

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

**Q2 2017**



**FOCUSED | EXECUTING | DELIVERING**

**CONSOLIDATED BALANCE SHEETS**  
(unaudited)

| As at (\$ Thousands)                                   | June 30,<br>2017 | December 31,<br>2016 |
|--|------------------|----------------------|
| <b>ASSETS</b>  |                  |                      |
| <b>CURRENT ASSETS</b>                                  |                  |                      |
| Cash and cash equivalents (Note 3)                     | \$ 179,611       | \$ 650,301           |
| Accounts receivable (Note 4)                           | 97,727           | 52,475               |
| Current portion of capital-carry receivable (Note 8)   | 50,504           | 43,457               |
| Prepaid expenses and deposits                          | 34,048           | 17,605               |
| Inventory  | 39,524           | 14,871               |
| Risk management contracts (Note 9)                     | 15,457           | —                    |
|  | 416,871          | 778,709              |
| Restricted cash (Note 5)                               | 113,853          | 107,012              |
| Long-term portion of capital-carry receivable (Note 8) | 123,210          | 147,717              |
| Other long-term deposits (Note 6)                      | —                | 28,500               |
| Property, plant and equipment (Note 10)                | 1,394,167        | 756,515              |
| Exploration and evaluation assets (Note 11)            | 440,894          | 439,434              |
|  | \$ 2,488,995     | \$ 2,257,887         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>            |                  |                      |
| <b>CURRENT LIABILITIES</b>                             |                  |                      |
| Accounts payable and accrued liabilities               | \$ 117,247       | \$ 85,394            |
| Current portion of long-term debt (Note 13)            | —                | 546,209              |
|  | 117,247          | 631,603              |
| Long-term debt (Note 13)                               | 541,199          | —                    |
| Provisions (Note 14)                                   | 106,814          | 69,187               |
|  | 765,260          | 700,790              |
| <b>SHAREHOLDERS' EQUITY</b>                            |                  |                      |
| Common shares (Note 16)                                | 2,194,568        | 2,020,159            |
| Contributed surplus                                    | 141,753          | 144,592              |
| Retained deficit                                       | (612,586)        | (607,654)            |
|  | 1,723,735        | 1,557,097            |
|  | \$ 2,488,995     | \$ 2,257,887         |

Commitments and contingencies (Note 20)

See accompanying notes to the condensed interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**  
**(unaudited)**

| (\$ Thousands, except per share amounts)                         | Three months ended<br>June 30, |             | Six months ended<br>June 30, |              |
|--|--------------------------------|-------------|------------------------------|--------------|
|  | 2017                           | 2016        | 2017                         | 2016         |
| <b>REVENUE</b>   |                                |             |                              |              |
| Petroleum and natural gas sales                                  | \$ 201,182                     | \$ 33,574   | \$ 352,684                   | \$ 67,168    |
| Interest income and other  | 3,823                          | 3,997       | 8,123                        | 6,545        |
| Royalties  | (2,935)                        | (593)       | (4,761)                      | (1,167)      |
|  | 202,070                        | 36,978      | 356,046                      | 72,546       |
| Unrealized gain on commodity risk management contracts (Note 9)  | 8,243                          | —           | 15,457                       | —            |
| Realized gain on commodity risk management contracts (Note 9)    | 735                            | —           | 3,026                        | —            |
|  | 211,048                        | 36,978      | 374,529                      | 72,546       |
| <b>EXPENSES</b>  |                                |             |                              |              |
| Cost of diluent  | 93,101                         | 9,545       | 171,051                      | 25,901       |
| Operating expenses   | 45,781                         | 21,330      | 87,627                       | 48,272       |
| Transportation and marketing                                     | 16,526                         | 7,147       | 29,525                       | 15,533       |
| General and administrative                                       | 7,066                          | 5,455       | 13,494                       | 12,442       |
| Stock-based compensation (Note 17)                               | 2,442                          | 3,073       | 3,154                        | 4,719        |
| Financing and interest (Note 19)                                 | 20,396                         | 27,401      | 42,053                       | 49,400       |
| Depletion and depreciation (Note 10)                             | 28,593                         | 15,758      | 48,241                       | 33,881       |
| Exploration expense  | 90                             | 134         | 258                          | 221          |
| Total expenses   | 213,995                        | 89,843      | 395,403                      | 190,369      |
| Revenue less Expenses  | (2,947)                        | (52,865)    | (20,874)                     | (117,823)    |
| <b>OTHER INCOME (EXPENSES)</b>                                   |                                |             |                              |              |
| Foreign exchange gain, net (Note 15)                             | 12,327                         | 697         | 2,445                        | 19,882       |
| Loss on foreign exchange risk management contracts, net (Note 9) | —                              | (1,679)     | —                            | (21,628)     |
| Gain on revaluation of provisions and other (Note 6, 8, 14)      | 10,242                         | 224         | 16,940                       | 856          |
| Insurance proceeds   | 7,976                          | —           | 7,976                        | —            |
| Acquisition expenses (Note 6)                                    | (3,400)                        | —           | (11,047)                     | —            |
| Gain (loss) on sale of assets (Note 7)                           | 35                             | (5,546)     | (372)                        | (5,585)      |
| Net income (loss) and comprehensive income (loss)                | \$ 24,233                      | \$ (59,169) | \$ (4,932)                   | \$ (124,298) |
| <b>BASIC INCOME (LOSS) PER SHARE (Note 18)</b>                   | \$ 0.05                        | \$ (0.15)   | \$ (0.01)                    | \$ (0.31)    |
| <b>DILUTED INCOME (LOSS) PER SHARE (Note 18)</b>                 | \$ 0.05                        | \$ (0.15)   | \$ (0.01)                    | \$ (0.31)    |

See accompanying notes to the condensed interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**

| (\$ Thousands)   | Three months ended<br>June 30, |                   | Six months ended<br>June 30, |                   |
|--|--------------------------------|-------------------|------------------------------|-------------------|
|  | 2017                           | 2016              | 2017                         | 2016              |
| <b>OPERATING ACTIVITIES</b>  |                                |                   |                              |                   |
| Net income (loss)  | \$ 24,233                      | \$ (59,169)       | \$ (4,932)                   | \$ (124,298)      |
| Items not affecting cash   |                                |                   |                              |                   |
| Stock-based compensation   | 2,442                          | 3,073             | 3,030                        | 4,719             |
| Net non-cash financing and interest                                  | 1,585                          | 7,808             | 4,806                        | 11,233            |
| Depletion and depreciation (Note 10)                                 | 28,593                         | 15,758            | 48,241                       | 33,881            |
| Non-cash foreign exchange gain (Note 15)                             | (14,166)                       | (1,912)           | (4,252)                      | (20,595)          |
| Non-cash (gain) loss on risk management contracts (Note 9)           | (8,243)                        | 768               | (15,457)                     | 21,628            |
| Non-cash gain on revaluation of provisions and other (Note 6, 8, 14) | (10,242)                       | (224)             | (16,940)                     | (856)             |
| (Gain) loss on sale of assets  | (35)                           | 5,546             | 372                          | 5,585             |
| Receipt of proceeds from derivative unwind (Note 15)                 | —                              | 40,956            | —                            | 40,956            |
| Settlement of provisions (Note 14)                                   | (555)                          | (1,774)           | (5,074)                      | (3,222)           |
| Changes in non-cash working capital (Note 21)                        | 4,437                          | (5,071)           | (34,645)                     | (1,299)           |
|  | 28,049                         | 5,759             | (24,851)                     | (32,268)          |
| <b>FINANCING ACTIVITIES</b>  |                                |                   |                              |                   |
| Issuance of 2022 Notes (Note 13)                                     | (437)                          | —                 | 542,117                      | —                 |
| Repayment of 2017 Notes and other (Note 13)                          | —                              | (284,722)         | (550,000)                    | (285,441)         |
| Proceeds from exercised equity incentives (Note 17)                  | 28                             | 44                | 57                           | 85                |
| Changes in non-cash working capital (Note 21)                        | (468)                          | 193               | (318)                        | 193               |
|  | (877)                          | (284,485)         | (8,144)                      | (285,163)         |
| <b>INVESTING ACTIVITIES</b>  |                                |                   |                              |                   |
| Proceeds from sale of assets (Note 7)                                | 35                             | 392,175           | 90,205                       | 392,338           |
| Cash portion of Leismer Corner Acquisition (Note 6)                  | (3,687)                        | —                 | (406,525)                    | —                 |
| Additions to property, plant and equipment (Note 10)                 | (44,684)                       | (7,051)           | (134,107)                    | (37,906)          |
| Additions to exploration and evaluation assets (Note 11)             | (990)                          | (654)             | (1,690)                      | (1,364)           |
| Recovery of capital-carry proceeds (Note 8)                          | 13,493                         | 1,474             | 24,173                       | 1,474             |
| Increase in restricted cash (Note 5)                                 | (30)                           | (101,652)         | (6,807)                      | (101,652)         |
| Increase in short-term investments                                   | —                              | (25,533)          | —                            | (25,533)          |
| Changes in non-cash working capital (Note 21)                        | (24,697)                       | (26,261)          | (2,944)                      | (22,131)          |
|  | (60,560)                       | 232,498           | (437,695)                    | 205,226           |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                     | <b>(33,388)</b>                | <b>(46,228)</b>   | <b>(470,690)</b>             | <b>(112,205)</b>  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                | <b>212,999</b>                 | <b>493,510</b>    | <b>650,301</b>               | <b>559,487</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                      | <b>\$ 179,611</b>              | <b>\$ 447,282</b> | <b>\$ 179,611</b>            | <b>\$ 447,282</b> |

See accompanying notes to the condensed interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(unaudited)**

| (\$ Thousands)   | Six months ended<br>June 30, |                     |
|--|------------------------------|---------------------|
|  | 2017                         | 2016                |
| <b>COMMON SHARES (Note 16)</b>                                   |                              |                     |
| Balance, beginning of period                                     | \$ 2,020,159                 | \$ 2,005,770        |
| Issuance of common shares on Leismer Corner Acquisition (Note 6) | 166,000                      | —                   |
| Exercise of stock options and RSUs (Note 17)                     | 8,409                        | 8,760               |
| Balance, end of period   | 2,194,568                    | 2,014,530           |
| <b>CONTRIBUTED SURPLUS</b>                                       |                              |                     |
| Balance, beginning of period                                     | 144,592                      | 147,290             |
| Stock-based compensation (Note 17)                               | 5,637                        | 5,469               |
| Exercise of stock options and RSUs (Note 17)                     | (8,476)                      | (8,675)             |
| Balance, end of period   | 141,753                      | 144,084             |
| <b>RETAINED EARNINGS (DEFICIT)</b>                               |                              |                     |
| Balance, beginning of period                                     | (607,654)                    | 329,080             |
| Net loss   | (4,932)                      | (124,298)           |
| Balance, end of period   | (612,586)                    | 204,782             |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                                | <b>\$ 1,723,735</b>          | <b>\$ 2,363,396</b> |

See accompanying notes to the condensed interim consolidated financial statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

As at and for the three and six months ended June 30, 2017.

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

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### 1. NATURE OF BUSINESS

Athabasca Oil Corporation ("Athabasca" or the "Company") is an exploration and production company developing Light and Thermal Oil resource plays in the Western Canadian Sedimentary Basin in Alberta, Canada. Athabasca was incorporated on August 23, 2006, under the laws governing the Province of Alberta. The domicile of the Company is 1200, 215 - 9<sup>th</sup> Avenue SW, Calgary, Alberta. The Company is publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "ATH". These unaudited interim consolidated condensed financial statements ("consolidated financial statements") were authorized for issue by the Board of Directors on July 26, 2017.

### 2. BASIS OF PRESENTATION AND ACCOUNTING PRONOUNCEMENTS

These consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34: *Interim Financial Reporting*. They do not contain all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2016. These consolidated financial statements have been prepared in accordance with 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. Midstream revenues for the three and six months ended June 30, 2016, have been reclassified to interest income and other.

#### Future Accounting Pronouncements

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

### IFRS 9 Financial Instruments

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

### IFRS 15 Revenue from Contracts with Customers

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

### IFRS 16 Leases

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

## 3. CASH AND CASH EQUIVALENTS

As at June 30, 2017 and December 31, 2016, Athabasca's cash, cash equivalents and restricted cash (Note 5) were held with four counterparties and five counterparties, respectively, 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.

## 4. ACCOUNTS RECEIVABLE

| As at                                 | June 30,<br>2017 | December 31,<br>2016 |
|---------------------------------------|------------------|----------------------|
| Petroleum and natural gas receivables | \$ 60,920        | \$ 21,082            |
| Joint interest billings               | 28,937           | 25,468               |
| Government receivables and other      | 6,497            | 5,925                |
| Risk management contracts             | 1,373            | —                    |
| <b>TOTAL</b>                          | <b>\$ 97,727</b> | <b>\$ 52,475</b>     |

Management believes collection risk of the outstanding accounts receivable as at June 30, 2017 is low given the high credit quality of the Company's material counterparties. No material amounts were past due as at June 30, 2017.

## 5. 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 13). As at June 30, 2017, \$110.7 million was held in the Cash-Collateral Account (December 31, 2016 - \$103.9 million).

## 6. 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 \$435.0 million, including provisional 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 (Monthly 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 the forecasted 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. During the three and six months ended June 30, 2017, Athabasca incurred a gain of \$9.9 million and \$16.4 million respectively, on the contingent payment obligation due to a decline in forecasted WTI prices from the date of the Leismer Corner Acquisition to June 30, 2017.

Athabasca has recognized the Leismer Corner Acquisition as a business combination under IFRS and applied the acquisition method of accounting under which the net identifiable assets are 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         |    | 26       |
| Total consideration                | \$ | 625,764  |
| Inventory                          |    | 28,398   |
| Property, plant and equipment      |    | 637,405  |
| Decommissioning liabilities        |    | (40,039) |
| Net assets acquired                | \$ | 625,764  |

## 7. 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        |              | Dover West, Birch and Grosmont          |              |
|---|--------------|---|--------------|
| WCS benchmark price (US\$/bbl)          | Royalty rate | WCS benchmark price (US\$/bbl)          | Royalty rate |
| Below \$60/bbl                          | --           | Below \$70/bbl                          | --           |
| \$60/bbl to \$139.99/bbl <sup>(1)</sup> | 2% - 12%     | \$70/bbl to \$149.99/bbl <sup>(1)</sup> | 2% - 12%     |
| \$140/bbl and above                     | 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 six months ended June 30, 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 will fund 75% of Athabasca's share of development capital up to a maximum five year period (Note 8).

## 8. CAPITAL-CARRY RECEIVABLE

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

The following table reconciles the change in the capital-carry receivable:

| As at   | June 30,<br>2017 | December 31,<br>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      | (24,173)         | (5,812)              |
| Revisions in expected timing of future capital expenditures | 621              | 371                  |
| Time value of money accretion                               | 6,092            | 7,967                |
| CAPITAL-CARRY RECEIVABLE, END OF PERIOD - DISCOUNTED        | \$ 173,714       | \$ 191,174           |
| CAPITAL-CARRY RECEIVABLE, END OF PERIOD - UNDISCOUNTED      | \$ 189,296       | \$ 213,469           |

The Company has calculated the net present value of its capital-carry receivable using a credit-adjusted discount rate of 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.

## 9. RISK MANAGEMENT CONTRACTS

During the first half of 2017, Athabasca entered into certain derivative financial instruments in order to manage its exposure to fluctuations in commodity prices. As at June 30, 2017, the following risk management contracts were in place:

| Instrument (CAD)                       | Period                   | Volume      | Average Price/bbl |
|--|--------------------------|-------------|-------------------|
| WCS fixed price swaps                  | February - December 2017 | 8,000 bbl/d | \$ 52.66          |
| WTI fixed price swaps                  | February - December 2017 | 4,000 bbl/d | \$ 73.02          |
| WTI/WCS differential fixed price swaps | February - December 2017 | 4,000 bbl/d | \$ (20.25)        |
| WTI/WCS differential fixed price swaps | April - December 2017    | 8,000 bbl/d | \$ (19.68)        |
| WTI costless collar                    | April - December 2017    | 1,000 bbl/d | \$ 65.00 - 79.00  |
| WTI costless collar                    | June - December 2017     | 3,000 bbl/d | \$ 61.67 - 68.67  |
| WTI fixed price swaps                  | June - December 2017     | 4,000 bbl/d | \$ 68.05          |

As at June 30, 2017, Athabasca had a net commodity risk management asset of \$15.5 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 \$7.9 million. The following table summarizes the net gain (loss) on risk management contracts for the three and six months ended June 30, 2017 and 2016:

|   | Three months ended<br>June 30, |            | Six months ended<br>June 30, |             |
|---|--------------------------------|------------|------------------------------|-------------|
|   | 2017                           | 2016       | 2017                         | 2016        |
| COMMODITY CONTRACTS   |                                |            |                              |             |
| Unrealized gain on commodity risk management contracts      | \$ 8,243                       | \$ —       | \$ 15,457                    | \$ —        |
| Realized gain on commodity risk management contracts        | 735                            | —          | 3,026                        | —           |
| FOREIGN EXCHANGE CONTRACTS                                  |                                |            |                              |             |
| Realized loss on foreign exchange risk management contracts | —                              | (1,679)    | —                            | (21,628)    |
| GAIN (LOSS) ON RISK MANAGEMENT CONTRACTS (NET)              | \$ 8,978                       | \$ (1,679) | \$ 18,483                    | \$ (21,628) |

For the three and six months ended June 30, 2017, Athabasca incurred a net gain on commodity risk management contracts of \$9.0 million and \$18.5 million, respectively. The net derivative loss of \$21.6 million incurred during the six months ended June 30, 2016 was in respect of a foreign exchange par forward contract related to the Company's previous US\$225.0 million term loan and was unwound during the second quarter of 2016.

As at June 30, 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.

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

|   |    |           |
|---|----|-----------|
| BALANCE, DECEMBER 31, 2015                | \$ | 1,856,136 |
| PP&E expenditures                         |    | 123,427   |
| Non-cash capitalized costs <sup>(1)</sup> |    | 326       |
| Depletion and depreciation                |    | (61,070)  |
| Impairment loss                           |    | (647,717) |
| Disposals (Note 7)                        |    | (514,587) |
| BALANCE, DECEMBER 31, 2016                | \$ | 756,515   |
| Leismer Corner Acquisition (Note 6)       |    | 637,405   |
| PP&E expenditures                         |    | 134,107   |
| Non-cash capitalized costs <sup>(1)</sup> |    | 4,381     |
| Depletion and depreciation                |    | (48,241)  |
| Disposals (Note 7)                        |    | (90,000)  |
| BALANCE, JUNE 30, 2017                    | \$ | 1,394,167 |

(1) Non-cash PP&E expenditures consist of capitalized stock-based compensation and decommissioning obligations.

During the six months ended June 30, 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 7).

PP&E consists of the following:

| Net book value (As at)                 | June 30,<br>2017 | December 31,<br>2016 |
|--|------------------|----------------------|
| PP&E at cost                           | \$ 2,430,118     | \$ 1,744,225         |
| Accumulated depletion and depreciation | (227,989)        | (179,748)            |
| Accumulated impairment losses          | (807,962)        | (807,962)            |
| TOTAL PP&E                             | \$ 1,394,167     | \$ 756,515           |

As at June 30, 2017, \$122.0 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.

## 11. EXPLORATION AND EVALUATION (“E&E”) ASSETS

|   |    |           |
|---|----|-----------|
| BALANCE, DECEMBER 31, 2015                | \$ | 799,409   |
| E&E expenditures                          |    | 4,652     |
| Non-cash capitalized costs <sup>(1)</sup> |    | (6,862)   |
| Recognition of SR&ED tax credits          |    | (171)     |
| Disposals (Note 7)                        |    | (253,726) |
| Impairment loss                           |    | (103,868) |
| BALANCE, DECEMBER 31, 2016                | \$ | 439,434   |
| E&E expenditures                          |    | 1,690     |
| Non-cash capitalized costs <sup>(1)</sup> |    | 246       |
| Disposals                                 |    | (476)     |
| BALANCE, JUNE 30, 2017                    | \$ | 440,894   |

(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 7).

## 12. SEGMENTED INFORMATION

### Segmented operating results

| Three months ended June 30,                             | Light Oil |            | Thermal Oil |             | Consolidated |             |
|---|-----------|------------|-------------|-------------|--------------|-------------|
|   | 2017      | 2016       | 2017        | 2016        | 2017         | 2016        |
| SEGMENT REVENUES  |           |            |             |             |              |             |
| Petroleum and natural gas sales                         | \$ 24,195 | \$ 14,074  | \$ 176,987  | \$ 19,500   | \$ 201,182   | \$ 33,574   |
| Interest income and other                               | 213       | 341        | —           | —           | 213          | 341         |
| Royalties   | (1,239)   | (479)      | (1,696)     | (114)       | (2,935)      | (593)       |
|   | 23,169    | 13,936     | 175,291     | 19,386      | 198,460      | 33,322      |
| Gain on commodity risk management contracts, net        | —         | —          | 8,978       | —           | 8,978        | —           |
| SEGMENT EXPENSES & OTHER                                |           |            |             |             |              |             |
| Cost of diluent   | —         | —          | 93,101      | 9,545       | 93,101       | 9,545       |
| Operating expenses                                      | 5,945     | 6,652      | 39,836      | 14,678      | 45,781       | 21,330      |
| Transportation and marketing                            | 833       | 69         | 15,693      | 7,078       | 16,526       | 7,147       |
| Depletion and depreciation                              | 10,181    | 9,934      | 17,952      | 5,302       | 28,133       | 15,236      |
| Exploration expense                                     | 15        | 58         | 75          | 76          | 90           | 134         |
| Acquisition expenses                                    | —         | —          | 3,400       | —           | 3,400        | —           |
| (Gain) loss on sale of assets                           | —         | 5,546      | (35)        | —           | (35)         | 5,546       |
|   | 16,974    | 22,259     | 170,022     | 36,679      | 186,996      | 58,938      |
| Segment income (loss)                                   | \$ 6,195  | \$ (8,323) | \$ 14,247   | \$ (17,293) | \$ 20,442    | \$ (25,616) |
| CORPORATE   |           |            |             |             |              |             |
| Interest income and other                               |           |            |             |             | 3,610        | 3,656       |
| Financing and interest                                  |           |            |             |             | (20,396)     | (27,401)    |
| General and administrative                              |           |            |             |             | (7,066)      | (5,455)     |
| Stock-based compensation                                |           |            |             |             | (2,442)      | (3,073)     |
| Depreciation  |           |            |             |             | (460)        | (522)       |
| Foreign exchange gain, net                              |           |            |             |             | 12,327       | 697         |
| Loss on foreign exchange risk management contracts, net |           |            |             |             | —            | (1,679)     |
| Gain on revaluation of provisions and other             |           |            |             |             | 10,242       | 224         |
| Insurance proceeds                                      |           |            |             |             | 7,976        | —           |
| NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)       |           |            |             |             | \$ 24,233    | \$ (59,169) |

| Six months ended June 30,                               | Light Oil |             | Thermal Oil <sup>(1)</sup> |             | Consolidated      |                     |
|---|-----------|-------------|----------------------------|-------------|-------------------|---------------------|
|   | 2017      | 2016        | 2017                       | 2016        | 2017              | 2016                |
| <b>SEGMENT REVENUES</b>                                 |           |             |                            |             |                   |                     |
| Petroleum and natural gas sales                         | \$ 36,194 | \$ 26,566   | \$ 316,490                 | \$ 40,602   | \$ 352,684        | \$ 67,168           |
| Interest income and other                               | 242       | 838         | —                          | —           | 242               | 838                 |
| Royalties   | (1,660)   | (1,028)     | (3,101)                    | (139)       | (4,761)           | (1,167)             |
|   | 34,776    | 26,376      | 313,389                    | 40,463      | 348,165           | 66,839              |
| Gain on commodity risk management contracts, net        | —         | —           | 18,483                     | —           | 18,483            | —                   |
| <b>SEGMENT EXPENSES &amp; OTHER</b>                     |           |             |                            |             |                   |                     |
| Cost of diluent   | —         | —           | 171,051                    | 25,901      | 171,051           | 25,901              |
| Operating expenses                                      | 10,397    | 14,110      | 77,230                     | 34,162      | 87,627            | 48,272              |
| Transportation and marketing                            | 1,126     | 143         | 28,399                     | 15,390      | 29,525            | 15,533              |
| Depletion and depreciation                              | 14,791    | 20,762      | 32,624                     | 11,997      | 47,415            | 32,759              |
| Exploration expense                                     | 46        | —           | 212                        | 221         | 258               | 221                 |
| Acquisition expenses                                    | —         | —           | 11,047                     | —           | 11,047            | —                   |
| Loss on sale of assets                                  | 101       | 5,585       | 271                        | —           | 372               | 5,585               |
|   | 26,461    | 40,600      | 320,834                    | 87,671      | 347,295           | 128,271             |
| Segment income (loss)                                   | \$ 8,315  | \$ (14,224) | \$ 11,038                  | \$ (47,208) | \$ 19,353         | \$ (61,432)         |
| <b>CORPORATE</b>  |           |             |                            |             |                   |                     |
| Interest income and other                               |           |             |                            |             | 7,881             | 5,707               |
| Financing and interest                                  |           |             |                            |             | (42,053)          | (49,400)            |
| General and administrative                              |           |             |                            |             | (13,494)          | (12,442)            |
| Stock-based compensation                                |           |             |                            |             | (3,154)           | (4,719)             |
| Depreciation  |           |             |                            |             | (826)             | (1,122)             |
| Foreign exchange gain, net                              |           |             |                            |             | 2,445             | 19,882              |
| Loss on foreign exchange risk management contracts, net |           |             |                            |             | —                 | (21,628)            |
| Gain on revaluation of provisions and other             |           |             |                            |             | 16,940            | 856                 |
| Insurance proceeds                                      |           |             |                            |             | 7,976             | —                   |
| <b>NET LOSS AND COMPREHENSIVE LOSS</b>                  |           |             |                            |             | <b>\$ (4,932)</b> | <b>\$ (124,298)</b> |

(1) From February to June 30, 2017, Athabasca recognized Thermal Oil revenues and segment income relating to the Leismer Project of \$212.6 million and \$23.5 million, respectively, excluding the gain on commodity risk management contracts.

### Segmented capital expenditures

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

|  | Three months ended<br>June 30, |                 | Six months ended<br>June 30, |                  |
|--|--------------------------------|-----------------|------------------------------|------------------|
|  | 2017                           | 2016            | 2017                         | 2016             |
| <b>LIGHT OIL<sup>(1)</sup></b>                 |                                |                 |                              |                  |
| Property, plant and equipment                  | \$ 31,061                      | \$ 5,518        | \$ 108,707                   | \$ 36,176        |
|  | 31,061                         | 5,518           | 108,707                      | 36,176           |
| <b>THERMAL OIL</b>                             |                                |                 |                              |                  |
| Property, plant and equipment                  | 13,137                         | 1,533           | 23,304                       | 1,730            |
| Exploration and evaluation                     | 990                            | 654             | 1,690                        | 1,364            |
|  | 14,127                         | 2,187           | 24,994                       | 3,094            |
| <b>CORPORATE</b>                               |                                |                 |                              |                  |
| Corporate assets and other                     | 486                            | —               | 2,096                        | —                |
| <b>TOTAL CAPITAL SPENDING<sup>(2)(3)</sup></b> | <b>\$ 45,674</b>               | <b>\$ 7,705</b> | <b>\$ 135,797</b>            | <b>\$ 39,270</b> |

(1) Including the recovery of the capital-carry, Athabasca's net cash outflow from capital expenditures in the Light Oil Division for the three and six months ended June 30, 2017 was \$17.6 million and \$84.5 million, respectively (for the three and six months ended June 30, 2016 - \$4.0 million and \$34.7 million, respectively).

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

(3) For the three and six months ended June 30, 2017, expenditures include cash capitalized staff costs of \$3.7 million and \$5.9 million respectively (three and six months ended June 30, 2016 - \$2.1 million and \$4.1 million, respectively)

Athabasca's total assets by segment are as follows:

| Net book value (As at)                           | June 30,<br>2017    | December 31,<br>2016 |
|--|---------------------|----------------------|
| <b>LIGHT OIL</b>                                 |                     |                      |
| Capital-carry receivable (current and long-term) | \$ 173,714          | \$ 191,174           |
| Property, plant and equipment                    | 502,450             | 407,312              |
| Exploration and evaluation                       | 410                 | 410                  |
|  | 676,574             | 598,896              |
| <b>THERMAL OIL</b>                               |                     |                      |
| Inventory  | 39,524              | 14,871               |
| Risk management contracts                        | 15,457              | —                    |
| Property, plant and equipment                    | 883,717             | 342,474              |
| Exploration and evaluation                       | 440,484             | 439,024              |
|  | 1,379,182           | 796,369              |
| <b>CORPORATE</b>                                 |                     |                      |
| Current assets <sup>(1)</sup>                    | 311,386             | 720,381              |
| Restricted cash (Note 5)                         | 113,853             | 107,012              |
| Other long-term deposits (Note 6)                | —                   | 28,500               |
| Property, plant and equipment                    | 8,000               | 6,729                |
|  | 433,239             | 862,622              |
| <b>TOTAL ASSETS</b>                              | <b>\$ 2,488,995</b> | <b>\$ 2,257,887</b>  |

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

### 13. INDEBTEDNESS

| As at  | June 30,<br>2017  | December 31,<br>2016 |
|--|-------------------|----------------------|
| Senior Secured Second Lien Notes ("2022 Notes") <sup>(1)</sup> | \$ 584,212        | \$ —                 |
| Senior Secured Second Lien Notes ("2017 Notes")                | —                 | 550,000              |
| Debt issuance costs <sup>(1)</sup>                             | (45,497)          | (21,664)             |
| Amortization of debt issuance costs                            | 2,484             | 17,873               |
| <b>TOTAL INDEBTEDNESS</b>                                      | <b>\$ 541,199</b> | <b>\$ 546,209</b>    |

(1) As at June 30, 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\$1.2983.

#### 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 certain minimum hedging requirements for 2017 and maximum hedging requirements over the term of the 2022 Notes.

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 June 30, 2017, the fair value of the 2022 Notes was \$558.0 million (US\$429.8 million) and the 2022 Notes have been classified as Level 2. The fair values were based on observable quoted prices from financial institutions.

### 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 May 31, 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 the amount outstanding would be required to be repaid 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 of the Company's Light Oil and Thermal Oil properties with the next semi-annual review occurring in the fourth quarter of 2017. 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 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 minimum hedging requirements in 2017 and maximum hedging requirements over the term of the New Credit Facility.

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 4.50%. The Company incurs a standby fee on the undrawn portion of the New Credit Facility of 1.125%.

As at June 30, 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 certain financial assurance requirements under Athabasca's long-term transportation agreements.

Under the terms of the Letter of Credit Facility, Athabasca is required to contribute cash to a Cash-Collateral Account equivalent to 101% of the value of all letters of credit issued under the facility (Note 5). As at June 30, 2017, Athabasca had \$109.6 million in letters of credit issued and outstanding under the Letter of Credit Facility.

## 14. PROVISIONS

| As at                                  | June 30,<br>2017  | December 31,<br>2016 |
|--|-------------------|----------------------|
| Decommissioning obligations            | \$ 107,825        | \$ 65,321            |
| Contingent payment obligation (Note 6) | 8,369             | —                    |
| Office lease provision                 | 4,620             | 5,428                |
| Other long-term obligations            | 4,829             | 5,448                |
| <b>TOTAL PROVISIONS</b>                | <b>\$ 125,643</b> | <b>\$ 76,197</b>     |

### 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   | June 30,<br>2017 | December 31,<br>2016 |
|---|------------------|----------------------|
| DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD          | \$ 65,321        | \$ 75,537            |
| Liabilities incurred                                      | 457              | 1,730                |
| Liabilities acquired                                      | 40,039           | —                    |
| Liabilities settled                                       | (3,912)          | (835)                |
| Liabilities disposed                                      | —                | (6,316)              |
| Change in discount rate                                   | —                | (4,794)              |
| Changes in estimates                                      | 2,107            | (6,637)              |
| Accretion expense   | 3,813            | 6,636                |
| DECOMMISSIONING OBLIGATIONS, END OF PERIOD - DISCOUNTED   | \$ 107,825       | \$ 65,321            |
| DECOMMISSIONING OBLIGATIONS, END OF PERIOD - UNDISCOUNTED | \$ 275,357       | \$ 141,800           |

During the six months ended June 30, 2017, Athabasca acquired \$40.0 million in decommissioning obligations relating to the Leismer Corner Acquisition (Note 6). 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 \$8.0 million with a corresponding adjustment to E&E and PP&E.

## 15. FINANCIAL INSTRUMENTS RISK

As at June 30, 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, onerous lease provisions, 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 through disciplined capital spending, an active commodity risk management program (Note 9) and by maintaining sufficient funds for anticipated short-term spending in cash, cash equivalent and short-term investment accounts and through available credit facilities.

Going forward, it is anticipated that Athabasca's Light Oil and Thermal Oil capital and operating activities, based on current business plans, will be funded through cash flow from operations, the capital-carry receivable, existing cash and cash equivalents and available credit facilities. Any significant acceleration of Light Oil development activities, future expansion of the Company's Thermal Oil projects, or a prolonged period of commodity price weakness, may require the Company to secure 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 at the time 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 and the New Credit facility with a one year term-out provision to May 31, 2019. 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 13). 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 \$29.2 million and a change to the annual interest payment by approximately \$2.9 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 9 for further details.



## Interest Rate Risk

The Company's exposure to interest rate fluctuations on interest earned on its floating rate cash balance of \$293.5 million (December 31, 2016 - \$757.3 million), from a 1.0% change in interest rates, would be approximately \$2.9 million for a 12 month period (year ended December 31, 2016 - \$7.6 million).

## 16. 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:

|  | Six months ended<br>June 30, 2017 |                     | Year ended<br>December 31, 2016 |                    |
|--|-----------------------------------|---------------------|---------------------------------|--------------------|
|  | Number of<br>Shares               | Amount              | Number of<br>Shares             | Amount             |
| Balance at beginning of period                                   | 406,490,101                       | \$ 2,020,159        | 404,299,592                     | \$2,005,770        |
| Issuance of common shares on Leismer Corner Acquisition (Note 6) | 100,000,000                       | 166,000             | —                               | —                  |
| Exercise of stock options and RSUs (Note 17)                     | 2,463,503                         | 8,409               | 2,190,509                       | 14,389             |
| <b>BALANCE AT END OF PERIOD</b>                                  | <b>508,953,604</b>                | <b>\$ 2,194,568</b> | <b>406,490,101</b>              | <b>\$2,020,159</b> |

## 17. STOCK-BASED COMPENSATION

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

|  | June 30,<br>2017  | December 31,<br>2016 |
|--|-------------------|----------------------|
| Stock options <sup>(1)</sup>                       | 13,840,976        | 9,369,885            |
| Restricted share units (2010 RSU Plan)             | 3,699,299         | 4,285,427            |
| Restricted share units (2015 RSU Plan)             | 9,804,527         | 4,950,063            |
| Performance share units                            | 4,093,667         | 2,691,300            |
| Deferred share units <sup>(2)</sup>                | 1,669,323         | 1,132,727            |
| <b>TOTAL OUTSTANDING EQUITY COMPENSATION UNITS</b> | <b>33,107,792</b> | <b>22,429,402</b>    |

(1) The weighted average exercise price of the Company's outstanding stock options as at June 30, 2017 was \$2.92/share with a range from \$1.07 - \$13.30.

(2) The DSU plan is a cash-settled stock-based compensation plan and is recognized as a liability on the balance sheet.

As at June 30, 2017, total outstanding equity compensation units increased by 10.7 million units compared to December 31, 2016. The increase was primarily due to 15.6 million units granted, partially offset by forfeitures and expiries of 2.4 million units and 2.5 million units that were exercised. Refer to the December 31, 2016 audited consolidated financial statements of the Company for further information on the Company's stock-based compensation plans.

## 18. PER SHARE COMPUTATIONS

For the three and six months ending June 30, 2017, Athabasca had 508,655,464 and 490,492,488 weighted average shares outstanding respectively (three and six months ending June 30, 2016 - 405,222,515 and 404,964,704, respectively). 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. As at June 30, 2017, 25,919,187 in anti-dilutive securities were excluded from the calculation of diluted loss per share (December 31, 2016 - 21,296,675).

## 19. FINANCING AND INTEREST

|  | Three months ended<br>June 30, |                  | Six months ended<br>June 30, |                  |
|--|--------------------------------|------------------|------------------------------|------------------|
|  | 2017                           | 2016             | 2017                         | 2016             |
| Financing and interest expense on indebtedness (Note 13) | \$ 15,595                      | \$ 16,917        | \$ 30,285                    | \$ 35,101        |
| Accretion of provisions (Note 14)                        | 2,204                          | 1,901            | 4,072                        | 3,861            |
| Amortization of debt issuance costs <sup>(1)</sup>       | 2,597                          | 8,583            | 7,696                        | 10,438           |
| <b>TOTAL FINANCING AND INTEREST</b>                      | <b>\$ 20,396</b>               | <b>\$ 27,401</b> | <b>\$ 42,053</b>             | <b>\$ 49,400</b> |

(1) For the six months ended June 30, 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 three and six months ended June 30, 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.

## 20. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future minimum commitments as at June 30, 2017 for the following five years and thereafter:

|   | 2017             | 2018              | 2019              | 2020              | 2021              | Thereafter          | Total               |
|---|------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Transportation  | \$ 49,099        | \$ 95,916         | \$ 65,903         | \$ 105,037        | \$ 102,946        | \$ 1,771,497        | \$ 2,190,398        |
| Repayment of long-term debt (Note 13) <sup>(1)</sup>        | —                | —                 | —                 | —                 | —                 | 584,212             | 584,212             |
| Interest expense on long-term debt (Note 13) <sup>(1)</sup> | 29,006           | 58,172            | 58,172            | 58,172            | 58,172            | 29,326              | 291,020             |
| Office leases   | 1,226            | 2,452             | 2,452             | 2,452             | 2,452             | 9,356               | 20,390              |
| Purchase commitments and drilling rigs                      | 8,374            | 2,976             | —                 | —                 | —                 | —                   | 11,350              |
| <b>TOTAL COMMITMENTS</b>                                    | <b>\$ 87,705</b> | <b>\$ 159,516</b> | <b>\$ 126,527</b> | <b>\$ 165,661</b> | <b>\$ 163,570</b> | <b>\$ 2,394,391</b> | <b>\$ 3,097,370</b> |

(1) The 2022 Notes and associated interest expense were translated into Canadian dollars at the June 30, 2017 exchange rate of US\$1.00 = C\$1.2983.

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., starting in late 2019. The TMX Pipeline commitment has been included in the above table.

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. As at June 30, 2017, the remaining commitment was \$58.9 million which expired at various times through 2021. Subsequent to the second quarter, 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 will replace the existing Waupisoo commitment. The new agreement has an effective date of July 1, 2017 and Athabasca's new minimum discounted commitment associated with the Waupisoo pipeline will be approximately \$127.7 million based on Athabasca's credit-adjusted discount rate of 10% (\$207 million undiscounted). The net increase in the commitment has not been reflected in the above table.

A second transportation commitment was reassigned by Statoil to Athabasca for the transportation of diluent to the Leismer Project's central processing facility. This commitment has been included in the above table.

Excluded from the table above is a commitment for \$114.5 million of office leases over 10 years 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 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.

## 21. SUPPLEMENTAL CASH FLOW INFORMATION

### Net change in non-cash working capital

The following table reconciles the net changes in non-cash working capital from the balance sheet to the cash flow statement as at June 30, 2017 and 2016:

|   | Three months ended<br>June 30, |             | Six months ended<br>June 30, |             |
|---|--------------------------------|-------------|------------------------------|-------------|
|   | 2017                           | 2016        | 2017                         | 2016        |
| Change in accounts receivable                               | \$ 22,089                      | \$ (3,107)  | \$ (45,252)                  | \$ (7,604)  |
| Change in prepaid expenses and deposits                     | 793                            | (7,617)     | (16,443)                     | (6,640)     |
| Change in inventory   | (882)                          | (6,202)     | (24,653)                     | (7,345)     |
| Change in accounts payable and accrued liabilities          | (44,905)                       | (25,108)    | 31,853                       | (13,397)    |
|   | \$ (22,905)                    | \$ (42,034) | \$ (54,495)                  | \$ (34,986) |
| Other items impacting changes in non-cash working capital:  |                                |             |                              |             |
| Inventory acquired from Leismer Corner Acquisition (Note 6) | —                              | —           | 28,398                       | —           |
| Change in current portion of provisions and other           | 2,177                          | 10,895      | (11,810)                     | 11,749      |
|   | \$ (20,728)                    | \$ (31,139) | \$ (37,907)                  | \$ (23,237) |
| RELATED TO:   |                                |             |                              |             |
| Operating activities  | \$ 4,437                       | \$ (5,071)  | \$ (34,645)                  | \$ (1,299)  |
| Financing activities  | (468)                          | 193         | (318)                        | 193         |
| Investing activities  | (24,697)                       | (26,261)    | (2,944)                      | (22,131)    |
| NET CHANGE IN NON-CASH WORKING CAPITAL                      | \$ (20,728)                    | \$ (31,139) | \$ (37,907)                  | \$ (23,237) |

# CORPORATE INFORMATION

## MANAGEMENT

Rob Broen  
President & Chief Executive Officer

Kim Anderson  
Chief Financial Officer

Anne Schenkenberger  
Vice President, General Counsel & Corporate Secretary

Kevin Smith  
Vice President, Light Oil

Rod Sousa  
Vice President, Corporate Development

Dave Stewart  
Vice President, Operations

Matthew Taylor  
Vice President, Capital Markets & Communications

Don Verdonck  
Vice President, Thermal Oil

## DIRECTORS

Ronald Eckhardt<sup>(1)(2)</sup>  
Chair

Bryan Begley<sup>(2)(3)</sup>

Rob Broen<sup>(2)</sup>

Carlos Fierro<sup>(1)(3)</sup>

Marshall McRae<sup>(1)</sup>

Henry Sykes<sup>(1)(3)</sup>

Member of:

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

## CORPORATE OFFICE

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Calgary, Alberta T2P 1K3  
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## WEBSITE

[www.atha.com](http://www.atha.com)

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

## TRUSTEE AND TRANSFER AGENT

Computershare Trust Company of Canada  
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Telephone: (403) 267-6800  
Fax: (403) 267-6529

## BANK

The Toronto-Dominion Bank  
Royal Bank of Canada

## AUDITORS

Ernst & Young LLP

## LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

## INDEPENDENT EVALUATORS

GLJ Petroleum Consultants Ltd.  
DeGolyer and MacNaughton Canada Limited

## STOCK SYMBOL

ATH  
Toronto Stock Exchange