

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

Q3 2022



FOCUSED | EXECUTING | DELIVERING

CONSOLIDATED BALANCE SHEETS

(unaudited)

As at (\$ Thousands)	September 30, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 200,100	\$ 223,056
Accounts receivable	129,232	88,827
Prepaid expenses and deposits (Note 3)	13,010	15,188
Inventory (Note 4)	39,648	43,038
Risk management contracts (Note 6)	3,077	—
	385,067	370,109
Risk management contracts (Note 6)	211	—
Prepaid expenses and deposits (Note 3)	50,964	52,636
Property, plant and equipment (Note 5)	1,366,435	1,318,825
Exploration and evaluation assets	947	561
	\$ 1,803,624	\$ 1,742,131
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 140,091	\$ 111,972
Risk management contracts (Note 6)	6,027	34,894
Warrant liability (Note 8)	46,202	46,406
Current portion of term debt (Note 7)	47,505	74,744
Current portion of provisions and other liabilities (Note 9)	25,963	18,428
	265,788	286,444
Risk management contracts (Note 6)	719	—
Term debt (Note 7)	192,573	309,554
Provisions and other liabilities (Note 9)	126,370	120,174
	585,450	716,172
SHAREHOLDERS' EQUITY		
Common shares (Note 10)	2,352,708	2,242,047
Contributed surplus	125,579	126,642
Accumulated deficit	(1,260,113)	(1,342,730)
	1,218,174	1,025,959
	\$ 1,803,624	\$ 1,742,131

Commitments and contingencies (Note 19).

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		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
REVENUE				
Petroleum, natural gas and midstream sales (Note 14)	\$ 397,059	\$ 280,151	\$ 1,222,161	\$ 723,918
Interest income	927	157	1,465	700
Royalties	(38,899)	(9,120)	(138,785)	(19,745)
	359,087	271,188	1,084,841	704,873
Unrealized gain (loss) on commodity risk mgmt contracts (Note 6)	83,635	(6,076)	31,436	(62,598)
Realized gain (loss) on commodity risk mgmt contracts (Note 6)	(30,060)	(27,839)	(143,412)	(66,776)
	412,662	237,273	972,865	575,499
EXPENSES				
Cost of diluent	128,509	78,000	376,200	222,539
Operating expenses	64,203	47,356	175,863	132,269
Transportation and marketing	25,924	25,651	73,009	70,589
General and administrative	5,382	3,866	14,744	11,447
Stock-based compensation (Note 11)	(590)	1,148	21,171	12,156
Financing and interest (Note 15)	13,644	21,391	69,972	63,391
Depletion and depreciation (Note 5)	31,086	24,320	89,328	73,601
Exploration expenses	2,003	1,311	2,487	2,394
Total expenses	270,161	203,043	822,774	588,386
Revenue less expenses	142,501	34,230	150,091	(12,887)
OTHER INCOME (EXPENSES)				
Foreign exchange gain (loss), net (Note 18)	(3,414)	(9,586)	(4,798)	5,758
Gain (loss) on revaluation of provisions and other (Note 16)	15,996	60,564	(63,079)	60,564
Gain (loss) on sale of assets	14	19,743	403	20,100
Net income (loss) and comprehensive income (loss)	\$ 155,097	\$ 104,951	\$ 82,617	\$ 73,535
BASIC NET INCOME (LOSS) PER SHARE (Note 12)	\$ 0.27	\$ 0.20	\$ 0.15	\$ 0.14
DILUTED NET INCOME (LOSS) PER SHARE (Note 12)	\$ 0.22	\$ 0.19	\$ 0.14	\$ 0.14

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(\$ Thousands)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
OPERATING ACTIVITIES				
Net income (loss)	\$ 155,097	\$ 104,951	\$ 82,617	\$ 73,535
Items not affecting cash:				
Non-cash transportation and marketing	557	557	1,672	929
Net non-cash stock-based compensation (Note 11)	1,767	911	4,493	(45)
Net non-cash financing and interest (Note 15)	5,528	6,514	40,880	18,876
Depletion and depreciation (Note 5)	31,086	24,320	89,328	73,601
Unrealized non-cash foreign exchange (gain) loss (Note 18)	6,156	9,211	4,423	(7,408)
Realized foreign exchange (gain) loss on redemption of US dollar debt (Note 7)	1,824	—	7,277	—
Unrealized (gain) loss on risk management contracts (Note 6)	(83,635)	6,076	(31,436)	62,598
Non-cash (gain) loss on revaluation of provisions & other (Note 16)	(15,996)	(60,564)	63,079	(60,564)
(Gain) loss on sale of assets	(14)	(19,743)	(403)	(20,100)
Settlement of provisions (Note 9)	(837)	(70)	(1,294)	(1,436)
Changes in non-cash working capital and other liabilities (Note 20)	16,320	3,580	(14,386)	(26,922)
	117,853	75,743	246,250	113,064
FINANCING ACTIVITIES				
Redemption of term debt (Note 7)	(28,960)	—	(187,009)	—
Term debt redemption premium (Note 7)	(1,824)	—	(11,353)	—
Payments of lease liabilities (Note 9)	(799)	(725)	(2,342)	(2,120)
Proceeds from exercised warrants (Note 8)	—	—	36,432	—
Proceeds from exercised equity incentives (Note 11)	—	—	3,354	—
	(31,583)	(725)	(160,918)	(2,120)
INVESTING ACTIVITIES				
Capital expenditures (Notes 5)	(52,300)	(15,608)	(134,420)	(73,790)
Proceeds from sale of assets	14	19,743	403	20,182
(Increase) decrease in restricted cash	—	45,541	—	45,876
Changes in non-cash working capital and other liabilities (Note 20)	2,850	(7,300)	15,343	12
	(49,436)	42,376	(118,674)	(7,720)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	9,094	3,956	10,386	5,564
CHANGE IN CASH AND CASH EQUIVALENTS	45,928	121,350	(22,956)	108,788
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	154,172	152,639	223,056	165,201
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 200,100	\$ 273,989	\$ 200,100	\$ 273,989

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited)

(\$ Thousands)	Nine months ended	
	September 30,	
	2022	2021
COMMON SHARES (Note 10)		
Balance, beginning of period	\$ 2,242,047	\$ 2,241,880
Exercise of warrants (Note 8)	100,389	—
Exercise of stock options, RSUs and PSUs (Note 11)	10,272	—
Balance, end of period	2,352,708	2,241,880
CONTRIBUTED SURPLUS		
Balance, beginning of period	126,642	125,483
Stock-based compensation (Note 11)	5,855	(18)
Exercise of stock options, RSUs and PSUs (Note 11)	(6,918)	—
Balance, end of period	125,579	125,465
ACCUMULATED DEFICIT		
Balance, beginning of period	(1,342,730)	(1,800,338)
Net income (loss)	82,617	73,535
Balance, end of period	(1,260,113)	(1,726,803)
TOTAL SHAREHOLDERS' EQUITY	\$ 1,218,174	\$ 640,542

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

As at and for the three and nine months ended September 30, 2022.

(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 Thermal Oil and Light 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 November 2, 2022.

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, 2021. These 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, 2021. There were no changes to the Company’s operating segments during the period.

3. PREPAID EXPENSES AND DEPOSITS

As at	September 30, 2022	December 31, 2021
Hangingstone transportation prepayment	\$ 40,695	\$ 42,367
Prepaid expenses and deposits	10,702	12,880
Canada Revenue Agency deposit (Note 17)	12,577	12,577
TOTAL PREPAID EXPENSES AND DEPOSITS	\$ 63,974	\$ 67,824
Presented as:		
Current portion of prepaid expenses and deposits	\$ 13,010	\$ 15,188
Long term portion of prepaid expenses and deposits	\$ 50,964	\$ 52,636

4. INVENTORY

As at	September 30, 2022	December 31, 2021
Product inventory	\$ 27,119	\$ 31,999
Warehouse inventory	12,529	11,039
TOTAL	\$ 39,648	\$ 43,038

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

BALANCE, DECEMBER 31, 2020	\$	975,987
PP&E capital expenditures		91,870
Non-cash capitalized costs and other ⁽¹⁾		4,015
Depletion and depreciation ⁽²⁾		(98,640)
Impairment reversal		345,700
Disposals		(107)
BALANCE, DECEMBER 31, 2021	\$	1,318,825
PP&E capital expenditures		134,098
Non-cash capitalized costs and other ⁽¹⁾		2,840
Depletion and depreciation ⁽²⁾		(89,328)
BALANCE, SEPTEMBER 30, 2022	\$	1,366,435

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

(2) For the nine months ended September 30, 2022 and for the year ended December 31, 2021, depletion and depreciation includes \$1.5 million and \$2.1 million of depreciation relating to the Leased Asset, respectively.

PP&E consists of the following:

Net book value (As at)	September 30, 2022	December 31, 2021
PP&E at cost ⁽¹⁾	\$ 3,295,226	\$ 3,158,288
Accumulated depletion and depreciation ⁽¹⁾	(891,278)	(801,950)
Accumulated impairment losses	(1,037,513)	(1,037,513)
TOTAL PP&E	\$ 1,366,435	\$ 1,318,825

(1) As at September 30, 2022, the PP&E cost includes \$12.6 million of Leased Asset cost and accumulated depletion and depreciation includes \$7.7 million of accumulated depreciation relating to the Leased Asset (as at December 31, 2021 – Leased Asset cost of \$12.6 million and accumulated depreciation relating to the Leased Asset of \$6.2 million).

As at September 30, 2022, \$143.4 million (December 31, 2021 - \$125.2 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.

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.

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 September 30, 2022, the following financial commodity risk management contracts were in place:

Instrument	Period	Volume	C\$ Average Price ⁽¹⁾	US\$ Average Price ⁽¹⁾
<i>Sales contracts</i>			<i>C\$/bbl</i>	<i>US\$/bbl</i>
WTI collar	October - December 2022	11,300 bbl/d	\$ 68.54 - 157.63	\$ 50.00 - 115.00
WTI collar	January - March 2023	13,750 bbl/d	\$ 71.77 - 157.63	\$ 52.36 - 115.00
WCS fixed price swap	October - December 2022	12,000 bbl/d	\$ 73.42	\$ 53.57
<i>Purchase contracts</i>			<i>C\$/GJ/bbl</i>	<i>US\$/GJ/bbl</i>
AECO fixed price swaps	October - December 2022	26,000 GJ/d	\$ 4.05	\$ 2.95
AECO fixed price swaps	January - December 2023	10,000 GJ/d	\$ 5.48	\$ 4.00
WTI/C5+ differential swap	October - December 2022	3,000 bbl/d	\$ (7.42)	\$ (5.42)

(1) The implied C\$ or US\$ Average Price per bbl or GJ, as applicable, was calculated using the September 30, 2022 exchange rate of US\$1.00 = C\$1.3707.

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.

In 2021, Athabasca entered into a seven-year marketing agreement for 15,000 bbl/d with an industry counterparty that will diversify the Company's sales to the US Gulf Coast through the Keystone pipeline system. The marketing agreement has a pricing derivative that provides exposure to WCS Gulf Coast pricing. As at September 30, 2022, the pricing derivative had an asset value of \$0.1 million (December 31, 2021 - \$nil).

The following table summarizes the sensitivity to price changes for Athabasca's commodity risk management contracts:

As at September 30, 2022	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	\$ (7,503)	\$ 7,503	\$ 1,500	\$ (1,500)

Additional financial commodity risk management activity has taken place subsequent to September 30, 2022, as noted in the table below:

Instrument	Period	Volume	C\$ Average Price ⁽¹⁾	US\$ Average Price ⁽¹⁾
<i>Purchase contracts</i>			<i>C\$/GJ</i>	<i>US\$/GJ</i>
AECO fixed price swaps	January - December 2023	10,000 GJ/d	\$ 4.33	\$ 3.16

(1) The implied C\$ or US\$ Average Price per bbl or GJ, as applicable, was calculated using the September 30, 2022 exchange rate of US\$1.00 = C\$1.3707.

7. 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 8), bear interest at 9.75% per annum, payable semi-annually, and have a term of 5 years maturing on November 1, 2026.

As at	September 30, 2022	December 31, 2021
Senior Secured Second Lien Notes ("2026 Notes") ⁽¹⁾	\$ 280,377	\$ 443,730
Discount on debt	(62,798)	(62,798)
Accretion of discount on debt	22,499	3,366
TOTAL TERM DEBT	\$ 240,078	\$ 384,298
Presented as:		
Current term debt	\$ 47,505	\$ 74,744
Long term debt	\$ 192,573	\$ 309,554

(1) As at September 30, 2022, the Notes were translated into Canadian dollars at the period end exchange rate of US\$1.00 = C\$1.3707 (As at December 31, 2021 - US\$1.00 = C\$1.2678).

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 and capital expenditure limits that are generally consistent with the Company's annual development plans and risk management policy. As at September 30, 2022, the Company is in compliance with all covenants.

Up until an aggregate amount of US\$175 million principal has been redeemed, the Company must direct at least 75% of Free Cash Flow ("FCF") towards the redemption of the 2026 Notes at a cash price equal to 105% of the principal, plus accrued and unpaid interest. The redemption dates are semiannual with the October to March (Q4 – Q1) FCF redemption payable in May and the April to September (Q2 – Q3) FCF redemption payable in November. Athabasca may also 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 Note 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 September 30, 2022, the principal balance was \$280.4 million (US\$204.6 million). In October 2022, the Company redeemed an additional \$35.9 million (US\$26.2 million), resulting in the current principal balance of \$244.5 million (US\$178.4 million). In 2022, the Company has redeemed a total of \$222.9 million (US\$171.6 million) of principal through open market purchases, equity redemptions through warrant proceeds and the FCF payment feature within the indenture.

As at September 30, 2022, the fair value of the 2026 Notes was \$296.5 million (US\$216.3 million), based on observable market quoted prices (Level 1).

Senior Extendible Revolving Term Credit Facility

In the third quarter of 2022, Athabasca renewed its \$110.0 million reserve-based credit facility (the "Credit Facility"). The Credit Facility is a 364 day committed facility available on a revolving basis until October 21, 2023, at which point in time it may be extended at the lender's 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 October 21, 2024. The Credit Facility is subject to a semi-annual borrowing base review, occurring approximately in April and September of each year. The borrowing base is determined 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.

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. The Company is in compliance with all covenants.

As at September 30, 2022, amounts borrowed under the Credit Facility bear interest at a floating rate based on the applicable Canadian prime rate, US base rate, SOFR or bankers' acceptance rate, 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 September 30, 2022 and December 31, 2021, the Company had no amounts drawn and \$34.4 million of letters of credit outstanding under the Credit Facility.

Unsecured Letter of Credit Facility

Athabasca maintains a \$50.0 million unsecured letter of credit facility (the "Unsecured Letter of Credit Facility") with a Canadian bank and is supported by a performance security guarantee from Export Development Canada (December 31, 2021 - \$50 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 3.3%. As at September 30, 2022, the Company had \$47.8 million of letters of credit outstanding under the Unsecured Letter of Credit Facility (December 31, 2021 - \$47.8 million).

8. 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.

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:

As at	Nine months ended September 30, 2022		Year ended December 31, 2021	
	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of period	350,000	\$ 46,406	—	\$ —
Initial recognition of warrant liability	—	—	350,000	31,485
Change in fair value	—	61,233	—	14,768
Amortization of deferred loss	—	2,520	—	153
Exercise of warrants	(210,000)	(63,957)	—	—
BALANCE, END OF PERIOD	140,000	\$ 46,202	350,000	\$ 46,406

The fair value as at September 30, 2022 of each common share issuable under the warrant agreement was estimated at \$1.49 using a risk-free interest rate of 3.5%, an expected life of 4.0 years, expected volatility of 61.6% and a stock price of \$2.13 per share. The fair value as at December 31, 2021 of each common share issuable under the warrant agreement was estimated at \$0.63 using a risk-free interest rate of 1.25%, an expected life of 4.8 years, expected volatility of 55.0% and a stock price of \$1.19 per share. The change in fair value of \$61.2 million was expensed within gain (loss) on revaluation and provisions and other in the Consolidated Statements of Income (Loss). In the first nine months of 2022, 44,091,786 common shares were issued related to both cash and cashless warrant exercises.

9. PROVISIONS AND OTHER LIABILITIES

As at	September 30, 2022	December 31, 2021
Decommissioning obligations	\$ 121,388	\$ 111,419
TOTAL PROVISIONS	121,388	111,419
Lease liability	8,514	10,856
Cash settled stock-based compensation liability (Note 11)	22,431	16,327
TOTAL PROVISIONS AND OTHER LIABILITIES	\$ 152,333	\$ 138,602
Presented as:		
Current portion of provisions and other liabilities	\$ 25,963	\$ 18,428
Provisions and other liabilities	\$ 126,370	\$ 120,174

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	September 30, 2022	December 31, 2021
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	\$ 111,419	\$ 116,363
Liabilities incurred	976	870
Liabilities settled	(1,294)	(440)
Liabilities settled - funded by Site Rehabilitation Program	(1,227)	(151)
Change in discount rate	9,976	18,138
Change in estimates	(6,337)	(37,368)
Accretion expense	7,875	14,007
DECOMMISSIONING OBLIGATIONS, END OF PERIOD	\$ 121,388	\$ 111,419

At September 30, 2022, the Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2.0% (December 31, 2021 - 2.0%) and a credit-adjusted discount rate of 9.0% per annum (December 31, 2021 - 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. The undiscounted amount of estimated inflated future cash flows required to settle the obligations is \$376.6 million (December 31, 2021 - \$434.9 million). A 1.0% change in the credit-adjusted discount rate would impact the discounted value of the decommissioning obligations by approximately \$10 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 September 30, 2022, \$1.5 million was included within the current portion of provisions (December 31, 2021 - \$1.5 million).

10. 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:

As at	Nine months ended September 30, 2022		Year ended December 31, 2021	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	530,844,591	\$ 2,242,047	530,675,391	\$ 2,241,880
Exercise of warrants (Note 8)	44,091,786	100,389	—	—
Exercise of stock options, RSUs and PSUs (Note 11)	11,432,875	10,272	169,200	167
BALANCE, END OF PERIOD	586,369,252	\$ 2,352,708	530,844,591	\$ 2,242,047

11. STOCK-BASED COMPENSATION

In May 2021, Athabasca adopted a new 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	September 30, 2022	December 31, 2021
Stock options	7,169,033	6,470,033
RSUs	14,029,114	17,528,229
PSUs	6,482,000	6,450,700
Equity based	27,680,147	30,448,962
PUPs	5,543,091	10,116,522
DSUs	6,838,011	8,135,796
Cash based	12,381,102	18,252,318
TOTAL OUTSTANDING STOCK-BASED COMPENSATION UNITS	40,061,249	48,701,280

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. Those plans have been accounted for as equity-settled stock-based compensation plans with the exception of the units vested April 1, 2021, that were paid in cash. The PUPs and DSUs plans have been accounted for as cash-settled stock-based compensation plans and are recognized as liabilities on the Consolidated Balance Sheet. The following table summarizes the Company's stock-based compensation expense (recovery):

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Stock-based compensation expense (recovery) - equity based	\$ 2,266	\$ 1,261	\$ 5,855	\$ (18)
Capitalized to PP&E and E&E assets	(499)	(350)	(1,362)	(1,055)
Net stock-based compensation expense (recovery) - equity based	1,767	911	4,493	(1,073)
Stock-based compensation expense (recovery) - cash based	(2,353)	488	19,190	14,681
Capitalized to PP&E and E&E assets	(4)	(251)	(2,512)	(1,452)
Net stock-based compensation expense (recovery) - cash based	(2,357)	237	16,678	13,229
NET STOCK-BASED COMPENSATION EXPENSE (RECOVERY)	\$ (590)	\$ 1,148	\$ 21,171	\$ 12,156

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

As at	September 30,	December 31,
	2022	2021
CASH SETTLED STOCK-BASED COMPENSATION LIABILITY, BEGINNING OF PERIOD	\$ 16,327	\$ 1,737
Stock-based compensation expense (recovery) - cash based	19,190	19,593
Liabilities settled	(13,086)	(5,003)
CASH SETTLED STOCK-BASED COMPENSATION LIABILITY, END OF PERIOD	\$ 22,431	\$ 16,327

12. PER SHARE AMOUNTS

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	585,058,807	530,675,391	561,823,801	530,675,391
Dilutive effect of stock options, RSUs, PSUs and warrants	35,504,466	16,943,469	18,756,641	13,921,981
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	620,563,273	547,618,860	580,580,442	544,597,372

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. For the three and nine months ended September 30, 2022, securities of 2,838,800 and 34,682,000 were excluded from the diluted net income (loss) per share calculation as their effect is anti-dilutive (three and nine months ended September 30, 2021 – 6,501,133).

13. SEGMENTED INFORMATION

Segmented operating results

Three months ended September 30,	Thermal Oil		Light Oil		Eliminations ⁽¹⁾		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
SEGMENT REVENUES								
Petroleum, natural gas & midstream sales	\$ 366,804	\$ 254,769	\$ 39,990	\$ 36,531	\$ (9,735)	\$ (11,149)	\$ 397,059	\$ 280,151
Royalties	(31,471)	(6,901)	(7,428)	(2,219)	—	—	(38,899)	(9,120)
	335,333	247,868	32,562	34,312	(9,735)	(11,149)	358,160	271,031
SEGMENT EXPENSES & OTHER								
Cost of diluent	138,244	89,149	—	—	(9,735)	(11,149)	128,509	78,000
Operating expenses	56,027	41,518	8,176	5,838	—	—	64,203	47,356
Transportation and marketing	23,703	22,962	2,221	2,689	—	—	25,924	25,651
Depletion and depreciation	20,234	12,122	10,119	11,457	—	—	30,353	23,579
Exploration expenses	2,003	1,311	—	—	—	—	2,003	1,311
(Gain) loss on sale of assets	(14)	(19,743)	—	—	—	—	(14)	(19,743)
	240,197	147,319	20,516	19,984	(9,735)	(11,149)	250,978	156,154
Gain (loss) on commodity risk management contracts, net							53,575	(33,915)
Segment income (loss)	\$ 95,136	\$ 100,549	\$ 12,046	\$ 14,328	\$ —	\$ —	160,757	80,962
CORPORATE								
Interest income							927	157
Financing and interest							(13,644)	(21,391)
General and administrative							(5,382)	(3,866)
Stock-based compensation							590	(1,148)
Depreciation							(733)	(741)
Foreign exchange gain (loss), net							(3,414)	(9,586)
Gain (loss) on revaluation of provisions and other							15,996	60,564
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)							\$ 155,097	\$ 104,951

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

Nine months ended September 30,	Thermal Oil		Light Oil		Eliminations ⁽¹⁾		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021
SEGMENT REVENUES								
Petroleum, natural gas & midstream sales	\$ 1,126,878	\$ 648,982	\$ 138,923	\$ 107,468	\$ (43,640)	\$ (32,532)	\$ 1,222,161	\$ 723,918
Royalties	(119,878)	(13,468)	(18,907)	(6,277)	—	—	(138,785)	(19,745)
	1,007,000	635,514	120,016	101,191	(43,640)	(32,532)	1,083,376	704,173
SEGMENT EXPENSES & OTHER								
Cost of diluent	419,840	255,071	—	—	(43,640)	(32,532)	376,200	222,539
Operating expenses	152,965	113,791	22,898	18,478	—	—	175,863	132,269
Transportation and marketing	66,047	63,049	6,962	7,540	—	—	73,009	70,589
Depletion and depreciation	55,835	34,871	31,294	36,506	—	—	87,129	71,377
Exploration expenses	2,487	2,394	—	—	—	—	2,487	2,394
(Gain) loss on sale of assets	(403)	(20,000)	—	(100)	—	—	(403)	(20,100)
	696,771	449,176	61,154	62,424	(43,640)	(32,532)	714,285	479,068
Gain (loss) on commodity risk management contracts, net							(111,976)	(129,374)
Segment income (loss)	\$ 310,229	\$ 186,338	\$ 58,862	\$ 38,767	\$ —	\$ —	257,115	95,731
CORPORATE								
Interest income							1,465	700
Financing and interest							(69,972)	(63,391)
General and administrative							(14,744)	(11,447)
Stock-based compensation							(21,171)	(12,156)
Depreciation							(2,199)	(2,224)
Foreign exchange gain (loss), net							(4,798)	5,758
Gain (loss) on revaluation of provisions and other							(63,079)	60,564
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)							\$ 82,617	\$ 73,535

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

Segmented capital expenditures

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
THERMAL OIL				
Property, plant and equipment	\$ 35,226	\$ 15,158	\$ 99,365	\$ 69,431
Exploration and evaluation	186	70	322	199
	35,412	15,228	99,687	69,630
LIGHT OIL				
Property, plant and equipment	860	128	10,068	1,640
CORPORATE				
Corporate assets ⁽¹⁾	16,028	252	24,665	2,520
TOTAL CAPITAL EXPENDITURES⁽¹⁾⁽²⁾⁽³⁾	\$ 52,300	\$ 15,608	\$ 134,420	\$ 73,790

(1) For the three and nine months ended September 30, 2022, expenditures include cash capitalized stock-based compensation costs of \$nil and \$2.5 million (three and nine months ended September 30, 2021 - \$0.3 million and \$2.6 million).

(2) For the three and nine months ended September 30, 2022, expenditures include cash capitalized staff costs of \$1.7 million and \$5.4 million (three and nine months ended September 30, 2021 - \$1.5 million and \$4.8 million).

(3) Excludes non-cash capitalized stock-based compensation and non-cash capitalized decommissioning obligation asset costs.

Segmented assets

Net book value (As at)	September 30, 2022	December 31, 2021
THERMAL OIL		
Prepaid expense (Note 3)	\$ 40,695	\$ 42,367
Inventory (Note 4)	39,648	43,038
Property, plant and equipment	857,553	810,947
Exploration and evaluation	947	561
	938,843	896,913
LIGHT OIL		
Property, plant and equipment	480,526	499,476
CORPORATE		
Current assets ⁽¹⁾	343,111	324,763
Risk management contracts (Note 6)	211	—
Long-term deposit (Note 3)	12,577	12,577
Property, plant and equipment	28,356	8,402
	384,255	345,742
TOTAL ASSETS	\$ 1,803,624	\$ 1,742,131

(1) Current assets under Corporate exclude inventory and the current portion of the Hangingstone transportation prepayment which have been included under the Thermal Oil segment.

14. REVENUE

The following table summarizes Athabasca's revenue by product:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Heavy oil (blended bitumen)	\$ 364,357	\$ 253,496	\$ 1,119,492	\$ 647,709
Oil and condensate	28,715	25,231	97,535	75,582
Natural gas	6,306	7,169	26,332	20,999
Other natural gas liquids	4,969	4,131	15,056	10,887
Eliminations - inter-segment sales	(9,735)	(11,149)	(43,640)	(32,532)
Petroleum and natural gas sales	394,612	278,878	1,214,775	722,645
Midstream sales	2,447	1,273	7,386	1,273
TOTAL REVENUE	\$ 397,059	\$ 280,151	\$ 1,222,161	\$ 723,918

15. FINANCING AND INTEREST

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Financing and interest expense on indebtedness (Note 7)	\$ 9,719	\$ 14,583	\$ 39,732	\$ 43,581
Accretion of 2022 Notes (Note 7)	—	2,958	—	8,525
Accretion of 2026 Notes (Note 7)	826	—	19,133	—
Accretion of warrants (Note 8)	275	—	2,520	—
Accretion of provisions (Note 9)	2,606	3,556	7,875	10,351
Interest expense on lease liability (Note 9)	218	294	712	934
TOTAL FINANCING AND INTEREST	\$ 13,644	\$ 21,391	\$ 69,972	\$ 63,391

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Change in fair value of warrant liability (Note 8)	\$ 15,136	\$ —	\$ (61,233)	\$ —
Change in estimated decommissioning obligations related to fully impaired E&E assets	—	—	(3,073)	—
Provision for pipeline project	—	60,564	—	60,564
Other	860	—	1,227	—
TOTAL GAIN (LOSS) ON REVALUATION OF PROVISIONS AND OTHER	\$ 15,996	\$ 60,564	\$ (63,079)	\$ 60,564

17. INCOME TAXES

From time to time, Athabasca undergoes income tax audits in the normal course of business. The Company has received a notice of reassessment from the Canada Revenue Agency ("CRA") and Alberta Finance. While the final outcome of the 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 previously posted a \$12.6 million deposit with the CRA while objecting the reassessment.

As at September 30, 2022, the Company has approximately \$3.0 billion in tax pools, including approximately \$2.3 billion in non-capital losses and exploration tax pools available for immediate deduction against future income.

18. FINANCIAL INSTRUMENTS RISK

As at September 30, 2022, 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, 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 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 September 30, 2022. Athabasca's risk management contracts are held with three counterparties, all of which are large reputable financial institutions, and management 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 6) and by maintaining sufficient liquidity to manage periods of volatility within its cash, cash equivalents and available credit facilities.

For the balance of 2022, it is anticipated that Athabasca's Light Oil and Thermal Oil capital and operating activities will be funded through cash flow from operating activities and existing cash and cash equivalents. Beyond 2022, 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 September 30, 2022 all material financial liabilities are current except for the long-term portion of the 2026 Notes. In addition, the Company has provisions and other liabilities as disclosed in Note 9. The Company's future unrecognized commitments are disclosed in Note 19.

Foreign exchange risk

Athabasca is exposed to foreign currency risk on the principal and interest components of its US dollar denominated 2026 Notes (Note 7) and US dollar denominated cash, cash equivalents, receivables and payables. As at September 30, 2022, Athabasca's net foreign exchange risk exposure was a US\$36.2 million liability (December 31, 2021 - US\$171.4 million liability), and a 5.0% change in the foreign exchange rate (USD:CAD) would result in a \$2.5 million change in the foreign exchange gain/loss (December 31, 2021 - \$10.9 million).

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Unrealized foreign exchange gain (loss)	\$ (6,156)	\$ (9,211)	\$ (4,423)	\$ 7,408
Realized foreign exchange gain (loss)	2,742	(375)	(375)	(1,650)
FOREIGN EXCHANGE GAIN (LOSS), NET	\$ (3,414)	\$ (9,586)	\$ (4,798)	\$ 5,758

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

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 6 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 September 30, 2022 of \$200.1 million (December 31, 2021 - \$223.1 million), from a 1.0% change in interest rates, would have an annualized impact of approximately \$2.0 million (year ended December 31, 2021 - \$2.2 million). The 2026 Notes and letters of credit issued are subject to fixed interest rates and are not exposed to changes in interest rates.

19. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future unrecognized minimum commitments as at September 30, 2022 for the following five years and thereafter:

	Remaining							
	2022	2023	2024	2025	2026	Thereafter	Total	
Transportation and processing ⁽¹⁾	\$ 30,199	\$ 118,497	\$ 113,426	\$ 109,539	\$ 108,971	\$ 1,147,766	\$ 1,628,398	
Interest expense on term debt (Note 7) ⁽¹⁾	6,834	27,337	27,337	27,337	22,781	—	111,626	
Purchase commitments and other ⁽¹⁾	20,532	9,379	—	—	—	—	29,911	
TOTAL COMMITMENTS	\$ 57,565	\$ 155,213	\$ 140,763	\$ 136,876	\$ 131,752	\$ 1,147,766	\$ 1,769,935	

(1) Commitments which are denominated in US dollars were converted into Canadian dollars at the September 30, 2022 exchange rate of US\$1.00 = C\$1.3707.

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

20. 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		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Change in accounts receivable	\$ 53,541	\$ (15,801)	\$ (40,405)	\$ (43,356)
Change in prepaid expenses and deposits	2,312	31,620	2,178	(7,354)
Change in inventory	21,770	7,720	3,390	(5,320)
Change in accounts payable and accrued liabilities	(56,484)	(29,388)	28,119	(15,706)
	21,139	(5,849)	(6,718)	(71,736)
Other items impacting changes in non-cash working capital:				
Long-term assets reclassified to working capital	—	—	—	32,488
Change in cash stock-based compensation liability (Note 11)	(2,353)	488	6,104	9,678
Unrealized foreign exchange gain (loss) related to working capital	384	1,641	1,571	2,660
	\$ 19,170	\$ (3,720)	\$ 957	\$ (26,910)
RELATED TO:				
Operating activities	\$ 16,320	\$ 3,580	\$ (14,386)	\$ (26,922)
Investing activities	2,850	(7,300)	15,343	12
NET CHANGE IN NON-CASH WORKING CAPITAL	\$ 19,170	\$ (3,720)	\$ 957	\$ (26,910)
Cash interest paid	\$ 14,467	\$ 29,103	\$ 28,844	\$ 58,224
Cash interest received	\$ 883	\$ 174	\$ 1,325	\$ 683

CORPORATE INFORMATION

MANAGEMENT

Robert Broen
President & Chief Executive Officer

Matthew Taylor
Chief Financial Officer

Cam Danyluk
General Counsel & Vice President, Business Development

Karla Ingoldsby
Vice President, Thermal Oil

Mike Wojcichowsky
Vice President, Light Oil

DIRECTORS

Ronald Eckhardt⁽¹⁾⁽²⁾
Chair

Angela Avery

Bryan Begley⁽¹⁾⁽³⁾

Robert Broen

Thomas Ebbert⁽¹⁾⁽³⁾

John Festival⁽²⁾⁽³⁾

Marty Proctor⁽²⁾

Member of:

(1) Audit Committee

(2) Reserves and Health, Safety & Environment Committee

(3) Compensation and Governance Committee

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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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INDEPENDENT EVALUATORS

McDaniel & Associates Consultants Ltd.

STOCK SYMBOL

ATH

Toronto Stock Exchange