Consolidated Financial Statements

December 31, 2018

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, 2018.

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, 2018. 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 6, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Athabasca Oil Corporation

Opinion

We have audited the consolidated financial statements of Athabasca Oil Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ann-Marie Brockett.

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Alberta
March 6, 2019

CONSOLIDATED BALANCE SHEETS

As at ($ Thousands)	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	$ 73,898	$ 163,321
Accounts receivable (Note 5)	39,119	111,575
Current portion of capital-carry receivable (Note 6)	61,161	77,012
Prepaid expenses and deposits	10,205	26,301
Inventory (Note 7)	25,442	36,717
Risk management contracts (Note 8)	2,495	4,054
Assets held for sale (Note 11)	39,877	—
	252,197	418,980
Restricted cash (Note 9)	111,056	113,406
Long-term portion of capital-carry receivable (Note 6)	17,955	79,024
Long-term deposit (Note 24)	12,577	—
Property, plant and equipment (Note 12)	1,429,706	1,419,883
Exploration and evaluation assets (Note 13)	2,147	292,279
	$ 1,825,638	$ 2,323,572
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 138,462	$ 116,304
Risk management contracts (Note 8)	11,703	7,602
Current portion of provisions and other liabilities (Note 16)	5,460	7,302
	155,625	131,208
Long-term debt (Note 15)	581,140	526,206
Provisions and other liabilities (Note 16)	122,924	141,548
	859,689	798,962
SHAREHOLDERS' EQUITY		
Common shares (Note 17)	2,217,963	2,201,690
Contributed surplus	134,704	139,981
Retained deficit	(1,386,718)	(817,061)
	965,949	1,524,610
	$ 1,825,638	$ 2,323,572

Commitments and contingencies (Note 27).

See accompanying notes to the consolidated financial statements.

Approved by the Board:

(Signed) *(Signed)*

Ronald Eckhardt
Chairman

Marshall McRae
Director

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Year ended ($ Thousands, except per share amounts)	December 31, 2018	December 31, 2017
REVENUE		
Petroleum and natural gas sales (Note 21)	$ 809,637	$ 784,032
Interest income	3,958	3,552
Royalties	(18,696)	(11,625)
	794,899	775,959
Unrealized loss on commodity risk management contracts (Note 8)	(8,155)	(3,548)
Realized loss on commodity risk management contracts (Note 8)	(23,695)	(388)
	763,049	772,023
EXPENSES		
Cost of diluent	413,525	343,742
Operating expenses	175,520	175,661
Transportation and marketing	84,083	72,268
General and administrative	29,962	29,168
Restructuring	3,604	—
Stock-based compensation (Note 18)	8,565	7,046
Financing and interest (Note 22)	80,435	82,807
Depletion and depreciation (Note 12)	162,112	115,435
Impairment loss (Note 14)	356,674	189,535
Exploration expenses	960	320
Total expenses	1,315,440	1,015,982
Revenue less Expenses	(552,391)	(243,959)
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss), net (Note 26)	(49,869)	24,124
Gain on foreign exchange risk management contracts, net (Note 8)	3,566	—
Gain on revaluation of provisions and other (Note 23)	29,037	13,356
Insurance proceeds	—	7,976
Acquisition expenses (Note 10)	—	(11,047)
Gain on sale of assets	—	143
Net loss and comprehensive loss	$ (569,657)	$ (209,407)
BASIC LOSS PER SHARE (Note 19)	$ (1.11)	$ (0.42)
DILUTED LOSS PER SHARE (Note 19)	$ (1.11)	$ (0.42)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended ($ Thousands)	December 31, 2018	December 31, 2017
OPERATING ACTIVITIES		
Net loss and comprehensive loss	$ (569,657)	$ (209,407)
Items not affecting cash		
Stock-based compensation (Note 18)	8,565	7,046
Net non-cash financing and interest	19,525	22,071
Depletion and depreciation (Note 12)	162,112	115,435
Impairment loss (Note 14)	356,674	189,535
Non-cash foreign exchange (gain) loss (Note 26)	48,729	(23,653)
Non-cash loss on risk management contracts (Note 8)	5,660	3,548
Non-cash gain on revaluation of provisions and other (Note 23)	(29,037)	(13,356)
Gain on sale of assets	—	(143)
Settlement of provisions and other liabilities (Note 16)	(9,937)	(8,647)
Increase in long-term deposit (Note 24)	(12,577)	—
Changes in non-cash working capital (Note 29)	103,787	(20,732)
	83,844	61,697
FINANCING ACTIVITIES		
Proceeds from exercised equity incentives (Note 18)	165	175
Issuance of 2022 Notes (Note 15)	—	541,924
Repayment of 2017 Notes (Note 15)	—	(550,000)
Changes in non-cash working capital (Note 29)	(350)	(318)
	(185)	(8,219)
INVESTING ACTIVITIES		
Additions to property, plant and equipment (Note 12)	(273,315)	(258,011)
Additions to exploration and evaluation assets (Note 13)	(3,013)	(4,037)
Recovery of capital-carry proceeds (Note 6)	82,348	49,447
Cash portion of Leismer Corner Acquisition (Note 10)	—	(407,406)
Proceeds from sale of assets (Note 11)	—	90,211
SR&ED tax credits received	—	49
(Increase) decrease in restricted cash (Note 9)	2,350	(6,326)
Changes in non-cash working capital (Note 29)	18,548	(4,385)
	(173,082)	(540,458)
CHANGE IN CASH AND CASH EQUIVALENTS	(89,423)	(486,980)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	163,321	650,301
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 73,898	$ 163,321

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended ($ Thousands)	December 31, 2018	December 31, 2017
COMMON SHARES (Note 17)		
Balance, beginning of period	$ 2,201,690	$ 2,020,159
Exercise of stock options, RSUs and PSUs (Note 18)	16,273	15,531
Issuance of common shares on Leismer Corner Acquisition (Note 10)	—	166,000
Balance, end of period	2,217,963	2,201,690
CONTRIBUTED SURPLUS		
Balance, beginning of period	139,981	144,592
Stock-based compensation (Note 18)	10,831	10,745
Exercise of stock options, RSUs and PSUs (Note 18)	(16,108)	(15,356)
Balance, end of period	134,704	139,981
RETAINED DEFICIT		
Balance, beginning of period	(817,061)	(607,654)
Net loss	(569,657)	(209,407)
Balance, end of period	(1,386,718)	(817,061)
TOTAL SHAREHOLDERS' EQUITY	$ 965,949	$ 1,524,610

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended December 31, 2018.

(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 6, 2019.

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. The consolidated financial statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2017, except for IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* which were adopted on January 1, 2018. There were no changes to the Company's operating segments during the period. Certain comparative figures have been restated to conform to the current period presentation.

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 6). 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 future WTI prices, inflation factors, foreign exchange rates and Leismer bitumen production. 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, 2018 and as at December 31, 2017, Athabasca did not recognize deductible temporary differences in respect of income tax assets (Note 24).

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 and other assets 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 Company also utilizes foreign exchange risk management contracts to reduce its exposure to foreign exchange risk associated with its interest payments on its US dollar denominated 2022 Notes. The calculated fair value of the risk management contracts relies on external observable market data including quoted forward commodity prices and foreign exchange rates. 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, expected 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 consolidated 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. Segmented information is presented in Note 20.

Financial Instruments

Policy applicable before January 1, 2018

Under IAS 39 *Financial Instruments: Recognition and Measurement,* 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”; or “other financial liabilities.” The Company has classified its financial instruments as follows:

Financial Assets and Liabilities	Classification	Measurement
Cash and cash equivalents	Held-for-trading	Fair value through net income (loss)
Restricted cash	Held-for-trading	Fair value through net income (loss)
Risk management contracts	Held-for-trading	Fair value through net income (loss)
Accounts receivable	Loans and receivables	Amortized cost
Capital-carry receivable	Loans and receivables	Fair value through net income (loss)
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Contingent payment obligation	Other financial liabilities	Fair value through net income (loss)
Long-term debt	Other financial liabilities	Amortized cost

Policy applicable after January 1, 2018

Athabasca adopted IFRS 9 *Financial Instruments* on January 1, 2018, replacing IAS 39 *Financial Instruments: Recognition and Measurement,* with no adjustments required to the consolidated financial statements on adoption. All financial instruments are assessed at initial recognition in the context of the Company's business model and the contractual cash flow characteristics of the financial assets and liabilities.

The Company has measured its financial instruments as follows:

Financial Assets and Liabilities	IFRS 9
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Risk management contracts	Fair value through net income (loss)
Accounts receivable	Amortized cost
Capital-carry receivable	Fair value through net income (loss)
Accounts payable and accrued liabilities	Amortized cost
Contingent payment obligation	Fair value through net income (loss)
Long-term debt	Amortized cost

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.

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Athabasca's 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 foreign exchange. 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 consolidated statement of income (loss) in the period in which they arise.

At each reporting date, the Company uses the expected credit loss model to assess whether any of the financial assets, measured at amortized cost or fair value through other comprehensive income (loss), are impaired. Any necessary impairment loss would be recognized based on the expected credit loss model.

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 sheet.

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. Net realizable value is the estimated selling price less any expected selling costs. 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. The costs of planned major inspection & maintenance, overhaul and turnaround activities that maintain PP&E and benefit future years of operations are capitalized. Recurring planned maintenance activities performed on shorter intervals are expensed as operating costs. Replacements outside of a major inspection & maintenance, overhaul or turnaround are capitalized when it is probable that future economic benefits will be realized and the replaced component is derecognized. 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 (loss).

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, pumps and turnaround costs are 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 ten years.

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 consolidated 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

PP&E and E&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 due to significant changes in the technological, market, regulatory, economic or legal environment. 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 PP&E and E&E assets that are in the same CGU together for the purposes of testing for impairment. 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) adjusted for general and administrative expenses. The recoverable amounts also include estimated land values for acreages which do not, at present, have Proved plus Probable Reserves and/or Contingent Resources assigned (Level 3). Future cash flows are estimated using appropriate inflation and discount rates which are based on the individual 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 change 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 PP&E and E&E CGUs.

At each reporting period, PP&E and E&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.

Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing development or use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. For the sale to be highly probable, there must be an active program to locate a buyer and plan to complete the sale must be initiated. The asset must be actively marketed and the sale should be expected to be completed within one year from the date of classification. Certain events or circumstances beyond the Company's control may extend the period to complete the sale beyond one year.

Immediately before the PP&E and E&E are classified as held for sale, they are assessed for indicators of impairment or reversal of impairment and are measured at the lower of their carrying amount and recoverable amount, with any impairment charge or reversal of impairment recognized in the consolidated statement of income (loss). Non-current assets held for sale and their associated liabilities are classified and presented in current assets and liabilities within the consolidated balance sheet. Assets held for sale are not depleted, depreciated or amortized.

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 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 fully 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 10). The contingent payment obligation is management's best estimate of the expenditure required to settle the obligation. Subsequent to initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Any change in the obligation is recognized as a revaluation gain or loss in net income (loss). Actual payments are classified on the consolidated statement of cash flows as cash used in investing activities until the cumulative payments exceed the acquisition date fair value of the liability. Cumulative payments in excess of the acquisition date fair value are classified as cash used in operating activities. Actual costs incurred upon settlement of the obligation are charged against the provision.

Revenue Recognition

Policy applicable before January 1, 2018

Under IAS 18 *Revenue,* 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.

Policy applicable after January 1, 2018

Athabasca adopted IFRS 15 *Revenue from Contracts with Customers,* replacing IAS 18 *Revenue,* on January 1, 2018 using the cumulative effect method. As a result of the adoption of IFRS 15, no cumulative effect adjustment to retained deficit was required and there was no impact on net income (loss) or cash flow.

Under IFRS 15, Athabasca classified its revenue as being earned from blended bitumen sales and sales from the production of oil and condensate, natural gas and natural gas liquids.

Revenue from the sale of blended bitumen, oil and condensate, natural gas and natural gas liquids is measured based on the consideration specified in the contracts Athabasca has with its customers. Athabasca recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer, including pipelines or other transportation methods. Athabasca has reviewed its revenue streams and major contracts with customers using the IFRS 15 five step model and there were no changes to the timing of revenue recognized.

Athabasca sells substantially all of its production pursuant to variable-priced contracts. The transaction price for variable priced contracts is based on a benchmark commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

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. Royalty expenses are recognized as production occurs.

Income Taxes

Income tax is comprised of current and deferred tax. Income tax expense is recognized in the consolidated 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 expected 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 PP&E or E&E assets. For the remainder of employees, the compensation is expensed.

Per Share Amounts

Basic income (loss) 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, 2018, 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. 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 consolidated statement of income (loss).

Future Accounting Pronouncements

The following standard that has been issued, but is not yet effective up to the date of issuance of the Company's consolidated financial statements, is disclosed below. The Company adopted this standard on January 1, 2019.

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 consolidated balance sheet. 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. IFRS 16 is required to be adopted either retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect of IFRS 16 as an adjustment to the opening retained deficit and applies the standard prospectively. Athabasca currently plans to apply the modified retrospective approach at transition.

On initial adoption, Athabasca is applying the following expedients permitted under the standard:

- Leases with terms ending within 12 months will be recognized as short-term leases.
- Short-term leases and leases of low value assets that have been identified will not be recognized on the consolidated balance sheet. Payments for these leases will be disclosed in the notes to the consolidated financial statements.

Athabasca has evaluated its significant contracts and agreements and anticipates the only material impact of the standard will be related to its office lease. Upon adoption this will result in an estimated leased asset of $12.6 million, a lease liability of $18.7 million and a reallocation of future annual general and administrative expense of approximately $2.8 million to financing & interest and depletion & depreciation expense. Cash flows associated with lease repayments will be allocated between operating and financing activities based on their interest and principal repayment components. Athabasca will recognize a leased asset for its office lease that is not equal to its corresponding lease liability as a result of applying the modified retrospective approach at transition. Also, the previously recognized onerous office lease provision will be netted against the associated leased asset instead of reassessing the asset for impairment on January 1, 2019.

The quantified impacts of IFRS 16 disclosed herein are subject to change in future periods pending updates to individual contract terms, assumptions, and other facts and circumstances arising subsequent to the date of these consolidated financial statements. As new contracts and agreements are entered into and as interpretation of the standard continues, future leases may be identified and recognized on the consolidated balance sheet. Athabasca is also currently reviewing the new disclosure requirements for IFRS 16.

4. CASH AND CASH EQUIVALENTS

As at December 31, 2018 and December 31, 2017, Athabasca's cash, cash equivalents and restricted cash (Note 9) 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.

5. ACCOUNTS RECEIVABLE

As at		December 31, 2018		December 31, 2017
Petroleum and natural gas receivables	$	7,441	$	78,420
Joint interest billings		24,914		29,922
Risk management (realized), government and other receivables		6,764		3,233
TOTAL	$	39,119	$	111,575

Management believes collection risk of the outstanding accounts receivable as at December 31, 2018 is low given the high credit quality of the Company's material counterparties. No material amounts were past due as at December 31, 2018.

6. CAPITAL-CARRY RECEIVABLE

In 2016, Athabasca entered into a joint venture with Murphy Oil Company Ltd. ("Murphy") to advance development of its Light Oil assets (the "Murphy Transaction") resulting in Athabasca holding an operated 70% working interest in its Greater Placid assets and a non-operated 30% working interest in its Greater Kaybob assets. As part of the transaction consideration, Athabasca recognized $219.0 million (undiscounted) in the form of a capital-carry receivable in Greater Kaybob, whereby Murphy committed to funding 75% of Athabasca's share of development capital 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 remaining receivable. The timing of the recovery is dependent on the amount of capital expenditures in the Greater Kaybob area, as 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, 2018		December 31, 2017
CAPITAL-CARRY RECEIVABLE, BEGINNING OF PERIOD	$	156,036	$	191,174
Recovery of capital-carry through capital expenditures		(82,348)		(49,447)
Revisions in expected timing of future capital expenditures		(897)		410
Change in discount rate		—		2,227
Time value of money accretion		6,325		11,672
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - DISCOUNTED	$	79,116	$	156,036
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - UNDISCOUNTED	$	81,675	$	164,023

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, 2017 - 5.0% 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.

7. INVENTORY

As at	December 31, 2018		December 31, 2017	
Product inventory	$	15,882	$	28,301
Warehouse inventory		9,560		8,416
TOTAL	$	25,442	$	36,717

8. RISK MANAGEMENT CONTRACTS

Under the Company's commodity risk management program, Athabasca may utilize financial and/or physical delivery contracts to fix the commodity price associated with a portion of its future production in order to manage its exposure to fluctuations in commodity prices. Physical delivery contracts are not considered financial instruments and therefore, no asset or liability is recognized on the consolidated balance sheet. Athabasca is also exposed to foreign exchange risk on the principal and interest components of its US dollar denominated 2022 Notes and has entered into US dollar forward swap contracts to reduce its exposure to foreign currency risk related to its near-term interest payments.

Financial commodity risk management contracts

As at December 31, 2018, the following financial commodity risk management contracts were in place:

Instrument	Period	Volume	C$ Average Price/bbl		Implied US$ Average Price/bbl(1)	
WTI/WCS fixed price differential swaps	January - March 2019	15,267 bbl/d	$	(27.98)	$	(20.50)
WTI/WCS fixed price differential swaps	April - June 2019	11,000 bbl/d	$	(28.79)	$	(21.10)
WTI/WCS fixed price differential swaps	July - September 2019	11,000 bbl/d	$	(28.91)	$	(21.19)
WTI/WCS fixed price differential swaps	October - December 2019	7,000 bbl/d	$	(30.06)	$	(22.03)

(1) The financial commodity risk management contracts were translated into US dollars at the December 31, 2018 exchange rate of US$1.00 = C$1.3646.

Additional financial commodity risk management activity related to 2019 has taken place subsequent to December 31, 2018, as noted in the table below:

Instrument	Period	Volume	C$ Average Price/bbl		Implied US$ Average Price/bbl(1)	
WTI/WCS fixed price differential swaps	January - March 2019	1,033 bbl/d	$	(17.20)	$	(12.60)
WTI/WCS fixed price differential swaps	April - June 2019	7,000 bbl/d	$	(24.21)	$	(17.74)
WTI/WCS fixed price differential swaps	July - September 2019	4,000 bbl/d	$	(26.80)	$	(19.64)
WTI/WCS fixed price differential swaps	October - December 2019	6,000 bbl/d	$	(26.59)	$	(19.49)

(1) The financial commodity risk management contracts were translated into US dollars at the December 31, 2018 exchange rate of US$1.00 = C$1.3646.

The following table summarizes the net loss on commodity risk management contracts for the year ended December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
Unrealized loss on commodity risk management contracts	$	(8,155)	$	(3,548)
Realized loss on commodity risk management contracts		(23,695)		(388)
LOSS ON COMMODITY RISK MANAGEMENT CONTRACTS (NET)	$	(31,850)	$	(3,936)

As at December 31, 2018, Athabasca's commodity risk management contracts were held with three counterparties, all of which were large reputable financial institutions. The Company believes that credit risk associated with commodity risk management contracts is low. Commodity risk management contracts have been classified as Level 2 on the fair value hierarchy.

As at December 31, 2018, Athabasca had a net commodity risk management liability of $11.7 million in respect of the commodity risk management contracts (December 31, 2017 - $3.5 million). As at December 31, 2018, a $1.00 change in the WCS differential would result in an approximate $5.3 million increase/decrease to the fair value of the commodity risk management contracts.

Foreign exchange risk management contracts

As at December 31, 2018, Athabasca had the following foreign exchange risk management contract in place to reduce its exposure to foreign currency risk on its February 2019 interest payment associated with the 2022 Notes.

Instrument	Period	Amount (US$)	Exchange rate (USD/CAD)
Forward swap contract	February 2019	$ 22,219	$ 1.2505

An additional foreign exchange risk management contract was entered into related to the August 2019 interest payment subsequent to December 31, 2018, as noted in the table below:

Instrument	Period	Amount (US$)	Exchange rate (USD/CAD)
Forward swap contract	August 2019	$ 22,219	$ 1.3250

The following table summarizes the net gain on foreign exchange risk management contracts for the year ended December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Unrealized gain on foreign exchange risk management contracts	$ 2,495	$ —
Realized gain on foreign exchange risk management contracts	1,071	—
GAIN ON FOREIGN EXCHANGE RISK MANAGEMENT CONTRACTS (NET)	$ 3,566	$ —

As at December 31, 2018, Athabasca's foreign exchange risk management contract was held with one large reputable financial institution. The Company believes that credit risk associated with the foreign exchange risk management contract is low. Risk management contracts have been classified as Level 2 on the fair value hierarchy.

As at December 31, 2018, Athabasca had a foreign exchange risk management asset of $2.5 million in respect of the foreign exchange risk management contract (December 31, 2017 - $nil). As at December 31, 2018, a $0.01 change in the USD/CAD foreign exchange rate would result in an approximate $0.2 million increase/decrease to the fair value of the foreign exchange risk management contract.

Risk management contracts assets and liabilities are offset and the net amount presented on the consolidated 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 consolidated balance sheet as at December 31, 2018 and December 31, 2017:

	As at December 31, 2018			As at December 31, 2017		
	Asset	Liability	Net	Asset	Liability	Net
RISK MANAGEMENT CONTRACTS (GROSS)	$ 3,493	$ (12,701)	$ (9,208)	$ 18,711	$ (22,259)	$ (3,548)
Individual counterparty offsets	(998)	998	—	(14,657)	14,657	—
RISK MANAGEMENT CONTRACTS (NET)	$ 2,495	$ (11,703)	$ (9,208)	$ 4,054	$ (7,602)	$ (3,548)

9. RESTRICTED CASH

Restricted cash consists of a restricted, interest-bearing, cash-collateral account (the "Cash-Collateral Account") into which the Company is required to deposit cash to secure letters of credit issued under the Company’s $110.0 million cash-collateralized letter of credit facility (the “Letter of Credit Facility”) (Note 15). As at December 31, 2018, $111.1 million was held in the Cash-Collateral Account (December 31, 2017 - $110.2 million).

10. 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 Equinor (formally Statoil ASA; collectively "Equinor"), to acquire its Canadian oil sands assets. The acquired assets include the operating Leismer Thermal Oil Project (the "Leismer Project"), the delineated Corner lease 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. 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.

Consideration for the acquisition included cash of $435.9 million and the issuance of 100 million common shares which were valued at $166.0 million. 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 (adjusted for inflation) (Note 16).

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

11. SALE OF ASSETS

Leismer Infrastructure Transaction

On December 10, 2018, Athabasca entered into an agreement with Enbridge Inc. ("Enbridge") for the sale of its Leismer pipelines and Cheecham storage terminal ("Leismer Infrastructure Transaction") for $265.0 million of cash consideration. The Leismer Infrastructure Transaction was completed on January 15, 2019 and provides Athabasca with priority service on the pipelines and access to the dilbit/diluent tanks with an annual toll of approximately $26.0 million, and a discounted toll for any excess volumes. As at December 31, 2018, Athabasca disclosed $39.9 million as assets held for sale and $0.4 million as provisions held for sale (included within current portion of provisions and other liabilities) in connection with the Leismer Infrastructure Transaction.

Thermal Oil Contingent Bitumen Royalty

In 2016 and 2017, Athabasca granted Contingent Bitumen Royalties (the "Royalty") on its Thermal Oil assets to Burgess Energy Holdings L.L.C. ("Burgess") for gross cash proceeds of $397.0 million. Under the terms of the Royalty, Athabasca will pay Burgess a linear-scale Royalty of 0% - 12%, relative to WCS benchmark prices ranging from US$60/bbl to US$150/bbl. The Royalty is applied to Athabasca's realized bitumen price (C$), which is determined net of diluent, transportation and storage costs. The Royalty has no associated commitments to develop future expansions or projects. No amounts have been paid or are currently payable in respect of the Royalty to Burgess.

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

BALANCE, DECEMBER 31, 2016	$	756,515
Leismer Corner Acquisition (Note 10)		638,286
PP&E expenditures		258,011
Non-cash capitalized costs(1)		13,739
Depletion and depreciation		(115,435)
Impairment loss (Note 14)		(41,212)
Disposals (Note 11)		(90,021)
BALANCE, DECEMBER 31, 2017	$	1,419,883
PP&E expenditures		273,315
Non-cash capitalized costs(1)		697
Depletion and depreciation		(162,112)
Impairment loss (Note 14)		(62,200)
BALANCE, DECEMBER 31, 2018	$	1,469,583

(1) Non-cash capitalized costs relate to capitalized stock-based compensation and decommissioning obligation assets.

PP&E consists of the following:

Net book value (As at)		December 31, 2018		December 31, 2017
PP&E at cost	$	2,838,252	$	2,564,240
Accumulated depletion and depreciation		(457,295)		(295,183)
Accumulated impairment losses		(911,374)		(849,174)
TOTAL PP&E	$	1,469,583	$	1,419,883
Presented as:				
Assets held for sale (Note 11)	$	39,877	$	—
Property, plant and equipment	$	1,429,706	$	1,419,883

As at December 31, 2018, $85.2 million (December 31, 2017 - $122.9 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.

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

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 14)		(148,323)
Disposals		(476)
BALANCE, DECEMBER 31, 2017	$	292,279
E&E expenditures		3,013
Non-cash capitalized costs(1)		1,329
Impairment loss (Note 14)		(294,474)
BALANCE, DECEMBER 31, 2018	$	2,147

(1) Non-cash capitalized costs relate to capitalized stock-based compensation and decommissioning obligation assets.

14. 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 as well as a review of the Company's assets, future development plans and pending land expiries.

Light Oil

The Light Oil Division consists of the Greater Kaybob and Greater Placid areas (collectively the "Light Oil CGU"). In this financial reporting period, Athabasca identified indicators of impairment for its Light Oil CGU as a result of current market pricing uncertainty. The Company completed an impairment test using VIU which resulted in the carrying value of the Light Oil CGU being fully supported. At December 31, 2017, no indicators of impairment or reversal of previous impairment were identified.

Thermal Oil

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

In this financial reporting period, Athabasca also identified indicators of impairment over its Hangingstone and Dover West CGUs. The current Provincial and Federal regulatory environments have created uncertainty around the timing of new market egress solutions and future environmental compliance (carbon-tax) costs, both of which could impact the economics, capital allocation to and/or expected timing of future expansions or development related to these assets. The Company completed an impairment test on its Hangingstone CGU which resulted in an estimated recoverable value of approximately $200 million (based on VIU), which was below the CGU's carrying value of $262.2 million. The Dover West CGU impairment test (based on VIU) resulted in a full impairment of the CGU's carrying value of $294.5 million within E&E. No indicators of impairment or impairment reversals were identified for Athabasca's Leismer/Corner, Birch or Grosmont CGUs. In the fourth quarter of 2017, Athabasca recognized an impairment loss of $189.5 million on its Hangingstone and Birch CGUs.

Impairment Test Assumptions

Future cash flows utilized within the Company's impairment tests were estimated using a two percent inflation rate and discount rates ranging from 10% - 14% 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 forecasts used in the Company's 2018 impairment tests:

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Thereafter
WTI (US$/bbl)	$58.58	$64.60	$68.20	$71.00	$72.81	$74.59	$76.42	$78.40	$79.98	$81.59	+2.0%/yr
WCS (C$/bbl)	$51.55	$59.58	$65.89	$68.61	$70.53	$72.34	$74.31	$76.44	$78.10	$79.81	+2.0%/yr
Edmonton Par (C$/bbl)	$67.30	$75.84	$80.17	$83.22	$85.34	$87.33	$89.50	$91.89	$93.76	$95.68	+2.0%/yr
AECO (C$/Mcf)	$ 1.88	$ 2.31	$ 2.74	$ 3.05	$ 3.21	$ 3.31	$ 3.39	$ 3.46	$ 3.54	$ 3.62	+2.0%/yr
FX (CAD:USD)	0.76	0.78	0.80	0.80	0.81	0.81	0.81	0.81	0.81	0.81	0.81

15. INDEBTEDNESS

As at	December 31, 2018	December 31, 2017
Senior Secured Second Lien Notes ("2022 Notes")(1)	$ 614,070	$ 563,310
Debt issuance costs	(47,081)	(45,039)
Amortization of debt issuance costs	14,151	7,935
TOTAL INDEBTEDNESS	$ 581,140	$ 526,206

(1) As at December 31, 2018, the 2022 Notes (as defined below) were translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.3646.

Senior Secured Second Lien Notes

On February 24, 2017, Athabasca issued US$450.0 million of Senior Secured Second Lien Notes (the "2022 Notes"). The 2022 Notes bear interest at a rate of 9.875% per annum, payable semi-annually, and mature 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 the Company. 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. The Company is in compliance with all covenants.

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, 2018, the fair value of the 2022 Notes was $574.7 million (US$421.2 million) and the 2022 Notes have been classified as Level 1. The fair values were based on observable market quoted prices.

Senior Extendible Revolving Term Credit Facility

In the fourth quarter of 2018, Athabasca renewed its $120.0 million reserve-based credit facility (the "Credit Facility"). The Credit Facility is a 364 day committed facility available on a revolving basis until May 31, 2019, 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, 2020. The Credit Facility is subject to a semi-annual borrowing base review, occurring approximately in May and November of each year. The borrowing base is based on the lender's evaluation of the Company's petroleum and natural gas reserves and their commodity price outlook at the time of each renewal, which could result in an increase or a reduction to the Credit Facility.

The 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 Credit Facility contains certain covenants that limit the Company's ability to, among other things: incur additional indebtedness; create or permit liens to exist; make certain restricted payments; and dispose of or transfer assets. The Credit Facility also contains certain maximum hedging limitations. The Company is in compliance with all covenants.

As at December 31, 2018, amounts borrowed under the Credit Facility bear interest at a floating rate based on the applicable Canadian prime rate, US base rate, LIBOR or bankers' acceptance rate, plus a margin of 2.00% to 3.00%. The Company incurs an issuance fee for letters of credit of 3.00% and a standby fee on the undrawn portion of the Credit Facility of 0.675%.

As at December 31, 2018, the Company had no amounts drawn or letters of credit issued and outstanding under the Credit Facility.

Cash-Collateralized Letter of Credit Facility

Athabasca maintains a $110.0 million cash-collateralized letter of credit facility (the "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 9). As at December 31, 2018, Athabasca had $110.0 million (December 31, 2017 - $109.1 million) in letters of credit issued and outstanding under the Letter of Credit Facility.

Unsecured Letter of Credit Facility

In the fourth quarter of 2018, Athabasca entered into a $25.0 million unsecured letter of credit facility (the "Unsecured Letter of Credit Facility") with a Canadian bank which is supported by a performance security guarantee from Export Development Canada. The facility is available on a demand basis and letters of credit issued under this facility incur an issuance and performance guarantee fee of 2.20%. Letters of credit issued under the Unsecured Letter of Credit Facility support financial assurance requirements under Athabasca's long-term transportation agreements.

As at December 31, 2018, the Company had $18.5 million of letters of credit issued and outstanding under the Unsecured Letter of Credit Facility.

16. PROVISIONS AND OTHER LIABILITIES

As at		December 31, 2018		December 31, 2017
Decommissioning obligations	$	118,468	$	113,830
Contingent payment obligation		4,470		26,286
Other long-term obligations		5,446		8,734
TOTAL PROVISIONS AND OTHER LIABILITIES	$	128,384	$	148,850
Presented as:				
Current portion of provisions and other liabilities(1)	$	5,460	$	7,302
Provisions and other liabilities	$	122,924	$	141,548

(1) As at December 31, 2018, $0.4 million relates to provisions held for sale (Note 11).

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, 2018		December 31, 2017
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	$	113,830	$	65,321
Liabilities incurred		1,305		1,170
Liabilities acquired		—		40,039
Liabilities settled		(5,296)		(5,989)
Changes in estimates		(2,569)		4,010
Accretion expense		11,198		9,279
DECOMMISSIONING OBLIGATIONS, END OF PERIOD - DISCOUNTED	$	118,468	$	113,830
DECOMMISSIONING OBLIGATIONS, END OF PERIOD - UNDISCOUNTED	$	291,156	$	290,041

At December 31, 2018, the Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2.0% (December 31, 2017 - 2.0%) and a credit-adjusted discount rate of 10.0% per annum (December 31, 2017 - 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 obligations by approximately $9.5 million with a corresponding adjustment to PP&E and E&E.

Contingent payment obligation

As part of the Leismer Corner Acquisition (Note 10), Athabasca 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.

The contingent payment obligation is remeasured at each reporting period using a call option pricing model with any gains or losses recognized in net income (loss). The call option pricing model includes estimates regarding future WTI prices, foreign exchange rates, inflation rates and Leismer production volumes and is therefore subject to significant measurement uncertainty. The difference in the actual cash outflows associated with the obligation could be material.

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

As at	December 31, 2018	December 31, 2017
CONTINGENT PAYMENT OBLIGATION, BEGINNING OF PERIOD	$ 26,286	$ —
Initial recognition on completion of the Leismer Corner Acquisition	—	24,738
Changes in estimates	(21,816)	1,548
CONTINGENT PAYMENT OBLIGATION, END OF PERIOD	$ 4,470	$ 26,286

No amounts were payable by Athabasca with respect to the annual contingent payment obligation for 2018 or 2017. The obligation has been classified as a Level 3 financial instrument.

17. 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, 2018		December 31, 2017	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	510,040,477	$ 2,201,690	406,490,101	$ 2,020,159
Exercise of stock options, RSUs and PSUs (Note 18)	5,849,210	16,273	3,550,376	15,531
Issuance on Leismer Corner Acquisition (Note 10)	—	—	100,000,000	166,000
BALANCE, END OF PERIOD	515,889,687	$ 2,217,963	510,040,477	$ 2,201,690

18. 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, 2018	December 31, 2017
Stock options	9,659,800	11,067,600
RSUs (2010 RSU Plan)	1,227,918	2,615,155
RSUs (2015 RSU Plan)	12,777,210	8,924,135
PSUs	4,774,600	3,291,967
DSUs	2,343,489	1,531,274
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	30,783,017	27,430,131

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

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, 2018		December 31, 2017	
	Number of options	Exercise price[1]	Number of options	Exercise price[1]
Outstanding stock options, beginning of period	11,067,600	$ 2.60	9,369,885	$ 4.52
Granted	—	—	6,387,100	1.47
Forfeited	(1,003,433)	2.58	(3,339,715)	2.44
Expired	(372,600)	6.74	(1,321,469)	11.23
Exercised	(31,767)	1.07	(28,201)	1.07
OUTSTANDING STOCK OPTIONS, END OF PERIOD	9,659,800	$ 2.44	11,067,600	$ 2.60
EXERCISABLE STOCK OPTIONS, END OF PERIOD	5,163,908	$ 3.31	3,172,582	$ 4.04

(1) Weighted average

There were no stock options granted during the year ended December 31, 2018. The estimated fair value per stock option granted during the year ended December 31, 2017 was $0.68. The exercise prices of the Company's outstanding stock options as at December 31, 2018 range from $0.92 - $8.12 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	2,272,100	$ 1.27	4.49	1,455,607	$ 1.31
1.48 - 1.79	4,389,100	1.50	5.25	709,701	1.50
1.80 - 3.99	1,497,100	2.07	3.25	1,497,100	2.07
4.00 - 7.29	750,500	6.92	1.64	750,500	6.92
7.30 - 8.12	751,000	7.75	0.99	751,000	7.75
	9,659,800	$ 2.44	4.15	5,163,908	$ 3.31

(1) Weighted average

Restricted Share Units

Under the Company's former RSU stock-based compensation plan (the "2010 RSU Plan"), the Company granted RSUs ("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. 2010 Plan RSUs had a vesting period within one to four years and had an average expected life of four years.

	December 31, 2018	December 31, 2017
Outstanding 2010 Plan RSUs, beginning of period	2,615,155	4,285,427
Forfeited	(65,410)	(189,520)
Expired	(16,350)	(36,975)
Exercised	(1,305,477)	(1,443,777)
OUTSTANDING 2010 PLAN RSUs, END OF PERIOD	1,227,918	2,615,155
EXERCISABLE 2010 PLAN RSUs, END OF PERIOD	1,196,168	1,603,300

During the second quarter of 2015, the 2010 RSU Plan was replaced with a new RSU plan (the "2015 RSU Plan"). RSUs 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, 2018	December 31, 2017
Outstanding 2015 Plan RSUs, beginning of period	8,924,135	4,950,063
Granted	10,499,500	7,230,967
Forfeited	(3,042,309)	(1,513,130)
Exercised	(3,604,116)	(1,743,765)
OUTSTANDING 2015 PLAN RSUs, END OF PERIOD	12,777,210	8,924,135

The average estimated fair value per 2015 Plan RSUs granted during the year ended December 31, 2018 was $1.16 (year ended December 31, 2017 - $1.53).

Performance Share Units

Athabasca has a performance award plan ("the PSU Plan") which allows the Company to grant 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 and corporate scorecard performance over the vesting period.

	December 31, 2018	December 31, 2017
Outstanding PSUs, beginning of period	3,291,967	2,691,300
Granted	3,236,483	2,156,267
Forfeited	(846,000)	(1,220,967)
Exercised	(907,850)	(334,633)
OUTSTANDING PSUs, END OF PERIOD	4,774,600	3,291,967

The estimated fair value per PSU granted during the year ended December 31, 2018 was $1.15 (December 31, 2017 - $1.46).

Deferred Share Units

The Company has a DSUs plan for Athabasca's non-management directors. DSUs vest immediately on the date of grant and are settled in cash when an 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, 2018	December 31, 2017
Outstanding DSUs, beginning of period	1,531,274	1,132,727
Granted	940,978	809,223
Forfeited	—	(45,051)
Exercised	(128,763)	(365,625)
OUTSTANDING DSUs, END OF PERIOD	2,343,489	1,531,274

As at December 31, 2018, Athabasca recognized a DSU provision of $2.3 million (December 31, 2017 - $1.6 million) which has no current portion (December 31, 2017 - $0.1 million) (Note 16).

19. PER SHARE AMOUNTS

	December 31, 2018	December 31, 2017
Weighted average shares outstanding - basic	514,151,731	500,136,092
Dilutive effect of stock options, RSUs and PSUs	—	—
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	514,151,731	500,136,092

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, 2018, 28,439,528 in anti-dilutive securities were excluded from the diluted net loss per share calculation as their effect is anti-dilutive (December 31, 2017 - 25,898,857).

20. SEGMENTED INFORMATION

Segmented operating results

Year ended December 31,	Light Oil 2018	Light Oil 2017	Thermal Oil[1] 2018	Thermal Oil[1] 2017	Consolidated 2018	Consolidated 2017
SEGMENT REVENUES						
Petroleum and natural gas sales	$ 169,017	$ 110,121	$ 640,620	$ 673,911	$ 809,637	$ 784,032
Royalties	(6,304)	(5,483)	(12,392)	(6,142)	(18,696)	(11,625)
	162,713	104,638	628,228	667,769	790,941	772,407
SEGMENT EXPENSES & OTHER						
Cost of diluent	—	—	413,525	343,742	413,525	343,742
Operating expenses	33,826	25,569	141,694	150,092	175,520	175,661
Transportation and marketing	21,743	15,372	62,340	56,896	84,083	72,268
Depletion and depreciation	74,188	40,515	86,278	73,182	160,466	113,697
Impairment loss	—	—	356,674	189,535	356,674	189,535
Exploration expenses	66	86	894	234	960	320
Acquisition expenses	—	—	—	11,047	—	11,047
(Gain) loss on sale of assets	—	(429)	—	286	—	(143)
	129,823	81,113	1,061,405	825,014	1,191,228	906,127
Loss on commodity risk management contracts, net					(31,850)	(3,936)
Segment income (loss)	$ 32,890	$ 23,525	$ (433,177)	$ (157,245)	$ (432,137)	$ (137,656)
CORPORATE						
Interest income					3,958	3,552
Financing and interest					(80,435)	(82,807)
General and administrative					(29,962)	(29,168)
Restructuring					(3,604)	—
Stock-based compensation					(8,565)	(7,046)
Depreciation					(1,646)	(1,738)
Foreign exchange gain (loss), net					(49,869)	24,124
Gain on foreign exchange risk management contracts, net					3,566	—
Gain on revaluation of provisions and other					29,037	13,356
Insurance proceeds					—	7,976
NET LOSS AND COMPREHENSIVE LOSS					$ (569,657)	$ (209,407)

(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

Year ended	December 31, 2018	December 31, 2017
LIGHT OIL[1]		
Property, plant and equipment	$ 192,495	$ 203,101
THERMAL OIL		
Property, plant and equipment	80,683	52,707
Exploration and evaluation	3,013	4,037
	83,696	56,744
CORPORATE		
Corporate assets and other	137	2,203
TOTAL CAPITAL SPENDING[1][2][3]	$ 276,328	$ 262,048

(1) Including the recovery of the capital-carry, Athabasca's net cash outflow from capital expenditures during the year ended December 31, 2018 was $194.0 million (December 31, 2017 - $212.6 million) and in the Light Oil Division was $110.1 million (December 31, 2017 - $153.7 million).

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

(3) For the year ended December 31, 2018, expenditures include cash capitalized staff costs of $11.7 million (December 31, 2017 - $12.6 million).

Segmented assets

Net book value (As at)		December 31, 2018		December 31, 2017
LIGHT OIL				
Capital-carry receivable (current and long-term)	$	79,116	$	156,036
Property, plant and equipment		695,885		573,204
Exploration and evaluation		—		410
		775,001		729,650
THERMAL OIL				
Inventory		25,442		36,717
Assets held for sale (Note 11)		39,877		—
Property, plant and equipment		728,135		839,485
Exploration and evaluation		2,147		291,869
		795,601		1,168,071
CORPORATE				
Current assets[(1)]		125,717		305,251
Restricted cash (Note 9)		111,056		113,406
Long-term deposit (Note 24)		12,577		—
Property, plant and equipment		5,686		7,194
		255,036		425,851
TOTAL ASSETS	$	1,825,638	$	2,323,572

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

21. REVENUE

Revenue by product Year ended		December 31, 2018		December 31, 2017
Blended bitumen	$	640,620	$	673,911
Oil and condensate		117,037		80,216
Natural gas		33,622		23,120
Natural gas liquids		18,358		6,785
TOTAL REVENUE	$	809,637	$	784,032

22. FINANCING AND INTEREST

Year ended		December 31, 2018		December 31, 2017
Financing and interest expense on indebtedness (Note 15)	$	60,242	$	60,411
Amortization of debt issuance costs		8,627		12,639
Accretion of provisions (Note 16)		11,566		9,757
TOTAL FINANCING AND INTEREST	$	80,435	$	82,807

23. GAIN ON REVALUATION OF PROVISIONS AND OTHER

Year ended		December 31, 2018		December 31, 2017
Contingent payment obligation (Note 16)	$	21,816	$	(1,548)
Capital-carry receivable (Note 6)		5,428		14,309
Other		1,793		595
TOTAL GAIN ON REVALUATION OF PROVISIONS AND OTHER	$	29,037	$	13,356

24. INCOME TAXES

As at December 31, 2018, Athabasca did not recognize deductible temporary differences of $2.0 billion (December 31, 2017 - $1.5 billion) primarily consisting of approximately $1.5 billion (December 31, 2017 - $1.2 billion) in non-capital losses and $0.5 billion (December 31, 2017 - $0.3 billion) in CCA and resource pools in excess of capital assets. The Company has approximately $3.2 billion in tax pools, including approximately $2.0 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.

From time to time, Athabasca undergoes income tax audits in the normal course of business. In May 2018, the Company received a notice of reassessment from the Canada Revenue Agency ("CRA") with regards to its 2012 taxation year. While the final outcome of such reassessment cannot be predicted with certainty, Athabasca has received legal advice that confirms its position as filed and believes it is likely to be successful in appealing the reassessment. As such, the Company has not recognized any provision in its consolidated financial statements with respect to the reassessment and has posted a deposit with the CRA in order to file an objection against the reassessment.

The following table reconciles the expected income tax recovery calculated at the Canadian statutory rate of 27% (2017 - 27%) to the actual income tax recovery:

Year ended	December 31, 2018	December 31, 2017
LOSS BEFORE INCOME TAXES	$ (569,657)	$ (209,407)
Statutory tax rate	27%	27%
Expected income tax recovery	(153,807)	(56,540)
ADJUSTMENTS RELATED TO THE FOLLOWING:		
Non-taxable portion on foreign exchange (gains) losses, net	6,577	(3,257)
Stock-based compensation	1,639	1,906
Non-taxable portion of gains on sale of assets and other	722	565
Unrecognized deferred income tax asset	144,869	57,326
DEFERRED INCOME TAX RECOVERY	$ —	$ —

25. CAPITAL MANAGEMENT

Athabasca's objectives when managing capital are ensuring the Company has sufficient funding to develop its core operating properties and a resilient balance sheet with sufficient liquidity to manage periods of market volatility. As at December 31, 2018, the Company's capital consisted of working capital, the 2022 Notes, the Credit Facility, the Letter of Credit Facility, the Unsecured Letter of Credit Facility and shareholders' equity.

Capital managed by the Company as at December 31, 2018 and December 31, 2017 was as follows:

As at	December 31, 2018	December 31, 2017
Working capital (excluding assets held for sale)	$ 56,695	$ 287,772
2022 Notes (Note 15)	614,070	563,310
Shareholders' Equity	965,949	1,524,610
TOTAL CAPITAL MANAGED	$ 1,636,714	$ 2,375,692

With completion of the Leismer Infrastructure Transaction on January 15, 2019 working capital increased by $265.0 million.

26. FINANCIAL INSTRUMENTS RISK

As at December 31, 2018, 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 available funding, a commodity risk management program (Note 8) 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. The Company significantly bolstered its liquidity position in early 2019 with the closing of the Leismer Infrastructure Transaction for proceeds of $265.0 million (Note 11).

In 2019, 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, proceeds from the Leismer Infrastructure Transaction and available credit facilities. Beyond 2019, 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 availability 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 Credit facility (currently undrawn) with a one year term-out provision to May 31, 2020 and the contingent payment obligation with a remaining two 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 15). 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 $30.7 million and a change to the annual interest payment by approximately $3.0 million. In 2018 and 2019, Athabasca entered into US dollar forward swap contracts to reduce foreign exchange risk associated with its interest payments on the 2022 Notes. Refer to Note 8 for further details.

The Company is also exposed to foreign currency risk on crude oil and blended bitumen sales based on US dollar benchmark prices. The Company reduces this risk by entering into commodity risk management contracts denominated in Canadian dollars.

Commodity price risk

Athabasca is exposed to commodity price risk on its petroleum and natural gas sales due to fluctuations in market commodity prices. Athabasca manages this exposure through a commodity risk management program. Refer to Note 8 for further details.

Interest Rate Risk

The Company's exposure to interest rate fluctuations on interest earned on its floating rate cash balance of $185.0 million (December 31, 2017 - $276.7 million), from a 1.0% change in interest rates, would be approximately $1.8 million for a 12 month period (year ended December 31, 2017 - $2.8 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.

27. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future minimum commitments as at December 31, 2018 for the following five years and thereafter:

	2019	2020	2021	2022	2023	Thereafter	Total
Transportation and processing(1)	$ 91,924	$ 92,995	$ 116,741	$ 151,180	$ 192,996	$ 3,102,349	$ 3,748,185
Repayment of long-term debt (Note 15)(1)	—	—	—	614,070	—	—	614,070
Interest expense on long-term debt (Note 15)(1)	60,639	60,639	60,639	30,404	—	—	212,321
Office leases	2,909	2,909	2,909	2,909	2,909	3,149	17,694
Purchase commitments and drilling rigs	3,120	—	—	—	—	—	3,120
TOTAL COMMITMENTS	$ 158,592	$ 156,543	$ 180,289	$ 798,563	$ 195,905	$ 3,105,498	$ 4,595,390

(1) Commitments which are denominated in US dollars were translated into Canadian dollars at the December 31, 2018 exchange rate of US$1.00 = C$1.3646.

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, however, 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:

	December 31, 2018	December 31, 2017
Salaries, fees and short-term employee benefits	$ 5,173	$ 5,848
Termination benefits	1,233	911
Stock-based compensation	2,665	4,786
TOTAL EXECUTIVE COMPENSATION	$ 9,071	$ 11,545

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 consolidated balance sheet to the consolidated statement of cash flows as at December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Change in accounts receivable	$ 72,456	$ (59,100)
Change in prepaid expenses and deposits	16,096	(8,696)
Change in inventory	11,275	(21,846)
Change in accounts payable and accrued liabilities	22,158	35,809
	$ 121,985	$ (53,833)
Other items impacting changes in non-cash working capital:		
Inventory acquired in the Leismer Corner Acquisition (Note 10)	—	28,398
	$ 121,985	$ (25,435)
RELATED TO:		
Operating activities	$ 103,787	$ (20,732)
Financing activities	(350)	(318)
Investing activities	18,548	(4,385)
NET CHANGE IN NON-CASH WORKING CAPITAL	$ 121,985	$ (25,435)
Cash interest paid	$ 60,438	$ 39,055
Cash interest received	$ 3,912	$ 3,711

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

Dave Stewart
Vice President, Operations

Matthew Taylor
Vice President, Capital Markets & Communications

DIRECTORS

Ronald Eckhardt(2)
Chair

Bryan Begley(2)(3)

Robert Broen

Anne Downey(2)

Thomas Ebbern(1)(3)

Carlos Fierro(1)(3)

Marshall McRae(1)

CORPORATE OFFICE

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WEBSITE

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

TRUSTEE AND TRANSFER AGENT

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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