Condensed Interim Consolidated Financial Statements
(unaudited)

Q1 2024

ATHABASCA
OIL CORPORATION

FOCUSED | EXECUTING | DELIVERING

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at ($ Thousands)	March 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 306,503	$ 343,309
Accounts receivable	121,903	100,106
Prepaid expenses and deposits (Note 3)	10,091	12,747
Inventory (Note 4)	45,085	42,488
Risk management contracts (Note 7)	—	1,999
	483,582	500,649
Prepaid expenses and deposits (Note 3)	35,042	35,599
Property, plant and equipment (Note 6)	1,253,146	1,106,725
Exploration and evaluation assets	3,092	2,118
Deferred income tax (Note 18)	433,232	403,544
	$ 2,208,094	$ 2,048,635
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 143,936	$ 129,702
Risk management contracts (Note 7)	2,522	3,242
Warrant liability (Note 9)	29,064	22,119
Provisions and other liabilities (Note 10)	37,215	30,064
	212,737	185,127
Term debt (Note 8)	186,773	179,705
Provisions and other liabilities (Note 10)	103,235	100,350
Deferred income tax (Note 18)	39,797	—
	542,542	465,182
SHAREHOLDERS' EQUITY		
Common shares (Note 11)	2,199,361	2,273,433
Contributed surplus	136,934	131,699
Non-controlling interest (Note 5)	112,327	—
Accumulated deficit	(783,070)	(821,679)
	1,665,552	1,583,453
	$ 2,208,094	$ 2,048,635

Commitments (Note 20).

See accompanying notes to the consolidated financial statements.

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

($ Thousands, except per share amounts)	Three months ended March 31, 2024	2023
REVENUE		
Petroleum, natural gas and midstream sales (Note 15)	$ 311,116	$ 290,741
Interest income	4,490	3,270
Royalties	(13,851)	(12,169)
	301,755	281,842
Unrealized gain (loss) on commodity risk mgmt contracts (Note 7)	(1,279)	(4,965)
Realized gain (loss) on commodity risk mgmt contracts (Note 7)	1,445	(22,055)
	301,921	254,822
EXPENSES		
Cost of diluent	128,397	140,683
Operating expenses	43,323	54,698
Transportation and marketing	20,967	27,213
General and administrative	5,762	5,747
Stock-based compensation (Note 12)	14,159	35,047
Financing and interest (Note 16)	10,340	6,282
Depletion and depreciation (Note 6)	23,719	29,225
Exploration expenses	67	312
Total expenses	246,734	299,207
Revenue less expenses	55,187	(44,385)
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss), net (Note 19)	3,437	1,462
Gain (loss) on revaluation of provisions and other (Note 17)	(6,929)	(23,814)
Gain (loss) on sale of assets	(148)	—
Income (loss) before tax	51,547	(66,737)
INCOME TAX EXPENSE (RECOVERY)		
Deferred (Note 18)	13,046	(10,102)
Net income (loss) and comprehensive income (loss)	$ 38,501	$ (56,635)
Net income (loss) and comprehensive income (loss) attributable to:		
Shareholders of the Parent Company	$ 38,609	$ (56,635)
Non-controlling interest (Note 5)	(108)	—
	$ 38,501	$ (56,635)
BASIC NET INCOME (LOSS) PER SHARE[(1)] (Note 13)	$ 0.07	$ (0.10)
DILUTED NET INCOME (LOSS) PER SHARE[(1)] (Note 13)	$ 0.07	$ (0.10)

(1) Based on net income (loss) attributable to shareholders of the Parent Company.

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ Thousands)	Three months ended March 31, 2024	2023
OPERATING ACTIVITIES		
Net income (loss)	$ 38,501	$ (56,635)
Items not affecting cash:		
Non-cash transportation and marketing	557	557
Net non-cash stock-based compensation (Note 12)	1,973	284
Net non-cash financing and interest (Note 16)	3,937	(677)
Depletion and depreciation (Note 6)	23,719	29,225
Unrealized non-cash foreign exchange (gain) loss (Note 19)	(2,317)	(2,656)
Realized foreign exchange (gain) loss on redemption of US dollar debt (Note 8)	—	1,829
Unrealized (gain) loss on risk management contracts (Note 7)	1,279	4,965
Non-cash (gain) loss on revaluation of provisions & other (Note 17)	6,929	23,814
(Gain) loss on sale of assets	148	—
Deferred income tax (recovery) expense (Note 18)	13,046	(10,102)
Settlement of provisions (Note 10)	(1,603)	(674)
Decrease in long-term deposit	—	12,577
Changes in non-cash working capital and other liabilities (Note 21)	(9,531)	18,030
	76,638	20,537
FINANCING ACTIVITIES		
Repurchased shares for cancellation (Note 11)	(74,087)	—
Proceeds from Duvernay Energy subscription (Note 5)	18,087	—
Redemption of term debt	—	(18,292)
Term debt redemption premium	—	(728)
Payments of lease liabilities	(469)	(841)
Proceeds from exercised equity incentives (Note 12)	10	215
Changes in non-cash working capital and other liabilities (Note 21)	101	—
	(56,358)	(19,646)
INVESTING ACTIVITIES		
Capital expenditures (Note 6)	(76,011)	(26,362)
Proceeds from sale of assets	(148)	—
Changes in non-cash working capital and other liabilities (Note 21)	12,178	1,385
	(63,981)	(24,977)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	6,895	(159)
CHANGE IN CASH AND CASH EQUIVALENTS	(36,806)	(24,245)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	343,309	197,525
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 306,503	$ 173,280

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

($ Thousands)	Three months ended March 31, 2024	2023
COMMON SHARES (Note 11)		
Balance, beginning of period	$ 2,273,433	$ 2,352,894
Exercise of stock options, RSUs and PSUs (Note 12)	15	307
Repurchased shares for cancellation (Note 11)	(74,087)	—
Balance, end of period	2,199,361	2,353,201
CONTRIBUTED SURPLUS		
Balance, beginning of period	131,699	128,062
Stock-based compensation (Notes 12 & 18)	5,240	967
Exercise of stock options, RSUs and PSUs (Note 12)	(5)	(92)
Balance, end of period	136,934	128,937
NON-CONTROLLING INTEREST (Note 5)		
Balance, beginning of period	—	—
Initial recognition	112,435	—
Net income (loss)	(108)	—
Balance, end of period	112,327	—
ACCUMULATED DEFICIT		
Balance, beginning of period	(821,679)	(770,459)
Net income (loss)	38,609	(56,635)
Balance, end of period	(783,070)	(827,094)
TOTAL SHAREHOLDERS’ EQUITY	$ 1,665,552	$ 1,655,044

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As at and for the three months ended March 31, 2024.

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

1. NATURE OF BUSINESS

Athabasca Oil Corporation ("Athabasca", the "Company" or the "Parent Company") is an exploration and production company developing Thermal Oil and Light Oil resource plays in the Western Canadian Sedimentary Basin in Alberta, Canada. Development of the Light Oil resource play is through Duvernay Energy Corporation ("Duvernay Energy"), see Note 5 for further details. 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, 2024.

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, 2023. The Consolidated Financial Statements have been prepared using the same accounting policies and methods as the audited consolidated financial statements for the year ended December 31, 2023, except as disclosed in Note 5. Certain comparative figures have been restated to conform to the current period presentation.

3. PREPAID EXPENSES AND DEPOSITS

As at		March 31, 2024		December 31, 2023
Hangingstone transportation prepayment	$	37,350	$	37,907
Prepaid expenses and deposits		7,783		10,439
TOTAL PREPAID EXPENSES AND DEPOSITS	$	45,133	$	48,346
Presented as:				
Current portion of prepaid expenses and deposits	$	10,091	$	12,747
Long term portion of prepaid expenses and deposits	$	35,042	$	35,599

4. INVENTORY

As at		March 31, 2024		December 31, 2023
Product inventory	$	32,462	$	29,977
Warehouse inventory		12,623		12,511
TOTAL INVENTORY	$	45,085	$	42,488

5. DUVERNAY ENERGY CORPORATION

Duvernay Energy, a privately held subsidiary of Athabasca, commenced operations on February 6, 2024 following the transfer of certain assets, pursuant to an agreement (the "Transaction") involving Athabasca and Cenovus Energy ("Cenovus"). Duvernay Energy is managed by Athabasca through a management and operating services agreement. Duvernay Energy's Board of Directors includes three members nominated by Athabasca and one member nominated by Cenovus.

Athabasca received a 70% equity interest in exchange for cash, petroleum and natural gas assets and the transferred interest of its wholly owned Kaybob partnership. Since Athabasca and Duvernay Energy share common control, transactions between the two entities have been eliminated upon consolidation.

Cenovus received a 30% equity interest valued at $112.4 million in exchange for $18.1 million in cash and $94.3 million in petroleum and natural gas assets. The PP&E assets acquired from Cenovus do not constitute a business and were accounted for as an asset acquisition. The initial measurement of the PP&E was recorded at its cost of $94.3 million, which approximated fair value. The 30% equity in Duvernay Energy not attributable to Athabasca has been reported as a non-controlling interest on the consolidated balance sheet and on the consolidated statements of income (loss) and comprehensive income (loss).

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

BALANCE, DECEMBER 31, 2022	$	1,408,891
PP&E capital expenditures		139,113
Non-cash capitalized costs and other(1)		3,415
Depletion and depreciation(2)		(110,798)
Disposals		(333,896)
BALANCE, DECEMBER 31, 2023	$	1,106,725
PP&E capital expenditures		75,103
Acquired through the Transaction (Note 5)		94,348
Non-cash capitalized costs and other(1)		689
Depletion and depreciation(2)		(23,719)
BALANCE, MARCH 31, 2024	$	1,253,146

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

(2) Depletion and depreciation for the three months ended March 31, 2024 includes $0.2 million of depreciation relating to the Leased Asset (year ended December 31, 2023 - $0.9 million).

PP&E consists of the following:

Net book value (As at)		March 31, 2024		December 31, 2023
PP&E at cost(1)	$	2,901,402	$	2,731,262
Accumulated depletion and depreciation(1)		(748,736)		(725,017)
Accumulated impairment losses		(899,520)		(899,520)
TOTAL PP&E	$	1,253,146	$	1,106,725

(1) As at March 31, 2024, the PP&E cost includes $13.3 million of Leased Asset cost and accumulated depletion and depreciation includes $9.4 million of accumulated depreciation relating to the Leased Asset (as at December 31, 2023 – Leased Asset cost of $13.3 million and accumulated depreciation relating to the Leased Asset of $9.2 million).

As at March 31, 2024, $175.6 million (December 31, 2023 - $83.2 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. 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 (i.e. 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.

Financial commodity risk management contracts

As at March 31, 2024, the following financial commodity risk management contracts were in place:

Instrument	Period	Volume		C$ Average Price[1]		US$ Average Price[1]
Sales contracts				*C$/bbl*		*US$/bbl*
WTI collar	April - June 2024	9,725 bbl/d	$	67.75 - 130.40	$	50.00 - 96.24
Purchase contracts				*C$/GJ/bbl*		*US$/GJ/bbl*
AECO collar	April - December 2024	20,000 GJ/d	$	2.35 - 2.84	$	1.74 - 2.10

(1) The implied C$ or US$ Average Price per bbl or GJ, as applicable, was calculated using the March 31, 2024 exchange rate of US$1.00 = C$1.3550.

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

At March 31, 2024, a US$5 increase/decrease in the price of WTI has a nil impact on the WTI collar contracts. The following table summarizes the sensitivity to price changes for Athabasca's other commodity risk management contracts:

	Change in AECO			
As at March 31, 2024		**Increase of C$1.00/GJ**		**Decrease of C$1.00/GJ**
Increase (decrease) to fair value of commodity risk management contracts	$	953	$	(5,351)

Additional financial commodity risk management has taken place subsequent to March 31, 2024 as noted in the table below:

Instrument	Period	Volume		C$ Average Price[1]		US$ Average Price[1]
Sales contracts				*C$/bbl*		*US$/bbl*
WTI collar	April - June 2024	13,059 bbl/d	$	67.75 - 151.64	$	50.00 - 111.91
WTI collar	July - September 2024	8,184 bbl/d	$	67.75 - 174.58	$	50.00 - 128.84

(1) The implied C$ or US$ Average Price per bbl or GJ, as applicable, was calculated using the March 31, 2024 exchange rate of US$1.00 = C$1.3550.

8. INDEBTEDNESS

Senior Secured Second Lien Notes

On October 22, 2021, Athabasca issued US$350.0 million of Senior Secured Second Lien Notes (the "2026 Notes"). The 2026 Notes, which were issued along with warrants (see Note 9), bear interest at 9.75% per annum, payable semi-annually, and have a term of 5 years maturing on November 1, 2026. As at March 31, 2024, the principal balance on the 2026 Notes was $212.7 million (US$157 million).

As at		March 31, 2024		December 31, 2023
Senior Secured Second Lien Notes ("2026 Notes")[1]	$	212,735	$	207,648
Discount on debt		(62,798)		(62,798)
Accretion of discount on debt		36,836		34,855
TOTAL TERM DEBT	$	186,773	$	179,705

(1) As at March 31, 2024, the 2026 Notes were translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.3550 (As at December 31, 2023 - US$1.00 = C$1.3226).

The 2026 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 2026 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. In addition, the Company is subject to certain minimum hedging requirements that are consistent with the Company's risk management policy. As at March 31, 2024, the Company is in compliance with all covenants.

Athabasca may redeem all or part of the 2026 Notes at any time prior to November 1, 2024 at 100% of the principal amount plus an applicable premium, as set out in the 2026 Notes indenture. On or after November 1, 2024, Athabasca may redeem all or part of the 2026 Notes at 104.875% from November 1, 2024 to November 1, 2025 and at 100% from November 1, 2025 to November 1, 2026.

As at March 31, 2024, the fair value of the 2026 Notes was $225.5 million (US$166.4 million) based on observable market quoted prices (Level 1).

Senior Extendible Revolving Term Credit Facility

Athabasca has a $110.0 million reserve-based credit facility (the "Credit Facility"). The Credit Facility is a committed facility available on a revolving basis until May 31, 2024, at which point in 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, 2025. The Credit Facility is subject to a semi-annual borrowing base review, occurring by May 31 and November 30 of each year. The borrowing base is determined based on the lenders' evaluation of the Company's petroleum and natural gas reserves and their commodity price outlook at the time of each renewal.

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 2026 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. As at March 31, 2024, the Company is in compliance with all covenants.

As at March 31, 2024, amounts borrowed under the Credit Facility bear interest at a floating rate based on the applicable Canadian prime rate, US base rate, Secured Overnight Financing Rate ("SOFR") or Canadian Overnight Repo Rate Average ("CORRA"), plus a margin of 2.00% to 3.00%. The Company incurs an issuance and fronting fee for letters of credit of 3.25% and a standby fee on the undrawn portion of the Credit Facility of 0.75%.

As at March 31, 2024, the Company had no amounts drawn and $34.9 million of letters of credit outstanding under the Credit Facility. As at December 31, 2023, the Company had no amounts drawn and $27.1 million of letters of credit outstanding under the Credit Facility.

Unsecured Letter of Credit Facility

Athabasca maintains a $60.0 million unsecured letter of credit facility (the "Unsecured Letter of Credit Facility") with a Canadian bank that is supported by a performance security guarantee from Export Development Canada (December 31, 2023 - $60 million). The facility is available on a demand basis and letters of credit issued under this facility incur an issuance and performance guarantee fee of 3.0%. As at March 31, 2024, the Company had $58.3 million of letters of credit outstanding under the Unsecured Letter of Credit Facility (December 31, 2023 - $57.5 million).

Duvernay Energy Credit Facility

Duvernay Energy has a $50.0 million reserve-based credit facility (the "Duvernay Credit Facility"). The Duvernay Credit Facility is a committed facility available on a revolving basis until November 30, 2024, at which point in 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 November 30, 2025. The Duvernay Credit Facility is subject to a semi-annual borrowing base review, occurring by May 31 and November 30 of each year. The borrowing base is determined based on the lenders' evaluation of Duvernay Energy's petroleum and natural gas reserves and their commodity price outlook at the time of each renewal.

The Duvernay Credit Facility is secured by a first priority security interest on all present and after acquired property of Duvernay Energy. The Duvernay 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. As at March 31, 2024, Duvernay Energy is in compliance with all covenants.

As at March 31, 2024, amounts borrowed under the Duvernay Credit Facility bear interest at a floating rate based on the applicable Canadian prime rate, US base rate, Secured Overnight Financing Rate ("SOFR") or Canadian Overnight Repo Rate Average ("CORRA"), plus a margin of 2.00% to 3.00%. The Company incurs an issuance and fronting fee for letters of credit of 3.25% and a standby fee on the undrawn portion of the Credit Facility of 0.75%.

As at March 31, 2024, the Company had no amounts drawn and $0.4 million of letters of credit outstanding under the Duvernay Credit Facility.

9. WARRANT LIABILITY

In conjunction with the issuance of the 2026 Notes, Athabasca issued 350,000 warrants at an exercise price of $0.9441 per share that expire on November 1, 2026. Each warrant is exercisable into 227 common shares. As at March 31, 2024, 92% of the original 350,000 warrants have been exercised.

The warrants are classified as a financial liability due to a cashless exercise provision. They are measured at fair value upon issuance and at each subsequent reporting period, and presented net of a deferred loss, with the changes in fair value and amortization of the deferred loss recorded in the consolidated statement of income (loss). The fair value of the warrants is determined using the Black-Scholes option valuation model. The warrants can be exercised at any time and are therefore presented as a current liability on the consolidated balance sheet. The following table reconciles the warrant liability:

	Three months ended March 31, 2024			Year ended December 31, 2023		
	Number of Warrants		Amount	Number of Warrants		Amount
Balance, beginning of period	29,324	$	22,119	139,217	$	53,813
Change in fair value	—		6,929	—		25,801
Amortization of deferred loss	—		16	—		1,013
Exercise of warrants	—		—	(109,893)		(58,508)
BALANCE, END OF PERIOD	29,324	$	29,064	29,324	$	22,119

The fair value as at March 31, 2024 of each common share issuable under the warrant agreement was estimated at $4.39 using a risk-free interest rate of 4.0%, an expected life of 2.5 years, expected volatility of 57.3% and a stock price of $5.23 per share. The fair value as at December 31, 2023 of each common share issuable under the warrant agreement was estimated at $3.35 using a risk-free interest rate of 3.7%, an expected life of 2.8 years, expected volatility of 57.4% and a stock price of $4.17 per share. The change in fair value as at March 31, 2024 of $6.9 million (December 31, 2023 - $25.8 million) was expensed within gain (loss) on revaluation of provisions and other in the consolidated statements of income (loss).

10. PROVISIONS AND OTHER LIABILITIES

As at		March 31, 2024		December 31, 2023
Decommissioning obligations	$	94,604	$	93,842
TOTAL PROVISIONS		94,604		93,842
Lease liability		5,363		5,832
Cash settled stock-based compensation liability (Note 12)		40,483		30,740
TOTAL PROVISIONS AND OTHER LIABILITIES	$	140,450	$	130,414
Presented as:				
Current provisions and other liabilities	$	37,215	$	30,064
Long term provisions and other liabilities	$	103,235	$	100,350

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:

		March 31, 2024		December 31, 2023
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	$	93,842	$	93,132
Liabilities incurred		151		1,088
Liabilities acquired (Note 5)		582		—
Liabilities settled		(1,603)		(1,762)
Liabilities disposed		—		(6,078)
Change in discount rate		(308)		—
Change in estimates		—		(318)
Accretion expense		1,940		7,780
DECOMMISSIONING OBLIGATIONS, END OF PERIOD	$	94,604	$	93,842

At March 31, 2024, the Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2.0% (December 31, 2023 - 2.0%) and a credit-adjusted discount rate ranging from 8.5% to 9.0% per annum (December 31, 2023 - 8.5%). 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. The undiscounted amount of estimated inflated future cash flows required to settle the obligations is $383.4 million (December 31, 2023 - $379.8 million). A 1.0% change in the credit-adjusted discount rate would impact the discounted value of the decommissioning obligations by approximately $12 million with a corresponding adjustment to PP&E, E&E or net income (loss) if the adjustment is related to fully impaired assets. As at March 31, 2024, $1.7 million was included within the current portion of provisions (December 31, 2023 - $1.7 million).

11. 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, 2024			Year ended December 31, 2023		
	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of period	572,352,204	$	2,273,433	586,489,001	$	2,352,894
Exercise of warrants (Note 9)	—		—	21,465,483		70,439
Exercise of stock options, RSUs and PSUs (Note 12)	24,500		15	8,611,020		8,682
Repurchased shares for cancellation	(14,786,789)		(74,087)	(44,213,300)		(158,582)
BALANCE, END OF PERIOD	557,589,915	$	2,199,361	572,352,204	$	2,273,433

In the first quarter of 2024, the Company renewed its normal course issuer bid ("NCIB") to purchase up to 55.4 million common shares during the twelve-month period commencing on March 18, 2024 and ending March 17, 2025. The Company fully completed its previous NCIB and purchased and cancelled a total of 58.0 million common shares for the twelve-month period ended March 15, 2024.

Subsequent to March 31, 2024, the Company repurchased for cancellation 4.9 million common shares under its NCIB program.

12. STOCK-BASED COMPENSATION

In May 2021, Athabasca adopted an omnibus incentive plan (the "Omnibus Incentive Plan"). The Omnibus Incentive Plan is a long-term incentive plan that permits the grant of options, RSUs and PSUs and other security-based rewards to eligible individuals. In respect of future rewards, the Omnibus Incentive Plan replaces the Performance Plan, the 2015 RSU Plan and the Option Plan (collectively the "Prior Plans"). The Company also has PUPs and DSUs stock-based compensation plans. The following table summarizes the Company's outstanding stock-based compensation units:

As at	March 31, 2024	December 31, 2023
Stock options	2,905,706	3,613,600
RSUs	9,250,789	9,272,304
Equity based	12,156,495	12,885,904
PSUs	2,625,700	2,625,700
PUPs	1,434,181	1,454,994
DSUs	5,052,790	5,036,925
Cash based	9,112,671	9,117,619
TOTAL OUTSTANDING STOCK-BASED COMPENSATION UNITS	21,269,166	22,003,523

The stock options, RSUs and PSUs are rolling plans and the number of common shares that may be issued on exercise under the plans is limited to an aggregate of 10% of the common shares outstanding. The stock options and RSUs have been accounted for as equity-settled stock-based compensation plans. The PSUs, PUPs and DSUs have been accounted for as cash-settled stock-based compensation plans. The liabilities under the cash settled plans are revalued at each reporting date based on the Company's closing share price.

The following table summarizes the Company's stock-based compensation expense (recovery):

	Three months ended March 31, 2024	2023
Stock-based compensation expense (recovery) - equity based	$ 2,303	$ 967
Capitalized to PP&E and E&E assets	(330)	(683)
Net stock-based compensation expense (recovery) - equity based	1,973	284
Stock-based compensation expense (recovery) - cash based	12,713	35,791
Capitalized to PP&E and E&E assets	(527)	(1,028)
Net stock-based compensation expense (recovery) - cash based	12,186	34,763
NET STOCK-BASED COMPENSATION EXPENSE (RECOVERY)	$ 14,159	$ 35,047

The following table reconciles the Company's cash settled stock-based compensation liability:

	March 31, 2024	December 31, 2023
CASH SETTLED STOCK-BASED COMPENSATION LIABILITY, BEGINNING OF PERIOD	$ 30,740	$ 24,567
Stock-based compensation expense (recovery) - cash based	12,713	52,314
Liabilities settled	(2,970)	(46,141)
CASH SETTLED STOCK-BASED COMPENSATION LIABILITY, END OF PERIOD	$ 40,483	$ 30,740

13. PER SHARE AMOUNTS

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 the unamortized stock-based compensation expense. The following table calculates the basic and diluted net income (loss) per share:

	Three months ended March 31, 2024	2023
BASIC & DILUTED NET INCOME (LOSS)(1)	$ 38,609	$ (56,635)
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	567,076,940	586,631,143
Dilutive effect of stock options and RSUs	10,029,564	—
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	577,106,504	586,631,143
BASIC NET INCOME (LOSS) PER SHARE(1)	$ 0.07	$ (0.10)
DILUTED NET INCOME (LOSS) PER SHARE(1)	$ 0.07	$ (0.10)

(1) Based on net income (loss) attributable to shareholders of the Parent Company.

For the three months ended March 31, 2024, securities of 9,282,812 were excluded from the diluted net income (loss) per share calculation as their effect is anti-dilutive (three months ended March 31, 2023 – 62,155,564).

14. SEGMENTED INFORMATION

The Company's Light Oil operating segment from the audited consolidated financial statements for the year ended December 31, 2023 has been renamed to Duvernay Energy. The Duvernay Energy operating segment includes the Company's assets, liabilities, and operations located primarily in the Greater Kaybob area near the town of Fox Creek, Alberta.

Segmented operating results

Three months ended March 31,	Athabasca (Thermal Oil) 2024	Athabasca (Thermal Oil) 2023	Duvernay Energy 2024	Duvernay Energy 2023	Eliminations[(1)] 2024	Eliminations[(1)] 2023	Consolidated 2024	Consolidated 2023
REVENUES								
Petroleum, natural gas & midstream sales	$ 305,041	$ 269,102	$ 11,538	$ 29,889	$ (5,463)	$ (8,250)	$ 311,116	$ 290,741
Interest income	4,207	3,270	283	—	—	—	4,490	3,270
Royalties	(11,537)	(6,613)	(2,314)	(5,556)	—	—	(13,851)	(12,169)
	297,711	265,759	9,507	24,333	(5,463)	(8,250)	301,755	281,842
Unrealized gain (loss) on commodity risk mgmt contracts	(1,279)	(4,965)	—	—	—	—	(1,279)	(4,965)
Realized gain (loss) on commodity risk mgmt contracts	1,445	(22,055)	—	—	—	—	1,445	(22,055)
	297,877	238,739	9,507	24,333	(5,463)	(8,250)	301,921	254,822
EXPENSES								
Cost of diluent	133,860	148,933	—	—	(5,463)	(8,250)	128,397	140,683
Operating expenses	39,683	47,769	3,640	6,929	—	—	43,323	54,698
Transportation and marketing	20,069	24,847	898	2,366	—	—	20,967	27,213
General and administrative	4,934	5,747	828	—	—	—	5,762	5,747
Stock-based compensation	14,159	35,047	—	—	—	—	14,159	35,047
Financing and interest	10,130	6,282	210	—	—	—	10,340	6,282
Depletion and depreciation	19,616	19,189	4,103	10,036	—	—	23,719	29,225
Exploration expenses	67	312	—	—	—	—	67	312
Total expenses	242,518	288,126	9,679	19,331	(5,463)	(8,250)	246,734	299,207
Revenue less expenses	55,359	(49,387)	(172)	5,002	—	—	55,187	(44,385)
OTHER INCOME (EXPENSES)								
Foreign exchange gain (loss), net	3,437	1,462	—	—	—	—	3,437	1,462
Gain (loss) on revaluation of provisions and other	(6,929)	(23,814)	—	—	—	—	(6,929)	(23,814)
Gain (loss) on sales of assets	(148)	—	—	—	—	—	(148)	—
Income (loss) before tax	51,719	(71,739)	(172)	5,002	—	—	51,547	(66,737)
Deferred tax	13,139	(10,102)	(93)	—	—	—	13,046	(10,102)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ 38,580	$ (61,637)	$ (79)	$ 5,002	$ —	$ —	$ 38,501	$ (56,635)

(1) Eliminations include adjustments for NGL's (i.e. condensate) produced by the Duvernay Energy segment used for internal consumption (i.e. diluent) by the Athabasca (Thermal Oil) segment. Sales between segments are made at prices that approximate market prices.

Seasonality can have an impact on Operating Income (Loss) generated by the Thermal Oil business. In the first and fourth quarters of a given year, dilution costs will generally increase as more diluent is required to meet pipeline specifications.

Segmented capital expenditures

	Three months ended March 31, 2024	2023
ATHABASCA (THERMAL OIL)		
Property, plant and equipment	$ 41,211	$ 24,289
Exploration and evaluation	908	197
	42,119	24,486
DUVERNAY ENERGY		
Property, plant and equipment	33,892	1,876
TOTAL CAPITAL EXPENDITURES(1)(2)(3)	$ 76,011	$ 26,362

(1) For the three months ended March 31, 2024, expenditures include cash capitalized stock-based compensation costs of $0.5 million (three months ended March 31, 2023 - $1.0 million).
(2) For the three months ended March 31, 2024, expenditures include cash capitalized staff costs of $1.9 million (three months ended March 31, 2023 - $1.9 million).
(3) Excludes non-cash capitalized costs related to stock-based compensation, decommissioning obligation assets and leased asset modifications.

Segmented assets

Net book value (As at)	March 31, 2024	December 31, 2023
ATHABASCA (THERMAL OIL)		
Current assets	$ 441,891	$ 500,649
Non-current prepaid expenses and deposits (Note 3)	35,042	35,599
Deferred income tax (Note 18)	433,232	403,544
Property, plant and equipment	893,001	895,107
Exploration and evaluation	3,092	2,118
	1,806,258	1,837,017
DUVERNAY ENERGY		
Current assets	41,691	—
Property, plant and equipment	360,145	211,618
	401,836	211,618
TOTAL ASSETS	$ 2,208,094	$ 2,048,635

15. REVENUE

The following table summarizes Athabasca's revenue by product:

	Three months ended March 31, 2024	2023
Heavy oil (blended bitumen)	$ 301,744	$ 265,594
Oil and condensate	10,127	21,396
Natural gas	843	4,807
Other natural gas liquids	568	3,686
Eliminations - inter-segment sales	(5,463)	(8,250)
Petroleum and natural gas sales	307,819	287,233
Midstream sales	3,297	3,508
TOTAL REVENUE	$ 311,116	$ 290,741

16. FINANCING AND INTEREST

	Three months ended March 31, 2024	2023
Financing and interest expense on indebtedness (Note 8)	$ 6,287	$ 7,510
Accretion of 2026 Notes (Note 8)	1,981	(3,402)
Accretion of warrants (Note 9)	16	78
Accretion of provisions (Note 10)	1,940	1,919
Interest expense on lease liability	116	177
TOTAL FINANCING AND INTEREST	$ 10,340	$ 6,282

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

	Three months ended March 31, 2024	2023
Change in fair value of warrant liability (Note 9)	$ (6,929)	$ (23,814)
TOTAL GAIN (LOSS) ON REVALUATION OF PROVISIONS AND OTHER	$ (6,929)	$ (23,814)

18. INCOME TAXES

The following table reconciles the expected income tax (recovery) expense calculated at the Canadian statutory rate of 23.0% (2022 – 23.0%) to the actual income tax (recovery) expense:

	Three months ended March 31, 2024	2023
INCOME (LOSS) BEFORE INCOME TAXES	$ 51,547	$ (66,737)
Effective Canadian statutory income tax rate	23%	23%
Expected income tax (recovery) expense	11,856	(15,350)
ADJUSTMENTS RELATED TO THE FOLLOWING:		
Non-taxable portion on foreign exchange (gains) losses, net	585	8
Stock-based compensation	(84)	(311)
Warrants	1,597	5,495
Other	(908)	56
DEFERRED INCOME TAX (RECOVERY) EXPENSE	$ 13,046	$ (10,102)

At March 31, 2024, a deferred tax liability of $39.8 million has been recognized as a result of the assets transferred in the Duvernay Energy Transaction (Note 5).

As at March 31, 2024, the Company has approximately $2.6 billion in tax pools, including approximately $2.1 billion in non-capital losses and exploration tax pools available for immediate deduction against future income.

19. FINANCIAL INSTRUMENTS RISK

As at March 31, 2024, the Company's consolidated financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, deposits, risk management contracts, accounts payable, warrant liability and term debt. The risk management contracts have been classified as Level 2 on the fair value hierarchy and the warrant liability has 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 and accounts receivables from petroleum and natural gas marketers and joint interest partners and risk management contract counterparties.

Athabasca's cash and cash equivalents are held with two counterparties, which are large reputable financial institutions, and management has therefore concluded that credit risk associated with the investments is low. Management concluded that collection risk of the outstanding accounts receivables is low given the high credit quality of the Company's material counterparties. No material receivables were past due as at March 31, 2024. Athabasca's risk management contracts are held with three counterparties, all of which are large reputable financial institutions, and management has therefore concluded 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 7) and by maintaining sufficient liquidity to manage periods of volatility within its cash, cash equivalents and available credit facilities.

For the balance of 2024, it is anticipated that Athabasca's capital and operating activities will be funded through cash flow from operating activities and existing cash and cash equivalents. Beyond 2024, 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 its ability to access the equity and debt capital markets.

As at March 31, 2024 all material financial liabilities are current except for the 2026 Notes. In addition, the Company has provisions and other liabilities as disclosed in Note 10. The Company's future unrecognized commitments are disclosed in Note 20.

Foreign exchange risk

Athabasca is exposed to foreign currency risk on the principal and interest components of its US dollar denominated 2026 Notes (Note 8) and US dollar denominated cash, cash equivalents, receivables and payables. As at March 31, 2024, Athabasca's net foreign exchange risk exposure was a US$68.3 million asset (December 31, 2023 - US$109.4 million asset), and a 5.0% change in the foreign exchange rate (USD:CAD) would result in a $4.6 million change in the foreign exchange gain/loss (December 31, 2023 - $7.2 million).

The following table provides a breakdown of the foreign exchange gain (loss):

	Three months ended March 31, 2024	2023
Unrealized foreign exchange gain (loss)	$ 2,317	$ 2,656
Realized foreign exchange gain (loss)	1,120	(1,194)
FOREIGN EXCHANGE GAIN (LOSS), NET	$ 3,437	$ 1,462

The unrealized foreign exchange gain (loss) primarily relates to the principal and interest components of the Company's US dollar denominated term debt and the US dollar denominated cash.

The Company is also exposed to foreign currency risk on oil sales based on US dollar benchmark prices.

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 as well as managing capital programs and production levels to maximize the value of recoverable resources. Refer to Note 7 for further details.

Interest rate risk

The Company's exposure to interest rate fluctuations on interest earned on its floating rate cash and cash equivalents balance at March 31, 2024 of $306.5 million (December 31, 2023 - $343.3 million), from a 1.0% change in interest rates, would have an annualized impact of approximately $3.1 million (year ended December 31, 2023 - $3.4 million). The 2026 Notes and letters of credit issued are subject to fixed interest rates and are not exposed to changes in interest rates.

20. COMMITMENTS

The following table summarizes Athabasca's estimated future unrecognized minimum commitments as at December 31, 2023 for the following five years and thereafter:

	Remaining 2024	2025	2026	2027	2028	Thereafter	Total
Transportation and processing[1]	$ 82,057	$ 107,728	$ 107,503	$ 105,898	$ 75,707	$ 1,014,991	$ 1,493,884
Interest expense on term debt (Note 8)[1]	15,556	20,742	17,285	—	—	—	53,583
Purchase commitments and other[1]	23,686	4,160	—	—	—	—	27,846
TOTAL COMMITMENTS	$ 121,299	$ 132,630	$ 124,788	$ 105,898	$ 75,707	$ 1,014,991	$ 1,575,313

(1) Commitments which are denominated in US dollars were converted into Canadian dollars at the March 31, 2024 exchange rate of US$1.00 = C$1.3550.

21. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital and other liabilities

The following table reconciles the net changes in non-cash working capital and other liabilities from the consolidated balance sheet to the consolidated statement of cash flows:

	Three months ended March 31, 2024	2023
Change in accounts receivable	$ (21,797)	$ (14,209)
Change in prepaid expenses and deposits	2,656	(10,585)
Change in inventory	(2,597)	14,460
Change in accounts payable and accrued liabilities	14,234	(7,098)
	(7,504)	(17,432)
Other items impacting changes in non-cash working capital:		
Change in cash stock-based compensation liability (Note 12)	9,743	35,791
Unrealized foreign exchange gain (loss) related to working capital	509	1,056
	$ 2,748	$ 19,415
RELATED TO:		
Operating activities	$ (9,531)	$ 18,030
Financing activities	101	—
Investing activities	12,178	1,385
NET CHANGE IN NON-CASH WORKING CAPITAL	$ 2,748	$ 19,415
Cash interest paid	$ 10,957	$ 14,171
Cash interest received	$ 4,739	$ 2,061

CORPORATE INFORMATION

MANAGEMENT

Robert Broen
President & Chief Executive Officer

Matthew Taylor
Chief Financial Officer

Bruce Beynon
Vice President, Light Oil

Cam Danyluk
General Counsel & Vice President, Business Development

Karla Ingoldsby
Vice President, Thermal Oil

Mike Wojcichowsky
Vice President, Drilling Completions Services and Light Oil Operations

DIRECTORS

Ronald Eckhardt(1)(2)
Chair

Angela Avery(3)

Bryan Begley(1)(3)

Robert Broen

John Festival(2)(3)

Marty Proctor(2)

Marnie Smith(1)

Member of:

(1) Audit Committee
(2) Reserves Committee
(3) Compensation and Governance Committee

CORPORATE OFFICE

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

WEBSITE

www.atha.com

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

TRANSFER AGENT

Computershare Trust Company of Canada
Suite 800, 324 - 8th Avenue SW
Calgary, Alberta, T2P 2Z2
Telephone: (403) 267-6800
Fax: (403) 267-6529

BANK

ATB Financial

AUDITORS

Ernst & Young LLP

INDEPENDENT EVALUATORS

McDaniel & Associates Consultants Ltd.

STOCK SYMBOL

ATH
Toronto Stock Exchange