Condensed Interim Consolidated Financial Statements (unaudited)

Q1 2018

FOCUSED | EXECUTING | DELIVERING

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at ($ Thousands)	March 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	$ 128,915	$ 163,321
Accounts receivable (Note 4)	113,301	111,575
Current portion of capital-carry receivable (Note 5)	84,385	77,012
Prepaid expenses and deposits	27,687	26,301
Inventory	46,955	36,717
Risk management contracts (Note 6)	—	4,054
	401,243	418,980
Restricted cash (Note 7)	111,778	113,406
Long-term portion of capital-carry receivable (Note 5)	48,360	79,024
Property, plant and equipment (Note 10)	1,464,575	1,419,883
Exploration and evaluation assets (Note 11)	292,515	292,279
	$ 2,318,471	$ 2,323,572
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 180,892	$ 123,606
Risk management contracts (Note 6)	7,040	7,602
	187,932	131,208
Long-term debt (Note 12)	541,460	526,206
Provisions (Note 13)	154,734	141,548
	884,126	798,962
SHAREHOLDERS' EQUITY		
Common shares (Note 14)	2,203,808	2,201,690
Contributed surplus	140,928	139,981
Retained deficit	(910,391)	(817,061)
	1,434,345	1,524,610
	$ 2,318,471	$ 2,323,572

Commitments and contingencies (Note 22)

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(unaudited)

($ Thousands, except per share amounts)	Three months ended March 31, 2018	2017
REVENUE		
Petroleum and natural gas sales (Note 18)	$ 200,384	$ 151,502
Interest income	1,131	1,164
Royalties	(3,104)	(1,826)
	198,411	150,840
Unrealized gain (loss) on commodity risk management contracts (Note 6)	(3,492)	7,214
Realized gain (loss) on commodity risk management contracts (Note 6)	(672)	2,291
	194,247	160,345
EXPENSES		
Cost of diluent	119,988	77,949
Operating expenses	44,677	41,815
Transportation and marketing	15,067	12,999
General and administrative	9,034	6,428
Stock-based compensation (Note 15)	2,431	712
Financing and interest (Note 19)	19,580	21,657
Depletion and depreciation (Note 10)	38,869	19,648
Exploration expense	306	168
Total expenses	249,952	181,376
Revenue less Expenses	(55,705)	(21,031)
OTHER INCOME (EXPENSES)		
Foreign exchange loss, net (Note 21)	(15,412)	(9,882)
Gain (loss) on revaluation of provisions and other (Note 20)	(22,213)	9,805
Acquisition expenses	—	(7,647)
Loss on sale of assets	—	(407)
Net loss and comprehensive loss	$ (93,330)	$ (29,162)
BASIC LOSS PER SHARE (Note 16)	$ (0.18)	$ (0.06)
DILUTED LOSS PER SHARE (Note 16)	$ (0.18)	$ (0.06)

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ Thousands)	Three months ended March 31, 2018	2017
OPERATING ACTIVITIES		
Net loss and comprehensive loss	$ (93,330)	$ (29,162)
Items not affecting cash		
Stock-based compensation (Note 15)	2,431	587
Net non-cash financing and interest	4,772	6,329
Depletion and depreciation (Note 10)	38,869	19,648
Non-cash foreign exchange loss (Note 21)	15,193	9,914
Non-cash (gain) loss on risk management contracts (Note 6)	3,492	(7,214)
Non-cash (gain) loss on revaluation of provisions and other (Note 20)	22,213	(9,805)
Loss on sale of assets	—	407
Settlement of provisions (Note 13)	(3,452)	(4,519)
Changes in non-cash working capital (Note 23)	6,571	(39,081)
	(3,241)	(52,896)
FINANCING ACTIVITIES		
Proceeds from exercised equity incentives (Note 14)	28	28
Issuance of 2022 Notes (Note 12)	—	542,554
Repayment of 2017 Notes	—	(550,000)
Changes in non-cash working capital (Note 23)	(350)	149
	(322)	(7,269)
INVESTING ACTIVITIES		
Additions to property, plant and equipment (Note 10)	(81,646)	(89,423)
Additions to exploration and evaluation assets (Note 11)	(615)	(701)
Cash portion of Leismer Corner Acquisition (Note 8)	—	(402,838)
Proceeds from sale of assets (Note 9)	—	90,170
Recovery of capital-carry proceeds (Note 5)	25,600	10,680
(Increase) decrease in restricted cash (Note 7)	1,628	(6,777)
Changes in non-cash working capital (Note 23)	24,190	21,752
	(30,843)	(377,137)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(34,406)	(437,302)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	163,321	650,301
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 128,915	$ 212,999

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

($ Thousands)	Three months ended March 31, 2018	2017
COMMON SHARES (Note 14)		
Balance, beginning of period	$ 2,201,690	$ 2,020,159
Exercise of stock options, RSUs and PSUs (Note 15)	2,118	2,399
Issuance of common shares on Leismer Corner Acquisition (Note 8)	—	166,000
Balance, end of period	2,203,808	2,188,558
CONTRIBUTED SURPLUS		
Balance, beginning of period	139,981	144,592
Stock-based compensation (Note 15)	3,037	1,619
Exercise of stock options, RSUs and PSUs (Note 15)	(2,090)	(2,371)
Balance, end of period	140,928	143,840
RETAINED DEFICIT		
Balance, beginning of period	(817,061)	(607,654)
Net loss	(93,330)	(29,162)
Balance, end of period	(910,391)	(636,816)
TOTAL SHAREHOLDERS' EQUITY	$ 1,434,345	$ 1,695,582

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As at and for the three months ended March 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 unaudited condensed interim consolidated financial statements ("consolidated financial statements") were authorized for issue by the Board of Directors on May 9, 2018.

2. BASIS OF PRESENTATION AND ACCOUNTING PRONOUNCEMENTS

These consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34: *Interim Financial Reporting*. They do not contain all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2017. These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and have been prepared on a historical cost basis, except for financial instruments which are measured at their estimated fair value. 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.

Changes in accounting policies

Except for the changes below, the Company has prepared the consolidated financial statements using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2017.

IFRS 15 *Revenue from Contracts with Customers*
The IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") in May 2014. This IFRS replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework which requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser.

Athabasca adopted IFRS 15 on January 1, 2018 using the cumulative effect method. Under this method, prior years' consolidated financial statements have not been restated. As a result of the adoption of IFRS 15, no cumulative effect adjustment to retained deficit was required and there is no impact on net income (loss) or cash flow.

See below and Note 18 for additional disclosures required by IFRS 15.

Revenue Recognition

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 are no material 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.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* ("IFRS 9") that replaces IAS 39 *Financial Instruments: recognition and measurement* ("IAS 39") and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification & measurement, impairment and hedge accounting. IFRS 9 introduces a single approach to determining whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39; however, where the fair value option is applied to financial liabilities, any change in fair value resulting from an entity’s own credit risk is recorded in other comprehensive income. Athabasca adopted IFRS 9 on January 1, 2018. No adjustments were required to the consolidated financial statements on adoption of IFRS 9.

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 intends to adopt this standard when it becomes effective.

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

3. CASH AND CASH EQUIVALENTS

As at March 31, 2018 and December 31, 2017, Athabasca's cash, cash equivalents and restricted cash (Note 7) were held with five counterparties, all of which were large reputable financial institutions. The Company believes that credit risk associated with these investments is low. The Company's cash, cash equivalents and restricted cash have been assessed on the fair value hierarchy and have been classified as Level 1.

4. ACCOUNTS RECEIVABLE

As at	March 31, 2018	December 31, 2017
Petroleum and natural gas receivables	$ 68,759	$ 78,420
Joint interest billings	39,895	29,922
Risk management (realized), government and other receivables	4,647	3,233
TOTAL	$ 113,301	$ 111,575

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

5. CAPITAL-CARRY RECEIVABLE

In 2016, Athabasca entered into a strategic 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, subject to a minimum annual recovery to be realized by Athabasca, as set out in the joint development agreement between the parties.

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

As at	March 31, 2018	December 31, 2017
CAPITAL-CARRY RECEIVABLE, BEGINNING OF PERIOD	$ 156,036	$ 191,174
Recovery of capital-carry through capital expenditures	(25,600)	(49,447)
Revisions in expected timing of future capital expenditures	359	410
Change in discount rate	—	2,227
Time value of money accretion	1,950	11,672
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - DISCOUNTED	$ 132,745	$ 156,036
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - UNDISCOUNTED	$ 138,423	$ 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.

6. 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, subsequent to March 31, 2018, has entered into US dollar forward swap contracts to reduce its exposure to foreign currency risk related to near-term interest payments.

Financial commodity risk management contracts

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

Instrument	Period	Volume		C$ Average Price/bbl
WTI fixed price swaps	April - June 2018	17,000 bbl/d	$	68.71
WTI/WCS fixed price differential swaps	April - June 2018	14,000 bbl/d	$	(18.62)
WCS fixed price swaps	April - June 2018	2,000 bbl/d	$	51.00
WTI fixed price swaps	July - September 2018	6,000 bbl/d	$	67.69
WTI/WCS fixed price differential swaps	July - September 2018	9,000 bbl/d	$	(18.75)
WTI costless collars	July - September 2018	8,000 bbl/d	$	68.61 - 81.69
WTI/WCS fixed price differential swaps	October - December 2018	3,000 bbl/d	$	(17.72)
WTI costless collars	October - December 2018	4,000 bbl/d	$	69.88 - 85.85

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

Instrument	Period	Volume		C$ Average Price/bbl
WTI/WCS fixed price differential swaps	July - September 2018	7,000 bbl/d	$	(24.54)
WTI costless collars	July - September 2018	3,000 bbl/d	$	78.92 - 89.60

The following table summarizes the net gain (loss) on commodity risk management contracts for the three months ended March 31, 2018 and 2017:

	Three months ended March 31,	
	2018	2017
Unrealized gain (loss) on commodity risk management contracts	$ (3,492)	$ 7,214
Realized gain (loss) on commodity risk management contracts	(672)	2,291
GAIN (LOSS) ON COMMODITY RISK MANAGEMENT CONTRACTS (NET)	$ (4,164)	$ 9,505

As at March 31, 2018, Athabasca's risk management contracts were held with three counterparties, all of which were large reputable financial institutions. The Company believes that credit risk associated with risk management contracts is low. Risk management contracts have been classified as Level 2 on the fair value hierarchy. As at March 31, 2018, Athabasca had a net commodity risk management liability of $7.0 million in respect of the risk management contracts (December 31, 2017 - $3.5 million).

The following table summarizes the sensitivity in the pricing for the commodity risk management contracts:

	Change in WTI		Change in WCS differential	
As at March 31, 2018	Increase of US$3.00/bbl	Decrease of US$3.00/bbl	Increase of US$1.00/bbl	Decrease of US$1.00/bbl
Increase (decrease) to fair value of commodity risk management contracts	$ (9,412)	$ 9,023	$ 3,266	$ (3,266)

Physical commodity contracts

Subsequent to March 31, 2018, the following physical commodity contracts were in place:

Instrument	Period	Volume		US$ Average Price/bbl
WTI/WCS fixed price differential contract	April - June 2018	1,382 bbl/d	$	(16.50)
WTI/WCS fixed price differential contract	July - September 2018	1,367 bbl/d	$	(16.50)

Foreign exchange contracts

Subsequent to March 31, 2018, Athabasca entered into US dollar forward swap contracts to reduce its exposure to foreign currency risk on its interest payments associated with the 2022 Notes.

Instrument	Period	Amount (US$ million)	Exchange rate (USD/CAD)
Forward swap contract	August 2018	$ 22,219	$ 1.2544
Forward swap contract	February 2019	$ 22,219	$ 1.2505

7. RESTRICTED CASH

Restricted cash primarily consists of a restricted, interest-bearing, cash-collateral account (the "Cash-Collateral Account") into which the Company is required to deposit cash to secure letters of credit issued under the Company's $110.0 million cash-collateralized letter of credit facility (the "Letter of Credit Facility") (Note 12). As at March 31, 2018, $108.6 million was held in the Cash-Collateral Account (December 31, 2017 - $110.2 million).

Athabasca also holds a deposit of $3.2 million (December 31, 2017 - $3.2 million) received from a counterparty in respect of an office lease reassignment which is refundable to the counterparty at the end of the reassigned lease term in 2026.

8. ACQUISITION OF ASSETS

On December 14, 2016, Athabasca entered into agreements with Statoil Canada Ltd. and its wholly-owned affiliate KKD Oil Sands Partnership, both subsidiaries of Statoil ASA (collectively "Statoil"), to acquire its Canadian oil sands assets. The acquired assets include the operating Leismer Thermal Oil Project (the "Leismer Project"), the delineated Corner exploration area and related strategic infrastructure (the "Leismer Corner Acquisition"). The Leismer Corner Acquisition had an effective date of January 1, 2017 and was completed on January 31, 2017. 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 (Note 13).

9. SALE OF ASSETS

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 $397.0 million. Under the terms of the Royalty, Athabasca will pay Burgess a linear-scale Royalty of 0% - 12%, relative to a WCS benchmark price, applied to Athabasca's realized bitumen price (C$), which is determined net of diluent, transportation and storage costs. No amounts have been paid or are currently payable in respect of the Royalty to Burgess.

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

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

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

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

BALANCE, DECEMBER 31, 2016	$ 756,515
Leismer Corner Acquisition (Note 8)	638,286
PP&E expenditures	258,011
Non-cash capitalized costs[1]	13,739
Depletion and depreciation	(115,435)
Impairment loss	(41,212)
Disposals (Note 9)	(90,021)
BALANCE, DECEMBER 31, 2017	$ 1,419,883
PP&E expenditures	81,646
Non-cash capitalized costs[1]	1,915
Depletion and depreciation	(38,869)
BALANCE, MARCH 31, 2018	$ 1,464,575

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

PP&E consists of the following:

Net book value (As at)	March 31, 2018	December 31, 2017
PP&E at cost	$ 2,647,801	$ 2,564,240
Accumulated depletion and depreciation	(334,052)	(295,183)
Accumulated impairment losses	(849,174)	(849,174)
TOTAL PP&E	$ 1,464,575	$ 1,419,883

As at March 31, 2018, $92.2 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.

11. 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	(148,323)
Disposals	(476)
BALANCE, DECEMBER 31, 2017	$ 292,279
E&E expenditures	615
Non-cash capitalized costs[1]	(379)
BALANCE, MARCH 31, 2018	$ 292,515

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

12. INDEBTEDNESS

As at	March 31, 2018	December 31, 2017
Senior Secured Second Lien Notes ("2022 Notes")[1]	$ 580,545	$ 563,310
Debt issuance costs	(47,081)	(45,039)
Amortization of debt issuance costs	7,996	7,935
TOTAL INDEBTEDNESS	$ 541,460	$ 526,206

(1) As at March 31, 2018, the 2022 Notes (as defined below) were translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.2901.

Senior Secured Second Lien Notes

On February 24, 2017, Athabasca issued US$450.0 million (C$589.0 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 Athabasca. Subject to certain exceptions and qualifications, the 2022 Notes contain certain covenants that limit the Company's ability to, among other things: incur additional indebtedness; create or permit liens to exist; and make certain restricted payments, dispositions and transfers of assets. The 2022 Notes also contain maximum hedging restrictions. The Company is in compliance with all covenants.

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

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

Debt issuance costs associated with the 2022 Notes were initially capitalized and will be amortized to net income (loss) over the life of the 2022 Notes using the effective interest rate method. As at March 31, 2018, the fair value of the 2022 Notes was $582.8 million (US$451.7 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 2017, Athabasca established a $120 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, 2018, at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and any amounts outstanding would be repayable at the end of the non-revolving term, being May 31, 2019. The Credit Facility is subject to a semi-annual borrowing base review with the next review occurring in the latter part of the second quarter of 2018. The Company anticipates extending the Credit Facility at the current $120 million. 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 review, 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; and make certain restricted payments, dispositions and transfers of assets. The Credit Facility also contains certain maximum hedging limitations. The Company is in compliance with all covenants.

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 3.00% to 4.00%. The Company incurs an issuance fee for letters of credit of 4.00% and a standby fee on the undrawn portion of the Credit Facility of 1.00%.

As at March 31, 2018, the Credit Facility had $58.1 million of letters of credit issued and outstanding.

Cash-Collateralized Letter of Credit Facility

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

Under the terms of the Letter of Credit Facility, Athabasca is required to contribute cash to a Cash-Collateral Account equivalent to 101% of the value of all letters of credit issued under the facility (Note 7). As at March 31, 2018, Athabasca had $107.5 million (December 31, 2017 - $109.1 million) in letters of credit issued and outstanding under the Letter of Credit Facility.

13. PROVISIONS

As at	March 31, 2018	December 31, 2017
Decommissioning obligations (a)	$ 114,133	$ 113,830
Contingent payment obligation (b)	52,551	26,286
Other long-term obligations	8,877	8,734
TOTAL PROVISIONS	$ 175,561	$ 148,850

a) Decommissioning obligations

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

The following table reconciles the change in decommissioning obligations:

As at	March 31, 2018	December 31, 2017
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	$ 113,830	$ 65,321
Liabilities incurred	137	1,170
Liabilities acquired	—	40,039
Liabilities settled	(3,145)	(5,989)
Changes in estimates	552	4,010
Accretion expense	2,759	9,279
DECOMMISSIONING OBLIGATIONS, END OF PERIOD - DISCOUNTED	$ 114,133	$ 113,830
DECOMMISSIONING OBLIGATIONS, END OF PERIOD - UNDISCOUNTED	$ 289,828	$ 290,041

At March 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 $9.7 million with a corresponding adjustment to E&E and PP&E.

b) Contingent payment obligation

As part of the Leismer Corner Acquisition (Note 8), 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 and $250.0 million over the term.

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). Athabasca's estimate of the contingent payment obligation is subject to measurement uncertainty and the difference in the actual cash outflows associated with the obligation could be material.

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

As at	March 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	26,265	1,548
CONTINGENT PAYMENT OBLIGATION, END OF PERIOD - DISCOUNTED	$ 52,551	$ 26,286
CONTINGENT PAYMENT OBLIGATION, END OF PERIOD - UNDISCOUNTED	$ 60,224	$ 33,520

No amounts were paid by Athabasca in respect of the annual contingent payment obligation for the year ended December 31, 2017.

A 1.0% change in the credit-adjusted discount rate would impact the discounted value of the contingent payment obligation by approximately $0.9 million with a corresponding adjustment to net income (loss). The obligation has been classified as a Level 3 financial instrument as there are no observable market inputs.

14. SHAREHOLDERS' EQUITY

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

	Three months ended March 31, 2018		Year ended 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 15)	348,557	2,118	3,550,376	15,531
Issuance of common shares on Leismer Corner Acquisition (Note 8)	—	—	100,000,000	166,000
BALANCE, END OF PERIOD	510,389,034	$ 2,203,808	510,040,477	$ 2,201,690

15. 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:

	March 31, 2018	December 31, 2017
Stock options[(1)]	10,819,834	11,067,600
Restricted share units (2010 RSU Plan)	2,284,431	2,615,155
Restricted share units (2015 RSU Plan)	8,523,137	8,924,135
Performance share units	3,341,750	3,291,967
Deferred share units[(2)]	1,579,755	1,531,274
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	26,548,907	27,430,131

(1) The weighted average exercise price of the Company's outstanding stock options as at March 31, 2018 was $2.57/share with a range from $0.92 - $8.79/share.
(2) The DSU plan is a cash-settled stock-based compensation plan and is recognized as a liability on the balance sheet.

As at March 31, 2018, total outstanding equity compensation units decreased by 0.9 million units compared to December 31, 2017. The decrease was primarily due to forfeitures of 0.9 million units and 0.3 million units that were exercised, partially offset by 0.3 million units granted. Refer to the December 31, 2017 audited consolidated financial statements of the Company for further information on the Company's stock-based compensation plans.

16. PER SHARE AMOUNTS

	Three months ended March 31,	
	2018	2017
Weighted average shares outstanding - basic	510,191,864	472,157,006
Dilutive effect of stock options, RSUs and PSUs	—	—
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	510,191,864	472,157,006

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 three months ended March 31, 2018, 24,969,152 in anti-dilutive securities were excluded from the diluted net loss per share calculation as their effect is anti-dilutive (March 31, 2017 - 20,971,193).

17. SEGMENTED INFORMATION

Segmented operating results

Three months ended March 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	$ 34,587	$ 11,999	$ 165,797	$ 139,503	$ 200,384	$ 151,502
Royalties	(1,912)	(421)	(1,192)	(1,405)	(3,104)	(1,826)
	32,675	11,578	164,605	138,098	197,280	149,676
SEGMENT EXPENSES & OTHER						
Cost of diluent	—	—	119,988	77,949	119,988	77,949
Operating expenses	8,326	4,422	36,351	37,393	44,677	41,815
Transportation and marketing	57	293	15,010	12,706	15,067	12,999
Depletion and depreciation	16,700	4,610	21,748	14,673	38,448	19,283
Exploration expenses	2	31	304	137	306	168
Acquisition expenses	—	—	—	7,647	—	7,647
Loss on sale of assets	—	101	—	306	—	407
	25,085	9,457	193,401	150,811	218,486	160,268
Gain (loss) on commodity risk management contracts, net					(4,164)	9,505
Segment income (loss)	$ 7,590	$ 2,121	$ (28,796)	$ (12,713)	$ (25,370)	$ (1,087)
CORPORATE						
Interest income					1,131	1,164
Financing and interest					(19,580)	(21,657)
General and administrative					(9,034)	(6,428)
Stock-based compensation					(2,431)	(712)
Depreciation					(421)	(365)
Foreign exchange loss, net					(15,412)	(9,882)
Gain (loss) on revaluation of provisions and other					(22,213)	9,805
NET LOSS AND COMPREHENSIVE LOSS					$ (93,330)	$ (29,162)

(1) From February 1, 2017 to March 31, 2017, Athabasca recognized Thermal Oil revenues and segment income relating to the assets acquired in the Leismer Corner Acquisition of $88.1 million and $7.4 million, respectively.

Segmented capital expenditures

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
LIGHT OIL[1]		
Property, plant and equipment	$ 66,630	$ 77,646
THERMAL OIL		
Property, plant and equipment	15,016	10,167
Exploration and evaluation	615	701
	15,631	10,868
CORPORATE		
Corporate assets and other	—	1,610
TOTAL CAPITAL SPENDING[2][3]	$ 82,261	$ 90,124

(1) Including the recovery of the capital-carry, Athabasca's net cash outflow from capital expenditures in the Light Oil Division during the three months ended March 31, 2018 was $41.0 million (March 31, 2017 - $67.0 million).
(2) Excludes non-cash capitalized costs consisting of capitalized stock-based compensation and decommissioning obligation assets.
(3) For the three months ended March 31, 2018, expenditures include cash capitalized staff costs of $3.1 million (March 31, 2017 - $2.1 million).

Segmented assets

Net book value (As at)	March 31, 2018	December 31, 2017
LIGHT OIL		
Capital-carry receivable (current and long-term)	$ 132,745	$ 156,036
Property, plant and equipment	624,611	573,204
Exploration and evaluation	—	410
	757,356	729,650
THERMAL OIL		
Inventory	46,955	36,717
Property, plant and equipment	833,190	839,485
Exploration and evaluation	292,515	291,869
	1,172,660	1,168,071
CORPORATE		
Current assets[(1)]	269,903	305,251
Restricted cash (Note 7)	111,778	113,406
Property, plant and equipment	6,774	7,194
	388,455	425,851
TOTAL ASSETS	$ 2,318,471	$ 2,323,572

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

18. REVENUE

Revenue by product	Three months ended March 31, 2018	2017
Blended bitumen	$ 165,797	$ 139,503
Oil and condensate	26,388	9,536
Natural gas	3,495	2,096
Natural gas liquids	4,704	367
TOTAL REVENUE	$ 200,384	$ 151,502

19. FINANCING AND INTEREST

	Three months ended March 31, 2018	2017
Financing and interest expense on indebtedness (Note 12)	$ 14,697	$ 14,691
Amortization of debt issuance costs	2,026	5,098
Accretion of provisions (Note 13)	2,857	1,868
TOTAL FINANCING AND INTEREST	$ 19,580	$ 21,657

20. GAIN (LOSS) ON REVALUATION OF PROVISIONS AND OTHER

	Three months ended March 31, 2018	2017
Contingent payment obligation (Note 13)	$ (26,265)	$ 6,448
Capital-carry receivable (Note 5)	2,309	3,251
Other	1,743	106
TOTAL GAIN (LOSS) ON REVALUATION OF PROVISIONS AND OTHER	$ (22,213)	$ 9,805

21. FINANCIAL INSTRUMENTS RISK

As at March 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 internal funding, an active commodity risk management program (Note 6) and by maintaining sufficient funds for anticipated short-term spending in cash, cash equivalent and short-term investment accounts as well as through available credit facilities.

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

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

Foreign exchange risk

Athabasca is exposed to foreign currency risk on the principal and interest components of the Company's US dollar denominated 2022 Notes (Note 12). A 5.0% change in the foreign exchange rate (USD:CAD) would result in a change to the principal value of the Company's long-term debt balance by approximately $29.0 million and a change to the annual interest payment by approximately $2.9 million. Subsequent to March 31, 2018, 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 6 for further details.

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 an active commodity risk management program designed to support a base level of cash flow and capital spending. Refer to Note 6 for further details.

Interest Rate Risk

The Company's exposure to interest rate fluctuations on interest earned on its floating rate cash balance of $240.7 million (December 31, 2017 - $276.7 million), from a 1.0% change in interest rates, would be approximately $2.4 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.

22. COMMITMENTS AND CONTINGENCIES

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

	2018	2019	2020	2021	2022	Thereafter	Total
Transportation and processing	$ 77,919	$ 89,952	$ 88,769	$ 150,084	$ 149,911	$ 2,374,881	$ 2,931,516
Repayment of long-term debt (Note 12)[1]	—	—	—	—	580,545	—	580,545
Interest expense on long-term debt (Note 12)[1]	28,664	57,329	57,329	57,329	28,743	—	229,394
Office leases	2,182	2,909	2,909	2,909	2,909	6,058	19,876
Purchase commitments and drilling rigs	1,700	—	—	—	—	—	1,700
TOTAL COMMITMENTS	$ 110,465	$ 150,190	$ 149,007	$ 210,322	$ 762,108	$ 2,380,939	$ 3,763,031

(1) The 2022 Notes and associated interest expense were translated into Canadian dollars at the March 31, 2018 exchange rate of US$1.00 = C$1.2901.

Excluded from the table above is a commitment for $106.1 million for an office lease ending on December 31, 2026 which was re-assigned to an investment-grade third party in December 2013.

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

23. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

The following table reconciles the net changes in non-cash working capital from the balance sheet to the cash flow statement as at March 31, 2018 and 2017:

	Three months ended March 31,	
	2018	2017
Change in accounts receivable	$ (1,726)	$ (67,341)
Change in prepaid expenses and deposits	(1,386)	(17,236)
Change in inventory	(10,238)	(23,771)
Change in accounts payable and accrued liabilities	57,286	76,758
	$ 43,936	$ (31,590)
Other items impacting changes in non-cash working capital:		
Inventory acquired from Leismer Corner Acquisition (Note 8)	—	28,398
Change in current portion of provisions and other	(13,525)	(13,988)
	$ 30,411	$ (17,180)
RELATED TO:		
Operating activities	$ 6,571	$ (39,081)
Financing activities	(350)	149
Investing activities	24,190	21,752
NET CHANGE IN NON-CASH WORKING CAPITAL	$ 30,411	$ (17,180)
Cash interest paid	$ 30,060	$ 8,849
Cash interest received	$ 1,102	$ 1,370

CORPORATE INFORMATION

MANAGEMENT

Robert Broen
President & Chief Executive Officer

Kim Anderson
Chief Financial Officer

Angela Avery
General Counsel & Vice President, Business Development

Karla Ingoldsby
Vice President, Thermal Oil

Kevin Smith
Vice President, Light Oil

Dave Stewart
Vice President, Operations

Matthew Taylor
Vice President, Capital Markets & Communications

DIRECTORS

Ronald Eckhardt[(1)(2)]
Chair

Bryan Begley[(2)(3)]

Robert Broen

Anne Downey[(2)]

Thomas Ebbern[(3)]

Carlos Fierro[(1)(3)]

Marshall McRae[(1)]

Member of:

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

CORPORATE OFFICE

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

WEBSITE

www.atha.com

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

TRUSTEE AND TRANSFER AGENT

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

BANKS

The Toronto-Dominion Bank
Royal Bank of Canada

AUDITORS

Ernst & Young LLP

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

INDEPENDENT EVALUATORS

McDaniel & Associates Consultants Ltd.

STOCK SYMBOL

ATH
Toronto Stock Exchange