

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

Q1 2019



FOCUSED | EXECUTING | DELIVERING

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at (\$ Thousands)	March 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 272,240	\$ 73,898
Accounts receivable	109,765	39,119
Current portion of capital-carry receivable (Note 3)	58,861	61,161
Prepaid expenses and deposits	11,589	10,205
Inventory	35,635	25,442
Risk management contracts (Note 4)	155	2,495
Assets held for sale (Note 5)	—	39,877
	488,245	252,197
Restricted cash (Note 7)	106,385	111,056
Long-term portion of capital-carry receivable (Note 3)	—	17,955
Long-term deposit (Note 15)	12,577	12,577
Property, plant and equipment (Note 6)	1,457,424	1,429,706
Exploration and evaluation assets	2,227	2,147
	\$ 2,066,858	\$ 1,825,638
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 143,140	\$ 138,462
Risk management contracts (Note 4)	35,688	11,703
Current portion of provisions and other liabilities (Note 8)	6,911	5,460
	185,739	155,625
Long-term debt (Note 7)	570,411	581,140
Provisions and other liabilities (Note 8)	137,754	122,924
	893,904	859,689
SHAREHOLDERS' EQUITY		
Common shares (Note 9)	2,221,379	2,217,963
Contributed surplus	134,457	134,704
Retained deficit	(1,182,882)	(1,386,718)
	1,172,954	965,949
	\$ 2,066,858	\$ 1,825,638

Commitments and contingencies (Note 17).

See accompanying notes to the condensed interim consolidated financial statements.

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

(\$ Thousands, except per share amounts)	Three months ended March 31,	
	2019	2018
REVENUE		
Petroleum and natural gas sales (Note 13)	\$ 226,127	\$ 207,979
Interest income	1,984	1,131
Royalties	(3,905)	(3,104)
	224,206	206,006
Unrealized loss on commodity risk management contracts (Note 4)	(23,985)	(3,492)
Realized loss on commodity risk management contracts (Note 4)	(17,806)	(672)
	182,415	201,842
EXPENSES		
Cost of diluent	78,543	119,988
Operating expenses	43,559	44,677
Transportation and marketing	23,712	22,662
General and administrative	4,949	9,034
Stock-based compensation (Note 10)	1,751	2,431
Financing and interest (Note 14)	20,734	19,580
Depletion and depreciation (Note 6)	35,407	38,869
Exploration expenses	626	306
Total expenses	209,281	257,547
Revenue less Expenses	(26,866)	(55,705)
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss), net (Note 16)	13,610	(15,412)
Loss on foreign exchange risk management contracts, net (Note 4)	(725)	—
Loss on revaluation of provisions and other (Note 3, 8)	(829)	(22,213)
Gain on sale of assets (Note 5)	221,606	—
Net income (loss) and comprehensive income (loss)	\$ 206,796	\$ (93,330)
BASIC INCOME (LOSS) PER SHARE (Note 11)	\$ 0.40	\$ (0.18)
DILUTED INCOME (LOSS) PER SHARE (Note 11)	\$ 0.39	\$ (0.18)

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(\$ Thousands)	Three months ended March 31,	
	2019	2018
OPERATING ACTIVITIES		
Net income (loss) and comprehensive income (loss)	\$ 206,796	\$ (93,330)
Items not affecting cash		
Stock-based compensation (Note 10)	1,751	2,431
Net non-cash financing and interest	4,987	4,772
Depletion and depreciation (Note 6)	35,407	38,869
Non-cash foreign exchange (gain) loss (Note 16)	(12,870)	15,193
Non-cash loss on risk management contracts (Note 4)	26,325	3,492
Non-cash loss on revaluation of provisions and other (Note 3, 8)	829	22,213
Gain on sale of assets (Note 5)	(221,606)	—
Settlement of provisions and other liabilities (Note 8)	(2,791)	(3,452)
Changes in non-cash working capital (Note 18)	(57,400)	6,571
	(18,572)	(3,241)
FINANCING ACTIVITIES		
Payments of lease liabilities (Note 2, 8)	(565)	—
Proceeds from exercised equity incentives (Note 9)	46	28
Changes in non-cash working capital (Note 18)	—	(350)
	(519)	(322)
INVESTING ACTIVITIES		
Proceeds from sale of assets (Note 5)	262,239	—
Additions to property, plant and equipment (Note 6)	(52,891)	(81,646)
Additions to exploration and evaluation assets	(73)	(615)
Recovery of capital-carry proceeds (Note 3)	21,208	25,600
Decrease in restricted cash (Note 7)	4,671	1,628
Changes in non-cash working capital (Note 18)	(17,721)	24,190
	217,433	(30,843)
CHANGE IN CASH AND CASH EQUIVALENTS	198,342	(34,406)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	73,898	163,321
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 272,240	\$ 128,915

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

(\$ Thousands)	Three months ended	
	March 31,	2018
	2019	
COMMON SHARES (Note 9)		
Balance, beginning of period	\$ 2,217,963	\$ 2,201,690
Exercise of stock options, RSUs and PSUs (Note 10)	3,416	2,118
Balance, end of period	2,221,379	2,203,808
CONTRIBUTED SURPLUS		
Balance, beginning of period	134,704	139,981
Stock-based compensation (Note 10)	3,123	3,037
Exercise of stock options, RSUs and PSUs (Note 10)	(3,370)	(2,090)
Balance, end of period	134,457	140,928
RETAINED DEFICIT		
Balance, beginning of period	(1,386,718)	(817,061)
Net income (loss)	206,796	(93,330)
Impact of change in accounting policy (Note 2)	(2,960)	—
Balance, end of period	(1,182,882)	(910,391)
TOTAL SHAREHOLDERS' EQUITY	\$ 1,172,954	\$ 1,434,345

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, 2019.

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

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1. NATURE OF BUSINESS

Athabasca Oil Corporation ("Athabasca" or the "Company") is an exploration and production company developing Light and Thermal Oil resource plays in the Western Canadian Sedimentary Basin in Alberta, Canada. Athabasca was incorporated on August 23, 2006, under the laws governing the Province of Alberta. The domicile of the Company is 1200, 215 - 9th Avenue SW, Calgary, Alberta. The Company is publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "ATH". These unaudited condensed interim consolidated financial statements ("consolidated financial statements") were authorized for issue by the Board of Directors on May 8, 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") using International Accounting Standard ("IAS") 34: *Interim Financial Reporting*. These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at their estimated fair value. They do not contain all disclosures required by 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, 2018. 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, 2018, except for IFRS 16 *Leases* which was adopted on January 1, 2019. 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.

Change in accounting policies

On January 1, 2019, Athabasca adopted the new IASB Lease Standard IFRS 16. IFRS 16 requires that former operating leases be capitalized and recognized on the consolidated balance sheet by the lessee. Lease assets and liabilities are 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. Athabasca adopted IFRS 16 using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information and recognizes the cumulative effect of IFRS 16 prior to January 1, 2019 as an adjustment to the opening retained deficit and applies the standard prospectively. On adoption, Athabasca also elected to apply the following expedients as permitted under the standard:

- Leases with terms ending within 12 months are recognized as short-term leases.
- Short-term leases and leases of low value assets that have been identified are not recognized on the consolidated balance sheet. Expenses for these leases are recognized as incurred with the amounts disclosed in the notes to the consolidated financial statements.
- The provision for onerous leases previously recognized was applied to the value of the associated right-of-use asset ("Leased asset"). In this case, no impairment assessment was performed under IAS 36 *Impairment*.

Upon adoption, Athabasca recognized a Leased asset of \$12.6 million within property, plant and equipment (Note 6) and a lease liability of \$18.7 million within provisions and other liabilities (Note 8) relating to its head office lease. The liability was measured at the present value of the remaining lease payments using an incremental borrowing rate of 10.0%. Athabasca netted the previously recognized onerous office lease provision of \$3.1 million against the associated Leased asset on January 1, 2019. An adjustment to the opening retained deficit of \$3.0 million was recognized as a result of using the modified retrospective approach.

During the three months ended March 31, 2019, interest expense increased by \$0.4 million (Note 14), depreciation increased by \$0.5 million (Note 6) and general and administrative expense decreased by \$0.7 million as a result of the adoption of IFRS 16. For the three months ended March 31, 2019, cash flows associated with the lease repayments of \$1.0 million were allocated between operating and financing activities in the amounts of \$0.4 million and \$0.6 million, respectively, based on their interest and principal repayment components.

The following table reconciles the office lease commitments as at December 31, 2018 to the lease liability as at January 1, 2019:

Offices leases disclosed as commitments as at December 31, 2018	\$	17,694
Subleases netted from commitments as at December 31, 2018		7,078
Impact of discounting		(6,115)
LEASE LIABILITY RECOGNIZED ON JANUARY 1, 2019	\$	18,657

As a result of the adoption of IFRS 16, the Company has revised its accounting policy for leases as follows:

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation and corresponding Leased asset are recognized at the commencement of the lease. Lease liabilities are initially measured at the present value of the unavoidable lease payments and discounted using the Company's incremental borrowing rate when an implicit rate in the lease is not readily available. Interest expense is recognized on the lease obligations using the effective interest rate method. The Leased asset is recognized at the amount of the lease liability, adjusted for lease incentives received and initial direct costs, on commencement of the lease. The Leased asset is depreciated on a straight-line basis over the lease term. The Company is required to make judgments and assumptions on incremental borrowing rates and lease terms. The carrying balance of the Leased assets and lease liabilities, and related interest and depreciation expense, may differ due to changes in market conditions and expected lease terms.

3. 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 for a 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, which is governed by the joint development agreement between the parties.

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

As at	March 31, 2019	December 31, 2018
CAPITAL-CARRY RECEIVABLE, BEGINNING OF PERIOD	\$ 79,116	\$ 156,036
Recovery of capital-carry through capital expenditures	(21,208)	(82,348)
Revisions in expected timing of future capital expenditures	(36)	(897)
Time value of money accretion	989	6,325
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - DISCOUNTED	\$ 58,861	\$ 79,116
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - UNDISCOUNTED	\$ 60,467	\$ 81,675

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, 2018 - 5.0% per annum).

4. 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.

Financial commodity risk management contracts are valued on the consolidated balance sheet by multiplying the contractual volumes by the differential between the anticipated market price (forecasted strip price) and the contractual fixed price at each future settlement date. The corresponding change in the asset or liability is recognized as an unrealized gain or loss in net income (loss). As the commodity derivatives are unwound (i.e. settled in cash), Athabasca recognizes a corresponding realized gain or loss in net income (loss). 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 a US dollar forward swap contract to reduce its exposure to foreign currency risk related to its August 2019 interest payment.

Financial commodity risk management contracts

As at March 31, 2019, the following financial commodity risk management contracts were in place:

Instrument	Period	Volume	C\$ Average Price/bbl	Implied US\$ Average Price/bbl ⁽¹⁾
WTI fixed price swaps	April - June 2019	2,000 bbl/d	\$ 80.00	\$ 59.88
WTI/WCS fixed price differential swaps	April - June 2019	18,000 bbl/d	\$ (27.01)	\$ (20.22)
WTI fixed price swaps	July - September 2019	10,000 bbl/d	\$ 79.95	\$ 59.84
WTI/WCS fixed price differential swaps	July - September 2019	15,000 bbl/d	\$ (28.35)	\$ (21.22)
WTI fixed price swaps	October - December 2019	10,000 bbl/d	\$ 79.95	\$ 59.84
WTI/WCS fixed price differential swaps	October - December 2019	13,000 bbl/d	\$ (28.46)	\$ (21.30)

(1) The implied US\$ Average Price/bbl was calculated using the March 31, 2019 exchange rate of US\$1.00 = C\$1.3360.

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

Instrument	Period	Volume	C\$ Average Price/bbl	Implied US\$ Average Price/bbl ⁽¹⁾
WTI fixed price swaps	May - June 2019	10,000 bbl/d	\$ 86.35	\$ 64.64
WTI costless collars	May - June 2019	2,000 bbl/d	\$ 80.00 - 86.10	\$ 59.88 - 64.45
WTI fixed price swaps	July - September 2019	2,000 bbl/d	\$ 83.83	\$ 62.75
WTI costless collars	July - September 2019	2,000 bbl/d	\$ 80.00 - 86.10	\$ 59.88 - 64.45
WTI fixed price swaps	October - December 2019	2,000 bbl/d	\$ 83.83	\$ 62.75
WTI costless collars	October - December 2019	2,000 bbl/d	\$ 80.00 - 86.10	\$ 59.88 - 64.45

(1) The implied US\$ Average Price/bbl was calculated using the March 31, 2019 exchange rate of US\$1.00 = C\$1.3360.

The following table summarizes the net loss on commodity risk management contracts for the three months ended March 31, 2019 and 2018:

	Three months ended March 31,	
	2019	2018
Unrealized loss on commodity risk management contracts	\$ (23,985)	\$ (3,492)
Realized loss on commodity risk management contracts	(17,806)	(672)
LOSS ON COMMODITY RISK MANAGEMENT CONTRACTS (NET)	\$ (41,791)	\$ (4,164)

As at March 31, 2019, Athabasca had a net commodity risk management liability of \$35.7 million in respect of the commodity risk management contracts (December 31, 2018 - \$11.7 million).

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

As at March 31, 2019	Change in WTI		Change in WCS differential	
	Increase of US\$5.00/bbl	Decrease of US\$5.00/bbl	Increase of US\$1.00/bbl	Decrease of US\$1.00/bbl
Increase (decrease) to fair value of commodity risk management contracts	\$ (13,195)	\$ 13,252	\$ 5,405	\$ (5,499)

Foreign exchange risk management contracts

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

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

The following table summarizes the net loss on foreign exchange risk management contracts for the three months ended March 31, 2019 and 2018:

	Three months ended March 31,	
	2019	2018
Unrealized loss on foreign exchange risk management contracts	\$ (2,340)	\$ —
Realized gain on foreign exchange risk management contracts	1,615	—
LOSS ON FOREIGN EXCHANGE RISK MANAGEMENT CONTRACTS (NET)	\$ (725)	\$ —

As at March 31, 2019, Athabasca had a foreign exchange risk management asset of \$0.2 million in respect of the foreign exchange risk management contract (December 31, 2018 - \$2.5 million). As at March 31, 2019, 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.

5. 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. 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 at Cheecham for an annual toll of approximately \$26.0 million, with a discounted toll for any excess volumes.

During the three months ended March 31, 2019, Athabasca received \$265.0 million of cash consideration from Enbridge and incurred \$2.8 million of transaction costs, resulting in net proceeds of \$262.2 million. Athabasca de-recognized \$39.9 million of PP&E and \$0.4 million in decommissioning obligations resulting in a gain of \$222.8 million on the Leismer Infrastructure Transaction.

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

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		(62,200)
BALANCE, DECEMBER 31, 2018	\$	1,469,583
PP&E expenditures		52,891
Leased asset (Note 2)		12,570
Non-cash capitalized costs and other ⁽¹⁾		(1,132)
Depletion and depreciation		(35,407)
Disposals (Note 5)		(41,081)
BALANCE, MARCH 31, 2019	\$	1,457,424

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

PP&E consists of the following:

	March 31, 2019	December 31, 2018
PP&E at cost ⁽¹⁾	\$ 2,861,500	\$ 2,838,252
Accumulated depletion and depreciation ⁽¹⁾	(492,702)	(457,295)
Accumulated impairment losses	(911,374)	(911,374)
TOTAL PP&E	\$ 1,457,424	\$ 1,469,583
Presented as:		
Assets held for sale (Note 5)	\$ —	\$ 39,877
Property, plant and equipment	\$ 1,457,424	\$ 1,429,706

(1) The PP&E cost includes \$12.6 million of Leased assets cost and accumulated depletion and depreciation includes \$0.5 million of accumulated depreciation relating to the Leased assets.

As at March 31, 2019, \$102.9 million (December 31, 2018 - \$85.2 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.

7. INDEBTEDNESS

As at	March 31, 2019	December 31, 2018
Senior Secured Second Lien Notes ("2022 Notes") ⁽¹⁾	\$ 601,200	\$ 614,070
Debt issuance costs	(47,081)	(47,081)
Amortization of debt issuance costs	16,292	14,151
TOTAL INDEBTEDNESS	\$ 570,411	\$ 581,140

(1) As at March 31, 2019, the 2022 Notes (as defined below) were translated into Canadian dollars at the period end exchange rate of US\$1.00 = C\$1.3360.

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 are being amortized to net income (loss) over the life of the 2022 Notes using the effective interest rate method. As at March 31, 2019, the fair value of the 2022 Notes was \$574.6 million (US\$430.1 million), based on observable market quoted prices (Level 1).

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 March 31, 2019, 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 March 31, 2019, 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%. As at March 31, 2019, Athabasca had \$105.3 million (December 31, 2018 - \$110.0 million) in letters of credit issued and outstanding under the Letter of Credit Facility.

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. As at March 31, 2019, \$106.4 million of restricted cash was held in the Cash-Collateral Account (December 31, 2018 - \$111.1 million).

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%.

As at March 31, 2019, the Company had \$18.4 million of letters of credit issued and outstanding under the Unsecured Letter of Credit Facility.

8. PROVISIONS AND OTHER LIABILITIES

As at	March 31, 2019	December 31, 2018
Decommissioning obligations	\$ 118,330	\$ 118,468
Contingent payment obligation	6,252	4,470
Lease liability	18,092	—
Other long-term obligations	1,991	5,446
TOTAL PROVISIONS AND OTHER LIABILITIES	\$ 144,665	\$ 128,384
Presented as:		
Current portion of provisions and other liabilities	\$ 6,911	\$ 5,460
Provisions and other liabilities	\$ 137,754	\$ 122,924

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, 2019	December 31, 2018
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	\$ 118,468	\$ 113,830
Liabilities incurred	255	1,305
Liabilities settled	(2,791)	(5,296)
Liabilities disposed (Note 5)	(448)	—
Changes in estimates	—	(2,569)
Accretion expense	2,846	11,198
DECOMMISSIONING OBLIGATIONS, END OF PERIOD - DISCOUNTED	\$ 118,330	\$ 118,468
DECOMMISSIONING OBLIGATIONS, END OF PERIOD - UNDISCOUNTED	\$ 291,061	\$ 291,156

At March 31, 2019, the Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2.0% (December 31, 2018 - 2.0%) and a credit-adjusted discount rate of 10.0% per annum (December 31, 2018 - 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 \$9.4 million with a corresponding adjustment to PP&E and E&E.

Contingent payment obligation

In early 2017, as part of the acquisition of its Leismer / Corner Thermal Oil assets, Athabasca agreed to a contingent payment obligation for a four-year term ending in 2020 which is triggered at oil prices above US\$65/bbl WTI. The payments are determined annually and calculated on one-third of annual Leismer bitumen production multiplied by an oil price factor (yearly average US\$WTI/bbl less US\$65/bbl, adjusted for inflation since 2017). The payments are capped at \$75.0 million annually.

The contingent payment obligation is remeasured at each reporting period using an option pricing model with any gains or losses recognized in net income (loss). The 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	March 31, 2019	December 31, 2018
CONTINGENT PAYMENT OBLIGATION, BEGINNING OF PERIOD	\$ 4,470	\$ 26,286
Changes in estimates	1,782	(21,816)
CONTINGENT PAYMENT OBLIGATION, END OF PERIOD	\$ 6,252	\$ 4,470

As at March 31, 2019, the estimated obligation with respect to 2019 is \$0.6 million. No amounts were payable by Athabasca with respect to the annual contingent payment obligations for 2018 or 2017.

Lease liability

On January 1, 2019, upon adoption of IFRS 16, the Company recognized a lease liability (Note 2) relating to its head office lease. The liability was measured at the present value of the remaining lease payments as at January 1, 2019 discounted at 10.0%. The following table reconciles the change in the lease liability:

As at	March 31, 2019
LEASE LIABILITY, BEGINNING OF PERIOD	\$ —
Initial recognition of lease liability (Note 2)	18,657
Interest expense	453
Liabilities settled ⁽¹⁾	(1,018)
LEASE LIABILITY, END OF PERIOD	\$ 18,092

(1) In the Consolidated Statements of Cash flows, the liability settled is reported as \$0.6 million under financing activities and \$0.4 million as operating activities.

The following table summarizes Athabasca's estimated future minimum payments as at March 31, 2019 associated with the lease liability:

As at	March 31, 2019
Within one year	\$ 4,072
Later than one year but not later than five years	16,289
After 5 years	3,393
Minimum lease payments	23,754
Amounts representing finance charges	(5,662)
Present value of net minimum lease payments	\$ 18,092

Property taxes associated with the head office lease are considered a variable lease component which have not been included in the measurement of the lease liability and are expensed as incurred. For the three months ended March 31, 2019, Athabasca incurred \$0.3 million of variable lease expense which has been included within general and administrative expenses in the consolidated statements of income (loss). Lease operating costs are a non-lease component of the head office lease and have therefore been excluded from the measurement of the lease liability and are expensed as incurred.

Short-term leases and low value leases have not been included in the measurement of the lease liability. During the three months ended March 31, 2019, Athabasca incurred \$1.9 million of expenses related to short-term and low value leases which have been expensed as incurred.

9. 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, 2019		Year ended December 31, 2018	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	515,889,687	\$ 2,217,963	510,040,477	\$ 2,201,690
Exercise of stock options, RSUs and PSUs (Note 10)	456,566	3,416	5,849,210	16,273
BALANCE, END OF PERIOD	516,346,253	\$ 2,221,379	515,889,687	\$ 2,217,963

10. 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	March 31, 2019	December 31, 2018
Stock options ⁽¹⁾	8,511,933	9,659,800
RSUs (2010 RSU Plan)	761,152	1,227,918
RSUs (2015 RSU Plan)	12,436,541	12,777,210
PSUs	5,058,926	4,774,600
DSUs ⁽²⁾	2,343,489	2,343,489
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	29,112,041	30,783,017

(1) The weighted average exercise price of the Company's outstanding stock options as at March 31, 2019 was \$2.15/share with a range from \$0.92/share - \$8.12/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, 2019, total outstanding equity compensation units decreased by 1.7 million units compared to December 31, 2018. The decrease was primarily due to 1.5 million of expired and forfeited units, as well as 0.5 million of exercised units, partially offset by 0.3 million units granted. On May 7, 2019, Athabasca had total outstanding equity compensation units of 36,024,136. Refer to the December 31, 2018 audited consolidated financial statements of the Company for further information on the Company's stock-based compensation plans.

11. PER SHARE AMOUNTS

	Three months ended March 31,	
	2019	2018
Weighted average shares outstanding - basic	516,011,483	510,191,864
Dilutive effect of stock options, RSUs and PSUs	8,719,560	—
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	524,731,043	510,191,864

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, 2019, 8,586,933 in anti-dilutive securities were excluded from the diluted net income (loss) per share calculation as their effect is anti-dilutive (March 31, 2018 - 24,969,152).

12. SEGMENTED INFORMATION

Segmented operating results

Three months ended March 31,	Light Oil		Thermal Oil		Consolidated	
	2019	2018	2019	2018	2019	2018
SEGMENT REVENUES						
Petroleum and natural gas sales	\$ 43,778	\$ 42,182	\$ 182,349	\$ 165,797	\$ 226,127	\$ 207,979
Royalties	(1,895)	(1,912)	(2,010)	(1,192)	(3,905)	(3,104)
	41,883	40,270	180,339	164,605	222,222	204,875
SEGMENT EXPENSES & OTHER						
Cost of diluent	—	—	78,543	119,988	78,543	119,988
Operating expenses	5,811	8,326	37,748	36,351	43,559	44,677
Transportation and marketing	4,792	7,652	18,920	15,010	23,712	22,662
Depletion and depreciation	19,916	16,700	14,559	21,748	34,475	38,448
Exploration expenses	—	2	626	304	626	306
(Gain) loss on sale of assets	1,205	—	(222,811)	—	(221,606)	—
	31,724	32,680	(72,415)	193,401	(40,691)	226,081
Loss on commodity risk management contracts, net					(41,791)	(4,164)
Segment income (loss)	\$ 10,159	\$ 7,590	\$ 252,754	\$ (28,796)	\$ 221,122	\$ (25,370)
CORPORATE						
Interest income					1,984	1,131
Financing and interest					(20,734)	(19,580)
General and administrative					(4,949)	(9,034)
Stock-based compensation					(1,751)	(2,431)
Depreciation					(932)	(421)
Foreign exchange gain (loss), net					13,610	(15,412)
Loss on foreign exchange risk management contracts, net					(725)	—
Loss on revaluation of provisions and other					(829)	(22,213)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)					\$ 206,796	\$ (93,330)

Segmented capital expenditures

	Three months ended March 31,	
	2019	2018
LIGHT OIL⁽¹⁾		
Property, plant and equipment	\$ 29,855	\$ 66,630
THERMAL OIL		
Property, plant and equipment	23,036	15,016
Exploration and evaluation	73	615
	23,109	15,631
TOTAL CAPITAL SPENDING⁽¹⁾⁽²⁾⁽³⁾	\$ 52,964	\$ 82,261

(1) Including the recovery of the capital-carry, Athabasca's net cash outflow from capital expenditures during the three months ended March 31, 2019 was \$31.8 million (March 31, 2018 - \$56.7 million) and in the Light Oil Division was \$8.6 million (March 31, 2018 - \$41.0 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, 2019, expenditures include cash capitalized staff costs of \$2.2 million (March 31, 2018 - \$3.1 million).

Segmented assets

Net book value (As at)	March 31, 2019	December 31, 2018
LIGHT OIL		
Capital-carry receivable (current and long-term)	\$ 58,861	\$ 79,116
Property, plant and equipment	705,234	695,885
	764,095	775,001
THERMAL OIL		
Inventory	35,635	25,442
Assets held for sale (Note 5)	—	39,877
Property, plant and equipment	734,866	728,135
Exploration and evaluation	2,227	2,147
	772,728	795,601
CORPORATE		
Current assets ⁽¹⁾	393,749	125,717
Restricted cash (Note 7)	106,385	111,056
Long-term deposit (Note 15)	12,577	12,577
Property, plant and equipment	17,324	5,686
	530,035	255,036
TOTAL ASSETS	\$ 2,066,858	\$ 1,825,638

(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.

13. REVENUE

Revenue by product	Three months ended March 31,	
	2019	2018
Blended bitumen	\$ 182,349	\$ 165,797
Oil and condensate	29,971	27,450
Natural gas	9,955	9,835
Natural gas liquids	3,852	4,897
TOTAL REVENUE	\$ 226,127	\$ 207,979

14. FINANCING AND INTEREST

	Three months ended March 31,	
	2019	2018
Financing and interest expense on indebtedness (Note 7)	\$ 15,195	\$ 14,697
Amortization of debt issuance costs (Note 7)	2,240	2,026
Accretion of provisions (Note 8)	2,846	2,857
Interest expense on lease liability (Note 2, 8)	453	—
TOTAL FINANCING AND INTEREST	\$ 20,734	\$ 19,580

15. INCOME TAXES

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 Company has approximately \$3.1 billion in tax pools, including approximately \$1.9 billion in non-capital losses and exploration tax pools available for immediate deduction against future income.

16. FINANCIAL INSTRUMENTS RISK

As at March 31, 2019, 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. The risk management contracts have been classified as Level 2 on the fair value hierarchy and the capital-carry receivable and contingent payment obligation have been classified as Level 3 on the fair value hierarchy.

Credit risk

Credit risk is the risk of financial loss to Athabasca if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Athabasca's cash balances, accounts receivables from petroleum and natural gas marketers and joint interest partners, the capital-carry receivable and risk management contract counterparties.

Athabasca's cash, cash equivalents and restricted cash are held with five counterparties, all of which were large reputable financial institutions, and management believes that credit risk associated with these investments is low. Management believes collection risk of the outstanding accounts receivables and capital-carry receivable is low given the high credit quality of the Company's material counterparties. No material receivables were past due as at March 31, 2019. Athabasca's risk management contracts are held with four counterparties, all of which were large reputable financial institutions, and management believes that credit risk associated with these risk management contracts is low.

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient available reserves to meet its liquidity requirements at any point in time. The Company expects to achieve this objective through prudent capital spending, an active commodity risk management program (Note 4) and by maintaining sufficient funds for anticipated short-term spending and to manage periods of volatility in cash, cash equivalent and short-term investment accounts as well as through available credit facilities.

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 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, the contingent payment obligation with a remaining two year term ending in 2020 and the lease liability ending in 2025. 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 its US dollar denominated 2022 Notes (Note 7). During the three months ended March 31, 2019, Athabasca recognized a \$13.6 million foreign exchange gain (March 31, 2018 - loss of \$15.4 million). 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 \$30.1 million and a change to the annual interest payment by approximately \$3.0 million. Athabasca has entered into a US dollar forward swap contract to reduce foreign exchange risk associated with its August 2019 interest payment on the 2022 Notes. Refer to Note 4 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 4 for further details.

Interest Rate Risk

The Company's exposure to interest rate fluctuations on interest earned on its floating rate cash balance of \$378.6 million (December 31, 2018 - \$185.0 million), from a 1.0% change in interest rates, would be approximately \$3.8 million for a 12 month period (year ended December 31, 2018 - \$1.8 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.

17. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future minimum commitments as at March 31, 2019 for the following five years and thereafter:

	Remaining						
	2019	2020	2021	2022	2023	Thereafter	Total
Transportation and processing ⁽¹⁾	\$ 89,871	\$ 119,457	\$ 108,248	\$ 176,157	\$ 217,973	\$ 3,773,215	\$ 4,484,921
Repayment of long-term debt (Note 7) ⁽¹⁾	—	—	—	601,200	—	—	601,200
Interest expense on long-term debt (Note 7) ⁽¹⁾	29,684	59,369	59,369	29,684	—	—	178,106
Purchase commitments and drilling rigs	4,141	—	—	—	—	—	4,141
TOTAL COMMITMENTS	\$ 123,696	\$ 178,826	\$ 167,617	\$ 807,041	\$ 217,973	\$ 3,773,215	\$ 5,268,368

(1) Commitments which are denominated in US dollars were converted into Canadian dollars at the March 31, 2019 exchange rate of US\$1.00 = C\$1.3360.

In conjunction with the Leismer Infrastructure Transaction (Note 5), Athabasca entered into a new multi-year transportation commitment with Enbridge. Amounts associated with this commitment have been included in the above table.

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.

18. 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 March 31, 2019 and 2018:

	Three months ended March 31,	
	2019	2018
Change in accounts receivable	\$ (70,646)	\$ (1,726)
Change in prepaid expenses and deposits	(1,384)	(1,386)
Change in inventory	(7,769)	(10,238)
Change in accounts payable and accrued liabilities	4,678	43,761
	\$ (75,121)	\$ 30,411
RELATED TO:		
Operating activities	\$ (57,400)	\$ 6,571
Financing activities	—	(350)
Investing activities	(17,721)	24,190
NET CHANGE IN NON-CASH WORKING CAPITAL	\$ (75,121)	\$ 30,411
Cash interest paid	\$ 29,859	\$ 30,600
Cash interest received	\$ 1,819	\$ 1,102

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⁾

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

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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