378)
Non-taxable portion of losses on sale of assets and other	565	1,394
Unrecognized deferred income tax asset	57,326	252,221
DEFERRED INCOME TAX RECOVERY	$ —	$ —

20. FINANCIAL INSTRUMENTS RISK

As at December 31, 2017, the Company’s consolidated financial assets and liabilities are comprised of cash and cash equivalents, restricted cash, accounts receivable, the capital-carry receivable, risk management contracts, accounts payable, the contingent payment obligation and long-term debt. Credit risk has been assessed on each financial asset in their respective notes.

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 by aligning capital expenditures with cash flow from operating activities, an active commodity risk management program (Note 12) and by maintaining sufficient funds for anticipated short-term spending in cash, cash equivalent and short-term investment accounts as well as through available credit facilities.

In 2018, it is anticipated that Athabasca’s Light Oil and Thermal Oil capital and operating activities will be funded through cash flow from operating activities, the capital-carry receivable, existing cash and cash equivalents and available credit facilities. Beyond 2018, depending on the Company's level of capital spend and the commodity price environment, the Company may require additional funding which could include debt, equity, joint ventures, asset sales 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 and the current state of the equity and debt capital markets.

The Company’s significant outstanding financial liabilities consist of the 2022 Notes which mature on February 24, 2022, the New Credit facility with a one year term-out provision to May 31, 2019 and the contingent payment obligation with a four-year term ending in 2020. All other material financial liabilities mature within one year.

Foreign exchange risk

Athabasca is exposed to foreign currency risk on the principal and interest components of the Company's US dollar denominated 2022 Notes (Note 17). A 5.0% change in the foreign exchange rate (USD:CAD) would result in a change to the principal value of the Company's long-term debt balance by approximately $28.2 million and a change to the annual interest payment by approximately $2.8 million.

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.

Commodity price risk

Athabasca is exposed to commodity price risk on its petroleum and natural gas sales due to fluctuations in market commodity prices. During the first quarter of 2017, Athabasca commenced a commodity risk management program designed to support a base level of cash flow and capital spending. Refer to Note 12 for further details.

Interest Rate Risk

The Company’s exposure to interest rate fluctuations on interest earned on its floating rate cash balance of $276.7 million (December 31, 2016 - $757.3 million), from a 1.0% change in interest rates, would be approximately $2.8 million for a 12 month period (year ended December 31, 2016 - $7.6 million). The 2022 Notes are subject to a fixed interest rate of 9.875% per annum and are not exposed to changes in interest rates.

21. CAPITAL MANAGEMENT

Athabasca's objectives when managing capital are to ensure the Company has sufficient funding to develop its core operating properties, preserve sufficient liquidity to manage periods of market volatility and maintain flexibility to pursue strategic opportunities. As at December 31, 2017, the Company's capital consisted of working capital, the 2022 Notes, the New Credit Facility, the Letter of Credit Facility and shareholders’ equity.

Capital managed by the Company as at December 31, 2017 and December 31, 2016 was as follows:

As at	December 31, 2017	December 31, 2016
Working capital (excluding current portion of long-term debt)	$ 287,772	$ 693,315
2022 Notes (Note 17)	563,310	—
2017 Notes (Note 17)	—	550,000
Shareholders' Equity	1,524,610	1,557,097
TOTAL CAPITAL MANAGED	$ 2,375,692	$ 2,800,412

22. 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, 2017			December 31, 2016		
	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of period	406,490,101	$	2,020,159	404,299,592	$	2,005,770
Issuance of common shares on Leismer Corner Acquisition (Note 9)	100,000,000		166,000	—		—
Exercise of stock options, RSUs and PSUs (Note 23)	3,550,376		15,531	2,190,509		14,389
BALANCE, END OF PERIOD	510,040,477	$	2,201,690	406,490,101	$	2,020,159

23. STOCK-BASED COMPENSATION

The Company's stock-based compensation plans for employees, directors and consultants, currently consist of stock options, restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs").

The following table summarizes the Company's outstanding equity compensation units:

As at	December 31, 2017	December 31, 2016
Stock options (a)	11,067,600	9,369,885
Restricted share units (2010 RSU Plan) (b)	2,615,155	4,285,427
Restricted share units (2015 RSU Plan) (b)	8,924,135	4,950,063
Performance share units (c)	3,291,967	2,691,300
Deferred share units (d)	1,531,274	1,132,727
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	27,430,131	22,429,402

All plans (excluding the deferred share units plan) are rolling plans and are currently limited by the number of common shares that may be issued on exercise under the plans to an aggregate of 10% of the common shares outstanding. All plans (excluding the deferred share units plan) have been accounted for as equity-settled share-based compensation plans. The deferred share units plan has been accounted for as a cash-settled share-based compensation plan.

a) Stock Options

Stock 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. Currently, options generally vest within three years and have a life of five to seven years.

	December 31, 2017			December 31, 2016		
	Number of options		Exercise price(1)	Number of options		Exercise price(1)
Outstanding stock options, beginning of period	9,369,885	$	4.52	9,942,905	$	7.52
Granted	6,387,100		1.47	3,102,100		1.34
Forfeited	(3,339,715)		2.44	(2,116,270)		8.22
Expired	(1,321,469)		11.23	(1,558,850)		12.31
Exercised	(28,201)		1.07	—		—
OUTSTANDING STOCK OPTIONS, END OF PERIOD	11,067,600	$	2.60	9,369,885	$	4.52
EXERCISABLE STOCK OPTIONS, END OF PERIOD	3,172,582	$	4.04	3,069,603	$	7.59

(1) Weighted average

The estimated fair value per stock option granted during the year ended December 31, 2017 was $0.68 (year ended December 31, 2016 - $0.57). The exercise prices of the Company's outstanding stock options as at December 31, 2017 range from $0.92 - $8.79 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)]
0.92 - 1.47	2,460,666	$ 1.27	5.47	701,541	$ 1.33
1.48 - 1.79	4,879,100	1.50	6.25	—	—
1.80 - 2.97	1,623,134	2.07	4.25	1,103,941	2.07
2.98 - 7.29	1,279,000	6.64	2.05	871,650	6.50
7.30 - 8.79	825,700	7.77	1.86	495,450	7.92
	11,067,600	$ 2.60	4.97	3,172,582	$ 4.04

(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") which 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 (the "2015 RSU Plan"), described below. 2010 Plan RSUs had a vesting period within one to four years and had an average expected life of four years.

	December 31, 2017	December 31, 2016
Outstanding 2010 Plan RSUs, beginning of period	4,285,427	6,035,950
Forfeited	(189,520)	(288,162)
Expired	(36,975)	(11,500)
Exercised	(1,443,777)	(1,450,861)
OUTSTANDING 2010 PLAN RESTRICTED SHARE UNITS, END OF PERIOD	2,615,155	4,285,427
EXERCISABLE 2010 PLAN RESTRICTED SHARE UNITS, END OF PERIOD	1,603,300	2,399,176

Restricted share units granted under the 2015 RSU Plan ("2015 Plan RSUs") generally 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.

	December 31, 2017	December 31, 2016
Outstanding 2015 Plan RSUs, beginning of period	4,950,063	2,329,550
Granted	7,230,967	3,850,675
Forfeited	(1,513,130)	(490,514)
Exercised	(1,743,765)	(739,648)
OUTSTANDING 2015 PLAN RESTRICTED SHARE UNITS, END OF PERIOD	8,924,135	4,950,063

The average estimated fair value per 2015 Plan RSUs granted during the year ended December 31, 2017 was $1.53 (year ended December 31, 2016 - $1.13).

c) Performance Share Units

Athabasca has a performance award plan ("the PSU Plan") which allows the Company to grant performance awards ("PSUs"). PSUs cliff vest over approximately three years and vested awards are 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.

	December 31, 2017	December 31, 2016
Outstanding PSUs, beginning of period	2,691,300	1,260,500
Granted	2,156,267	1,454,000
Forfeited	(1,220,967)	(23,200)
Exercised	(334,633)	—
OUTSTANDING PERFORMANCE SHARE UNITS, END OF PERIOD	3,291,967	2,691,300

The estimated fair value per PSU granted during the year ended December 31, 2017 was $1.46 (year ended December 31, 2016 - $1.40).

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.

	December 31, 2017	December 31, 2016
Outstanding DSUs, beginning of period	1,132,727	663,082
Granted	809,223	537,212
Forfeited	(45,051)	—
Exercised	(365,625)	(67,567)
OUTSTANDING DEFERRED SHARE UNITS, END OF PERIOD	1,531,274	1,132,727

As at December 31, 2017, Athabasca recognized a DSU provision of $1.6 million (December 31, 2016 - $2.3 million) of which $0.1 million was included in accounts payable and accrued liabilities (December 31, 2016 - $0.8 million) (Note 18).

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, 2017 were calculated using the following weighted average assumptions:

Year ended December 31, 2017	Options	2015 Plan RSUs	PSUs
Weighted average share price	$ 0.68	$ 1.53	$ 1.46
Risk-free interest rate (%)	1.1	0.9	1.0
Estimated forfeiture rate (%)	7.0	7.5	7.5
Expected life (years)	4.8	2.9	3.2
Dividend rate (%)	—	—	—
Volatility (%)	54.6	61.0	40.0

24. PER SHARE AMOUNTS

	December 31, 2017	December 31, 2016
Weighted average shares outstanding - basic	500,136,092	405,621,706
Dilutive effect of stock options, RSUs and PSUs	—	—
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	500,136,092	405,621,706

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, 2017, 25,898,857 in anti-dilutive securities were excluded from the diluted net loss per share calculation as their effect is anti-dilutive (December 31, 2016 - 21,296,675).

25. INTEREST INCOME AND OTHER

Year ended	December 31, 2017	December 31, 2016
Interest on cash, cash equivalents and short-term investments	$ 3,552	$ 6,282
Interest on Promissory notes (Note 7)	—	1,555
Accretion of capital-carry receivable (Note 11)	11,672	7,967
Other	—	14
TOTAL INTEREST INCOME AND OTHER	$ 15,224	$ 15,818

26. FINANCING AND INTEREST

Year ended	December 31, 2017	December 31, 2016
Financing and interest expense on indebtedness (Note 17)	$ 60,411	$ 56,223
Amortization of debt issuance costs(1)	12,639	13,129
Accretion of provisions (Note 18)	9,757	7,543
TOTAL FINANCING AND INTEREST	$ 82,807	$ 76,895

(1) For the year ended December 31, 2017, amortization of debt issuance costs includes accelerated debt issuance costs relating to the 2017 Notes that were repaid in the first quarter of 2017. For the year ended December 31, 2016, amortization of debt issuance costs includes accelerated debt issuance costs relating to the repayment of the Term Loan that was repaid on June 17, 2016.

27. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future minimum commitments as at December 31, 2017 for the following five years and thereafter:

	2018	2019	2020	2021	2022	Thereafter	Total
Transportation	$ 106,061	$ 89,952	$ 88,769	$ 149,288	$ 149,116	$ 2,360,557	$ 2,943,743
Repayment of long-term debt (Note 17)(1)	—	—	—	—	563,310	—	563,310
Interest expense on long-term debt (Note 17)(1)	55,627	55,627	55,627	55,627	27,889	—	250,397
Office leases	2,909	2,909	2,909	2,909	2,909	6,058	20,603
Purchase commitments and drilling rigs	2,229	—	—	—	—	—	2,229
TOTAL COMMITMENTS	$ 166,826	$ 148,488	$ 147,305	$ 207,824	$ 743,224	$ 2,366,615	$ 3,780,282

(1) The 2022 Notes and associated interest expense were translated into Canadian dollars at the December 31, 2017 exchange rate of US$1.00 = C$1.2518.

During the first quarter of 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., estimated to start in early 2021.

In conjunction with the Leismer Corner Acquisition, Statoil reassigned to Athabasca its existing commitment for the transportation of blended bitumen on the Enbridge Waupisoo pipeline. During the third quarter of 2017, Athabasca entered into a new long-term transportation agreement with Enbridge Pipelines (Athabasca) Inc. for the delivery of up to 33,000 bbl/d of blended bitumen which replaced the previous Waupisoo commitment. The new agreement was effective July 1, 2017.

A second transportation commitment was reassigned by Statoil to Athabasca for the transportation of diluent to the Leismer Project's central processing facility.

During the fourth quarter of 2017, Athabasca entered into a dilbit transportation services agreement for 10,000 bbl/d on the TransCanada Keystone XL pipeline for 20 years, estimated to start in early 2021. Athabasca also entered into a firm service transportation agreement for 9,000 bbl/d of diluent on the Enbridge and Keyera Partnership-owned Norlite pipeline from Edmonton, Alberta to Athabasca's Cheecham facility, effective May 2018.

In the Light Oil Division, Athabasca entered into two gas handling agreements during the fourth quarter of 2017. The first agreement is with Keyera Corp. for an initial 28 MMcf/d of gas, effective in the first quarter of 2018. The second agreement with SemCAMS is for an initial 6 MMcf/d of gas delivered to the Smoke Lake Plant, effective in the fourth quarter of 2019.

Excluded from the table above is a commitment for $109.0 million for an office lease ending on December 31, 2026 which was assigned to an investment-grade third party in December 2013.

The Company is, from time to time, involved in claims arising in the normal course of business. The Company is also currently undergoing income tax and partner related audits in the normal course of business. The final outcome of such claims and audits cannot be predicted with certainty and management believes that it has appropriately assessed any impact to the consolidated financial statements.

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, 2017	December 31, 2016
Salaries, fees and short-term employee benefits	$ 5,848	$ 3,273
Termination benefits	911	1,068
Stock-based compensation	4,786	5,328
TOTAL EXECUTIVE COMPENSATION	$ 11,545	$ 9,669

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, 2017 and 2016:

Year ended	December 31, 2017	December 31, 2016
Change in accounts receivable	$ (59,100)	$ (24,659)
Change in prepaid expenses and deposits	(8,696)	(6,441)
Change in inventory	(21,846)	(5,961)
Change in accounts payable and accrued liabilities	38,212	30,687
	$ (51,430)	$ (6,374)
Other items impacting changes in non-cash working capital:		
Inventory acquired from Leismer Corner Acquisition (Note 9)	28,398	—
Change in current portion of provisions and other	(2,403)	655
	$ (25,435)	$ (5,719)
RELATED TO:		
Operating activities	$ (20,732)	$ (4,577)
Financing activities	(318)	669
Investing activities	(4,385)	(1,811)
NET CHANGE IN NON-CASH WORKING CAPITAL	$ (25,435)	$ (5,719)
Cash interest paid	$ 39,055	$ 56,374
Cash interest received	$ 3,711	$ 7,787

Changes in liabilities arising from financing activities:

	2017 Notes	2022 Notes
BALANCE, DECEMBER 31, 2016	$ 546,209	$ —
Issuance	—	589,005
Debt issuance costs	—	(47,081)
Payments	(550,000)	—
Non-cash changes		
Unrealized foreign exchange gain	—	(23,653)
Amortization of debt issuance costs	3,791	7,935
BALANCE, DECEMBER 31, 2017	$ —	$ 526,206

CORPORATE INFORMATION

MANAGEMENT

Robert Broen
President & Chief Executive Officer

Kim Anderson
Chief Financial Officer

Angela Avery
General Counsel & Vice President, Business Development

Karla Ingoldsby
Vice President, Thermal Oil

Kevin Smith
Vice President, Light Oil

Dave Stewart
Vice President, Operations

Matthew Taylor
Vice President, Capital Markets & Communications

DIRECTORS

Ronald Eckhardt(1)(2)
Chair

Bryan Begley(2)(3)

Robert Broen(2)

Anne Downey(2)

Carlos Fierro(1)(3)

Marshall McRae(1)

CORPORATE OFFICE

1200, 215 - 9 Avenue SW
Calgary, Alberta T2P 1K3
Telephone: (403) 237-8227
Fax: (403) 264-4640

WEBSITE

www.atha.com

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

TRUSTEE AND TRANSFER AGENT

Computershare Trust Company of Canada
Suite 600, 530 - 8th Avenue SW
Calgary, Alberta, T2P 3S8
Telephone: (403) 267-6800
Fax: (403) 267-6529

BANKS

The Toronto-Dominion Bank
Royal Bank of Canada

AUDITORS

Ernst & Young LLP

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

INDEPENDENT EVALUATORS

McDaniel & Associates Consultants Ltd.

STOCK SYMBOL

ATH
Toronto Stock Exchange

Member of:

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