Condensed Interim Consolidated Financial Statements (unaudited)

Q1 2017

ATHABASCA OIL CORPORATION

FOCUSED | EXECUTING | DELIVERING

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at ($ Thousands)	March 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	$ 212,999	$ 650,301
Accounts receivable (Note 4)	119,816	52,475
Current portion of capital-carry receivable (Note 8)	50,384	43,457
Prepaid expenses and deposits	34,841	17,605
Inventory	38,642	14,871
Risk management contracts (Note 9)	7,534	—
	464,216	778,709
Restricted cash (Note 5)	113,823	107,012
Long-term portion of capital-carry receivable (Note 8)	133,361	147,717
Other long-term deposits (Note 6)	—	28,500
Property, plant and equipment (Note 10)	1,373,063	756,515
Exploration and evaluation assets (Note 11)	439,724	439,434
	$ 2,524,187	$ 2,257,887
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 162,152	$ 85,394
Current portion of long-term debt (Note 13)	—	546,209
	162,152	631,603
Long-term debt (Note 13)	553,377	—
Provisions (Note 14)	113,076	69,187
	828,605	700,790
SHAREHOLDERS' EQUITY		
Common shares (Note 16)	2,188,558	2,020,159
Contributed surplus	143,840	144,592
Retained deficit	(636,816)	(607,654)
	1,695,582	1,557,097
	$ 2,524,187	$ 2,257,887

Commitments and contingencies (Note 20)

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(unaudited)

Three months ended ($ Thousands, except per share amounts)	March 31, 2017	March 31, 2016
REVENUE		
Petroleum and natural gas sales	$ 151,502	$ 33,593
Interest income and other	4,300	2,496
Royalties	(1,826)	(574)
	153,976	35,515
Unrealized gain on commodity risk management contracts (Note 9)	7,214	—
Realized gain on commodity risk management contracts (Note 9)	2,291	—
	163,481	35,515
EXPENSES		
Cost of diluent	77,949	16,356
Operating expenses	41,844	26,941
Transportation and marketing	12,999	8,385
General and administrative	6,428	6,934
Stock-based compensation (Note 17)	712	1,647
Financing and interest (Note 19)	21,657	21,999
Depletion and depreciation (Note 10)	19,648	18,123
Exploration expense	168	88
Total expenses	181,405	100,473
Revenue less Expenses	(17,924)	(64,958)
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss), net (Note 15)	(9,882)	19,185
Loss on foreign exchange risk management contracts, net (Note 9)	—	(19,949)
Gain on revaluation of provisions (Note 6, 8, 14)	6,698	634
Acquisition expenses and other (Note 6)	(8,054)	(41)
Net loss and comprehensive loss	$ (29,162)	$ (65,129)
BASIC LOSS PER SHARE (Note 18)	$ (0.06)	$ (0.16)
DILUTED LOSS PER SHARE (Note 18)	$ (0.06)	$ (0.16)

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Three months ended ($ Thousands)	March 31, 2017	March 31, 2016
OPERATING ACTIVITIES		
Net loss	$ (29,162)	$ (65,129)
Items not affecting cash		
Stock-based compensation	587	1,647
Net non-cash financing and interest	3,323	3,434
Depletion and depreciation (Note 10)	19,648	18,123
Non-cash foreign exchange (gain) loss (Note 15)	9,914	(18,683)
Non-cash (gain) loss on risk management contracts (Note 9)	(7,214)	20,860
Non-cash gain on revaluation of provisions (Note 6, 8, 14)	(6,698)	(634)
Loss on sale of assets	306	41
Settlement of provisions (Note 14)	(4,519)	(1,448)
Changes in non-cash working capital (Note 21)	(39,081)	3,772
	(52,896)	(38,017)
FINANCING ACTIVITIES		
Issuance of 2022 Notes (Note 13)	542,554	—
Repayment of 2017 Notes and other (Note 13)	(550,000)	(719)
Proceeds from exercised equity incentives (Note 17)	28	40
Changes in non-cash working capital (Note 21)	149	—
	(7,269)	(679)
INVESTING ACTIVITIES		
Proceeds from sale of assets (Note 7)	90,170	163
Cash portion of Leismer Corner Acquisition (Note 6)	(402,838)	—
Additions to property, plant and equipment (Note 10)	(89,423)	(30,855)
Additions to exploration and evaluation assets (Note 11)	(701)	(719)
Recovery of capital-carry proceeds (Note 8)	10,680	—
Increase in restricted cash (Note 5)	(6,777)	—
Changes in non-cash working capital (Note 21)	21,752	4,130
	(377,137)	(27,281)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(437,302)	(65,977)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	650,301	559,487
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 212,999	$ 493,510

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

Three months ended ($ Thousands)	March 31, 2017	March 31, 2016
COMMON SHARES (Note 16)		
Balance, beginning of period	$ 2,020,159	$ 2,005,770
Issuance of common shares on Leismer Corner Acquisition (Note 6)	166,000	—
Exercise of stock options and RSUs (Note 17)	2,399	3,814
Balance, end of period	2,188,558	2,009,584
CONTRIBUTED SURPLUS		
Balance, beginning of period	144,592	147,290
Stock-based compensation (Note 17)	1,619	2,599
Exercise of stock options and RSUs (Note 17)	(2,371)	(3,773)
Balance, end of period	143,840	146,116
RETAINED EARNINGS (DEFICIT)		
Balance, beginning of period	(607,654)	329,080
Net loss	(29,162)	(65,129)
Balance, end of period	(636,816)	263,951
TOTAL SHAREHOLDERS' EQUITY	$ 1,695,582	$ 2,419,651

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, 2017.

(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 interim consolidated condensed financial statements (“consolidated financial statements”) were authorized for issue by the Board of Directors on May 3, 2017.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34: *Interim Financial Reporting*. They do not contain all disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2016. These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and have been prepared on a historical cost basis, except for financial instruments which are measured at their estimated fair value and prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2016. There were no changes to the Company’s operating segments during the period. Midstream revenues for the three months ended March 31, 2016, have been reclassified to interest income and other. Contribution to assets held for sale for the three months ended March 31, 2016 have been reclassified to additions to property, plant and equipment within the consolidated statements of cash flows.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents held by the Company are invested with counterparties meeting credit quality requirements and concentration limits pursuant to an investment policy that is periodically reviewed by the Audit Committee. The policy emphasizes security of assets over investment yield.

As at March 31, 2017 and December 31, 2016, Athabasca's cash, cash equivalents and restricted cash (Note 5) were held with four counterparties and five counterparties, respectively, all of which were large reputable financial institutions. The Company believes that credit risk associated with these investments is low. The Company's cash, cash equivalents and restricted cash have been assessed on the fair value hierarchy and have been classified as Level 1.

4. ACCOUNTS RECEIVABLE

As at		March 31, 2017		December 31, 2016
Petroleum and natural gas receivables	$	70,904	$	21,082
Joint interest billings		39,846		25,468
Government receivables and other		7,235		5,925
Risk management contracts		1,831		—
TOTAL	$	119,816	$	52,475

Management believes collection risk of the outstanding accounts receivable as at March 31, 2017 is low given the high credit quality of the Company's material counterparties. No material amounts were past due at March 31, 2017.

5. RESTRICTED CASH

Restricted cash primarily consists of a restricted, interest-bearing, cash-collateral account (the "Cash-Collateral Account") into which the Company is required to deposit cash to secure letters of credit issued under the Company's $110.0 million cash-collateralized letter of credit facility (the "Letter of Credit Facility") (Note 13). As at March 31, 2017, $110.7 million was held in the Cash-Collateral Account (December 31, 2016 - $103.9 million).

6. ACQUISITION OF ASSETS

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

At the date of closing, Athabasca paid $431.3 million in cash, consisting of the initial purchase price of $435.0 million, net of $3.7 million in closing adjustments, and issued 100 million shares which were valued at Athabasca's January 31, 2017 closing share price of $1.66/share. As at December 31, 2016, Athabasca had paid a deposit of $28.5 million in respect of the Leismer Corner Acquisition which was applied against the purchase price at the date of closing.

Athabasca also agreed to a contingent payment obligation triggered at oil prices above US$65/bbl WTI over a four year term ending in 2020. Each annual payment is calculated on one-third of the Leismer Project bitumen production multiplied by an oil price factor (Monthly Average US$WTI/bbl less US$65/bbl, adjusted for inflation). The payments are capped at $75.0 million annually and $250.0 million over the term.

At the date of closing, Athabasca estimated that the fair value of the contingent payment obligation was $24.7 million. The estimate was based on the anticipated timing and extent of future cash outflows associated with the obligation using the forecasted WTI price, adjusted for varying probabilities and discounted using Athabasca's credit-adjusted discount rate of 10.0%. The obligation has been classified as a Level 3 financial instrument as there are no observable market inputs. Athabasca's estimate of the contingent payment obligation is subject to measurement uncertainty and the difference in the actual cash outflows associated with the obligation could be material.

The contingent payment obligation is remeasured at each reporting period with any gains or losses recognized in net income. During the three months ended March 31, 2017, Athabasca incurred a gain of $6.7 million on the contingent payment obligation due to a decline in WTI prices from the date of the Leismer Corner Acquisition to March 31, 2017.

Athabasca has recognized the Leismer Corner Acquisition as a business combination under IFRS and applied the acquisition method of accounting under which the net identifiable assets are measured and recorded at fair value on the acquisition closing date. Athabasca did not recognize any goodwill on the transaction. Transaction costs of $7.6 million related to the business combination were expensed as incurred.

The following table summarizes the consideration paid at closing and the purchase price allocation associated with the transaction:

Purchase price allocation		January 31, 2017
Consideration		
Cash (net of $3.7 million in closing adjustments)	$	431,338
Common shares (100 million shares)		166,000
Contingent payment obligation		24,738
Total consideration	$	622,076
Inventory		28,398
Property, plant and equipment		633,717
Decommissioning liabilities		(40,039)
Net assets acquired	$	622,076

7. SALE OF ASSETS

Thermal Oil Contingent Bitumen Royalty

During the year ended December 31, 2016, Athabasca granted a Contingent Bitumen Royalty (the "Royalty") on its legacy Thermal Oil assets to Burgess Energy Holdings L.L.C. ("Burgess") for gross cash proceeds of $307.0 million. Under the terms of the Royalty, Athabasca will pay Burgess a linear-scale royalty of 0% - 12%, relative to a WCS benchmark price, applied to Athabasca's realized bitumen price (C$), which is determined net of diluent, transportation and storage costs.

On February 24, 2017, Athabasca granted an additional Royalty under the same terms to Burgess on its newly acquired Leismer and Corner assets for additional cash proceeds of $90.0 million, bringing the total gross proceeds received by the Company from the sale of the Royalty to $397.0 million.

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

Hangingstone, Leismer and Corner WCS benchmark price (US$/bbl)	Royalty rate	Dover West, Birch and Grosmont WCS benchmark price (US$/bbl)	Royalty rate
Below $60/bbl	--	Below $70/bbl	--
$60/bbl to $139.99/bbl(1)	2% - 12%	$70/bbl to $149.99/bbl(1)	2% - 12%
$140/bbl and above	12%	$150/bbl and above	12%

(1) The WCS benchmark price is used to determine the linear sliding-scale royalty rate.

Burgess has the option of either receiving the Royalty in cash or in kind. The Royalty has no associated commitments to develop future expansions or projects.

No amounts were payable by Athabasca in respect of the Royalty during the three months ended March 31, 2017.

Light Oil Joint Venture

On May 13, 2016, Athabasca entered into a strategic joint venture with Murphy Oil Company Ltd. ("Murphy") to develop the Montney and Duvernay formations in the Greater Kaybob and Greater Placid areas (the "Murphy Transaction"). As part of the transaction, Athabasca sold an operated 70% interest in its Greater Kaybob area assets and a non-operated 30% interest in its Greater Placid area assets for gross proceeds of $486.5 million. Athabasca received $267.5 million in cash, including purchase price adjustments from the January 1, 2016 effective date and also recognized additional consideration of $219.0 million (undiscounted) in the form of a capital-carry in the Greater Kaybob area, whereby Murphy will fund 75% of Athabasca's share of development capital up to a maximum five year period (Note 8).

8. CAPITAL-CARRY RECEIVABLE

During the second quarter of 2016, Athabasca recognized a receivable in respect of Murphy's capital-carry obligation to fund 75% of Athabasca's share of development capital in Greater Kaybob for up to a maximum five year period. The capital-carry receivable is based on management's best estimate of the present value of the expected timing of the recovery of the receivable. The timing of the recovery is dependent on the amount of capital expenditures in the Greater Kaybob area, subject to a minimum annual recovery to be realized by Athabasca, which is set out in the joint development agreement between the parties.

The following table reconciles the change in the capital-carry receivable during the three months ended March 31, 2017:

As at	March 31, 2017	December 31, 2016
CAPITAL-CARRY RECEIVABLE, BEGINNING OF PERIOD	$ 191,174	$ —
Initial recognition on completion of the Murphy Transaction	—	188,648
Recovery of capital-carry through capital expenditures	(10,680)	(5,812)
Revisions in expected timing of future capital expenditures	144	371
Time value of money accretion	3,107	7,967
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - DISCOUNTED	$ 183,745	$ 191,174
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - UNDISCOUNTED	$ 202,789	$ 213,469

The Company has calculated the net present value of its capital-carry receivable using a credit-adjusted discount rate of 6.50% per annum. The capital-carry receivable is considered to have low credit risk given the high credit quality of the Murphy subsidiary that has guaranteed the obligation. The capital-carry receivable (current and long-term portion) has been classified as Level 3 on the fair value hierarchy.

9. RISK MANAGEMENT CONTRACTS

During the first quarter of 2017, Athabasca entered into certain derivative financial instruments in order to manage its exposure to fluctuations in commodity prices. As at March 31, 2017, the following risk management contracts were in place:

Instrument (CAD)	Period	Volume	Average Price/bbl
WCS fixed price swaps	February - December 2017	8,000 bbl/d	$ 52.66
WTI fixed price swaps	February - December 2017	4,000 bbl/d	$ 73.02
WTI/WCS differential fixed price swaps	February - December 2017	4,000 bbl/d	$ (20.25)
WTI/WCS differential fixed price swaps	April - December 2017	8,000 bbl/d	$ (19.68)
WTI costless collar	April - December 2017	1,000 bbl/d	$ 65.00 - 79.00

As at March 31, 2017, Athabasca had a net commodity risk management asset of $7.2 million in respect of the risk management contracts (December 31, 2016 - nil). A 5% change in the pricing for the commodity risk management contracts would result in a change to the net derivative position of approximately $6.2 million. The following table summarizes the net gain (loss) on risk management contracts during the three months ended March 31, 2017 and 2016:

Three months ended ($ Thousands)	March 31, 2017	March 31, 2016
COMMODITY CONTRACTS		
Unrealized gain on commodity risk management contracts	$ 7,214	$ —
Realized gain on commodity risk management contracts	2,291	—
FOREIGN EXCHANGE CONTRACTS		
Unrealized loss on foreign exchange risk management contracts	—	(20,860)
Realized gain on foreign exchange risk management contracts	—	911
GAIN (LOSS) ON RISK MANAGEMENT CONTRACTS (NET)	$ 9,505	$ (19,949)

During the three months ended March 31, 2017, Athabasca incurred a net gain on commodity risk management contracts of $9.5 million. The net derivative loss of $19.9 million incurred during the three months ended March 31, 2016 was in respect of a foreign exchange par forward contract related to the Company's previous US$225.0 million term loan and was unwound during the second quarter of 2016.

At March 31, 2017, Athabasca's risk management contracts were held with four counterparties, all of which were large reputable financial institutions. The Company believes that credit risk associated with risk management contracts is low. Risk management contracts have been classified as Level 2 on the fair value hierarchy.

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

BALANCE, DECEMBER 31, 2015	$	1,856,136
PP&E expenditures		123,427
Non-cash capitalized costs(1)		326
Depletion and depreciation		(61,070)
Impairment loss		(647,717)
Disposals (Note 7)		(514,587)
BALANCE, DECEMBER 31, 2016	$	756,515
Leismer Corner Acquisition (Note 6)		633,717
PP&E expenditures		89,423
Non-cash capitalized costs(1)		3,056
Depletion and depreciation		(19,648)
Disposals (Note 7)		(90,000)
BALANCE, MARCH 31, 2017	$	1,373,063

(1) Non-cash PP&E expenditures consist of capitalized stock-based compensation and decommissioning obligations.

During the three months ended March 31, 2017, Athabasca de-recognized $90.0 million in PP&E primarily relating to the Royalty sold to Burgess (December 31, 2016 - $53.7 million). During the year ended December 31, 2016, Athabasca de-recognized $460.9 million of PP&E primarily relating to the Light Oil assets sold to Murphy (Note 7).

PP&E consists of the following:

Net book value (As at)		March 31, 2017		December 31, 2016
PP&E at cost	$	2,380,421	$	1,744,225
Accumulated depletion and depreciation		(199,396)		(179,748)
Accumulated impairment losses		(807,962)		(807,962)
TOTAL PP&E	$	1,373,063	$	756,515

As at March 31, 2017, $137.8 million (December 31, 2016 - $116.0 million) of PP&E was not subject to depletion or depreciation as the underlying oil and gas assets were not ready for use in the manner intended by management.

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

BALANCE, DECEMBER 31, 2015	$	799,409
E&E expenditures		4,652
Non-cash capitalized costs(1)		(6,862)
Recognition of SR&ED tax credits		(171)
Disposals (Note 7)		(253,726)
Impairment loss		(103,868)
BALANCE, DECEMBER 31, 2016	$	439,434
E&E expenditures		701
Non-cash capitalized costs(1)		65
Disposals		(476)
BALANCE, MARCH 31, 2017	$	439,724

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

For the year ended December 31, 2016, Athabasca de-recognized $253.1 million of E&E relating to the Royalty sold to Burgess and $0.6 million of E&E relating to the Light Oil assets sold to Murphy (Note 7).

12. SEGMENTED INFORMATION

Segmented operating results

	Light Oil		Thermal Oil(1)		Consolidated	
Three months ended March 31,	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
SEGMENT REVENUES						
Petroleum and natural gas sales	$ 11,999	$ 12,492	$ 139,503	$ 21,101	$ 151,502	$ 33,593
Interest income and other	29	497	—	—	29	497
Royalties	(421)	(549)	(1,405)	(25)	(1,826)	(574)
	11,607	12,440	138,098	21,076	149,705	33,516
Gain on commodity risk management contracts, net	—	—	9,505	—	9,505	—
SEGMENT EXPENSES & OTHER						
Cost of diluent	—	—	77,949	16,356	77,949	16,356
Operating expenses	4,451	7,458	37,393	19,483	41,844	26,941
Transportation and marketing	293	74	12,706	8,311	12,999	8,385
Depletion and depreciation	4,610	10,829	14,673	6,695	19,283	17,524
Exploration expense	31	(59)	137	147	168	88
Acquisition expenses and other	101	41	306	—	407	41
	9,486	18,343	143,164	50,992	152,650	69,335
Segment income (loss)	$ 2,121	$ (5,903)	$ 4,439	$ (29,916)	$ 6,560	$ (35,819)
CORPORATE						
Interest income and other					4,271	1,999
Financing and interest					(21,657)	(21,999)
General and administrative					(6,428)	(6,934)
Stock-based compensation					(712)	(1,647)
Depreciation					(365)	(599)
Foreign exchange gain (loss), net					(9,882)	19,185
Loss on foreign exchange risk management contracts, net					—	(19,949)
Gain on revaluation of provisions					6,698	634
Acquisition expenses and other					(7,647)	—
NET LOSS AND COMPREHENSIVE LOSS					$ (29,162)	$ (65,129)

(1) During February and March of 2017, Athabasca recognized Thermal Oil revenues and segment income relating to the Leismer Project of $88.1 million and $7.4 million, respectively.

Segmented capital expenditures

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

Three months ended		March 31, 2017		March 31, 2016
LIGHT OIL[1]				
Property, plant and equipment	$	77,646	$	21,943
Assets held for sale (Note 7)		—		8,715
		77,646		30,658
THERMAL OIL				
Property, plant and equipment		10,167		197
Exploration and evaluation		701		719
		10,868		916
CORPORATE				
Corporate assets and other		1,610		—
TOTAL CAPITAL SPENDING[2][3]	$	90,124	$	31,574

(1) Including the recovery of the capital-carry, Athabasca's net cash outflow from capital expenditures in the Light Oil Division during the three months ended March 31, 2017 was $67.0 million (March 31, 2016 - $30.7 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, 2017, expenditures include cash capitalized staff costs of $2.1 million (March 31, 2016 - $2.0 million).

Athabasca's total assets by segment are as follows:

Net book value (As at)		March 31, 2017		December 31, 2016
LIGHT OIL				
Capital-carry receivable (current and long-term)	$	183,745	$	191,174
Property, plant and equipment		481,037		407,312
Exploration and evaluation		410		410
		665,192		598,896
THERMAL OIL				
Inventory		38,642		14,871
Risk management contracts		7,534		—
Property, plant and equipment		884,051		342,474
Exploration and evaluation		439,314		439,024
		1,369,541		796,369
CORPORATE				
Current assets[1]		367,656		720,381
Restricted cash (Note 5)		113,823		107,012
Other long-term deposits (Note 6)		—		28,500
Property, plant and equipment		7,975		6,729
		489,454		862,622
TOTAL ASSETS	$	2,524,187	$	2,257,887

(1) Current assets under Corporate excludes inventory and risk management contracts as well as the capital-carry receivable which have been included under the Thermal Oil Division and Light Oil Divisions, respectively.

13. INDEBTEDNESS

As at	March 31, 2017	December 31, 2016
Senior Secured Second Lien Notes ("2022 Notes")(1)	$ 599,490	$ —
Senior Secured Second Lien Notes ("2017 Notes")	—	550,000
Debt issuance costs	(46,788)	(21,664)
Amortization of debt issuance costs	675	17,873
TOTAL INDEBTEDNESS	$ 553,377	$ 546,209

(1) As at March 31, 2017, the 2022 Notes (as defined below) and associated debt issuance costs were translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.3322.

Senior Secured Second Lien Notes

During the first quarter of 2017, Athabasca repaid its existing C$550.0 million of Senior Secured Second Lien Notes (the "2017 Notes") using the proceeds from the issuance of US$450.0 million (C$589.0 million) of new Senior Secured Second Lien Notes (the "2022 Notes") on February 24, 2017. The 2022 Notes bear interest at a rate of 9.875% per annum, payable semi-annually, and have a term of five years maturing on February 24, 2022.

The 2022 Notes are not subject to any maintenance or financial covenants and are secured by a second priority lien on substantially all of the assets of Athabasca. Subject to certain exceptions and qualifications, the 2022 Notes contain certain covenants that limit the Company's ability to, among other things: incur additional indebtedness; create or permit liens to exist; and make certain restricted payments, dispositions and transfers of assets. The 2022 Notes also contain certain minimum hedging requirements for 2017 and maximum hedging requirements over the term of the 2022 Notes.

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

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

Debt issuance costs associated with the 2022 Notes were initially capitalized and will be amortized to net income (loss) over the life of the 2022 Notes using the effective interest rate method. As at March 31, 2017, the fair value of the 2022 Notes was $599.5 million (US$450.0 million) and the 2022 Notes have been classified as Level 2. The fair values were based on observable quoted prices from financial institutions.

Senior Extendible Revolving Term Credit Facility

During the first quarter of 2017, Athabasca entered into a new $120.0 million reserve based credit facility (the "New Credit Facility") replacing the Company's previous credit facility. The New Credit Facility is a 364 day committed facility available on a revolving basis until February 24, 2018, at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and the amount outstanding would be required to be repaid at the end of the non-revolving term, being February 24, 2019. The New Credit Facility is subject to a semi-annual borrowing base review of the Company's Light Oil and Thermal Oil properties with the first semi-annual review occurring in the second quarter of 2017. The borrowing base of the facility will be based on the lender's evaluation of the Company's petroleum and natural gas reserves at the time and their commodity price outlook. The review of the borrowing base could result in a reduction to the credit facility, which may require repayment to the lenders.

The New 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 New Credit Facility contains certain covenants that limit the Company's ability to, among other things: incur additional indebtedness; create or permit liens to exist; and make certain restricted payments, dispositions and transfers of assets. The New Credit Facility also contains certain minimum hedging requirements in 2017 and maximum hedging requirements over the term of the New Credit Facility.

Amounts borrowed under the New 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 4.50%. The Company incurs a standby fee on the undrawn portion of the New Credit Facility of 1.125%. As at March 31, 2017, the Credit Facility had $16.6 million of letters of credit issued and outstanding.

Cash-Collateralized Letter of Credit Facility

On June 17, 2016, Athabasca entered into a $110.0 million Letter of Credit Facility with a Canadian bank for issuing letters of credit to counterparties. The facility is available on a demand basis and letters of credit issued under the Letter of Credit Facility incur an issuance fee of 0.25%. Letters of credit issued under the Letter of Credit Facility are primarily used to satisfy certain financial assurance requirements under Athabasca's long-term transportation agreements.

Under the terms of the Letter of Credit Facility, Athabasca is required to contribute cash to a Cash-Collateral Account equivalent to 101% of the value of all letters of credit issued under the facility (Note 5). As at March 31, 2017, Athabasca had $109.6 million in letters of credit issued and outstanding under the Letter of Credit Facility.

14. PROVISIONS

As at	March 31, 2017	December 31, 2016
Decommissioning obligations	$ 105,696	$ 65,321
Contingent payment obligation (Note 6)	18,290	—
Office lease provision	4,954	5,428
Other long-term obligations	4,817	5,448
TOTAL PROVISIONS	$ 133,757	$ 76,197

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, 2017	December 31, 2016
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	$ 65,321	$ 75,537
Liabilities incurred	409	1,730
Liabilities acquired	40,039	—
Liabilities settled	(3,912)	(835)
Liabilities disposed	—	(6,316)
Change in discount rate	—	(4,794)
Changes in estimates	2,107	(6,637)
Accretion expense	1,732	6,636
DECOMMISSIONING OBLIGATIONS, END OF PERIOD - DISCOUNTED	$ 105,696	$ 65,321
DECOMMISSIONING OBLIGATIONS, END OF PERIOD - UNDISCOUNTED	$ 274,864	$ 141,800

During the three months ended March 31, 2017, Athabasca acquired $40.0 million in decommissioning obligations relating to the Leismer Corner Acquisition (Note 6). The Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2% (December 31, 2016 - 2%) and a credit-adjusted discount rate of 10.0% per annum (December 31, 2016 - 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 1.00% change in the credit-adjusted discount rate would impact the discounted value of the decommissioning obligation by approximately $8.9 million with a corresponding adjustment to E&E and PP&E.

15. FINANCIAL INSTRUMENTS RISK

As at March 31, 2017, 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, onerous lease provisions, the contingent payment obligation and long-term debt. Credit risk has been assessed on each financial asset in their respective notes.

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient available reserves to meet its liquidity requirements at any point in time. The Company expects to achieve this objective through disciplined capital spending, an active commodity risk management program (Note 9) and by maintaining sufficient funds for anticipated short-term spending in cash, cash equivalent and short-term investment accounts and through available credit facilities.

Going forward, it is anticipated that Athabasca's Light Oil and Thermal Oil capital and operating activities, based on current business plans, will be funded through cash flow from operations, the capital-carry receivable, existing cash and cash equivalents and available credit facilities. Any significant acceleration of Light Oil development activities or future expansion of the Company's Thermal Oil projects could require additional funding which could include debt, equity, joint ventures 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 at the time and the current state of the equity and debt capital markets.

The Company's significant outstanding financial liabilities consist of the 2022 Notes which mature on February 24, 2022 and the New Credit facility with a one year term-out provision. All other material financial liabilities mature within one year.

Foreign exchange risk

Athabasca is exposed to foreign currency risk on the principal and interest components of the Company's US dollar denominated 2022 Notes (Note 13). A 5% 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 $27.6 million.

Commodity price risk

Athabasca is exposed to commodity price risk on its petroleum and natural gas sales due to fluctuations in market commodity prices. During the first quarter of 2017, Athabasca commenced a commodity risk management program designed to protect a base level of cash flow and support its capital plans. Refer to Note 9 for further details.

Interest Rate Risk

The Company's exposure to interest rate fluctuations on interest earned on its floating rate cash balance of $326.8 million (December 31, 2016 - $757.3 million), from a 1.00% change in interest rates, would be approximately $3.3 million for a 12 month period (year ended December 31, 2016 - $7.6 million).

16. 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, 2017		Year ended December 31, 2016	
	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of period	406,490,101	$ 2,020,159	404,299,592	$ 2,005,770
Issuance of common shares on Leismer Corner Acquisition (Note 6)	100,000,000	166,000	—	—
Exercise of stock options and RSUs (Note 17)	288,132	2,399	2,190,509	14,389
BALANCE AT END OF PERIOD	506,778,233	$ 2,188,558	406,490,101	$ 2,020,159

17. STOCK-BASED COMPENSATION

The Company's stock-based compensation plans for employees, directors and certain other service providers, currently consist of stock options, restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs"). The following table summarizes the Company's outstanding equity compensation units:

	March 31, 2017	December 31, 2016
Stock options[1]	8,324,440	9,369,885
Restricted share units (2010 RSU Plan)	3,906,673	4,285,427
Restricted share units (2015 RSU Plan)	6,313,580	4,950,063
Performance share units	2,426,500	2,691,300
Deferred share units[2]	1,099,976	1,132,727
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	22,071,169	22,429,402

(1) The weighted average exercise price of the Company's outstanding stock options as at March 31, 2017 was $4.30/share with a range from $1.07 - $13.30.
(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, 2017, total outstanding equity compensation units decreased by 0.4 million units compared to December 31, 2016. The decrease was primarily due to forfeitures and expiries of 1.9 million units and 0.4 million units that were exercised, partially offset by 1.9 million units granted. Refer to the December 31, 2016 audited consolidated financial statements of the Company for further information on the Company's stock-based compensation plans.

18. PER SHARE COMPUTATIONS

As at March 31, 2017, Athabasca had 472,157,006 weighted average shares outstanding (March 31, 2016 - 404,511,104). 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, 2017, 20,971,973 in anti-dilutive securities were excluded from the calculation of diluted loss per share (December 31, 2016 - 21,296,675).

19. FINANCING AND INTEREST

Three months ended	March 31, 2017	March 31, 2016
Financing and interest expense on indebtedness (Note 13)	$ 14,691	$ 18,185
Accretion of provisions (Note 14)	1,868	1,959
Amortization of debt issuance costs	5,098	1,855
TOTAL FINANCING AND INTEREST	$ 21,657	$ 21,999

20. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future minimum commitments as at March 31, 2017 for the following five years and thereafter:

	2017	2018	2019	2020	2021	Thereafter	Total
Transportation	$ 73,463	$ 95,916	$ 65,903	$ 105,037	$ 102,946	$ 1,771,497	$ 2,214,762
Repayment of long-term debt (Note 13)[1]	—	—	—	—	—	599,490	599,490
Interest expense on long-term debt (Note 13)[1]	29,764	59,693	59,693	59,857	59,693	30,093	298,793
Office leases	1,839	2,452	2,452	2,452	2,452	9,356	21,003
Purchase commitments and drilling rigs	5,702	2,976	—	—	—	—	8,678
TOTAL COMMITMENTS	$110,768	$161,037	$ 128,048	$ 167,346	$ 165,091	$ 2,410,436	$ 3,142,726

(1) The 2022 Notes and associated interest expense were translated into Canadian dollars at the March 31, 2017 exchange rate of US$1.00 = C$1.3322.

During the first quarter of 2017, Athabasca acquired firm service on the Trans Mountain Pipeline Expansion (the "TMX Pipeline") by entering into a long-term transportation service agreement with Trans Mountain Pipeline L.P. to deliver up to 20,000 bbl/d of the

Company’s blended bitumen from Edmonton, Alberta to Burnaby, B.C., starting in late 2019. Athabasca’s minimum discounted take or pay commitment on the TMX Pipeline is approximately $345 million based on Athabasca's credit-adjusted discount rate of 10% ($1.1 billion undiscounted). The Company will be required to provide financial assurances, in the form of a letter of credit, of approximately $40 million beginning in May 2017. The TMX Pipeline commitment has been included in the above table.

In conjunction with the Leismer Corner Acquisition, Statoil reassigned to Athabasca its existing commitment for the transportation of blended bitumen on the Waupisoo pipeline. As at March 31, 2017, the remaining commitment was $63.7 million which expires at various times through 2021. A second transportation commitment was reassigned by Statoil to Athabasca for the transportation of diluent to the Leismer Project's central processing facility. As at March 31, 2017, the remaining commitment was $34.2 million which expires in the fourth quarter of 2018. The transportation commitments have been included in the above table.

Athabasca filed an insurance claim for $8.7 million with respect to business interruption losses and other incremental costs sustained as a result of the evacuation at Hangingstone due to regional wildfires in the Fort McMurray area during the second quarter of 2016. The likelihood of the recovery of the claim is considered probable. No amounts have been recognized in the consolidated financial statements.

Excluded from the table above is a commitment for $117.2 million of office leases over 10 years which was assigned to an investment-grade third party in December 2013.

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

The following table reconciles the net changes in non-cash working capital from the balance sheet to the cash flow statement as at March 31, 2017 and 2016:

Three months ended		March 31, 2017		March 31, 2016
Change in accounts receivable	$	(67,341)	$	(4,497)
Change in prepaid expenses and deposits		(17,236)		977
Change in inventory		(23,771)		(1,143)
Change in accounts payable and accrued liabilities		76,758		11,711
	$	(31,590)	$	7,048
Other items impacting changes in non-cash working capital:				
Inventory acquired from Leismer Corner Acquisition (Note 7)		28,398		—
Change in current portion of provisions and other		(13,988)		854
	$	(17,180)	$	7,902
RELATED TO:				
Operating activities	$	(39,081)	$	3,772
Financing activities		149		—
Investing activities		21,752		4,130
NET CHANGE IN NON-CASH WORKING CAPITAL	$	(17,180)	$	7,902

CORPORATE INFORMATION

MANAGEMENT

Rob Broen
President & Chief Executive Officer

Kim Anderson
Chief Financial Officer

Anne Schenkenberger
Vice President, General Counsel & Corporate Secretary

Kevin Smith
Vice President, Light Oil

Rod Sousa
Vice President, Corporate Development

Dave Stewart
Vice President, Operations

Matthew Taylor
Vice President, Capital Markets & Communications

Don Verdonck
Vice President, Thermal Oil

DIRECTORS

Ronald Eckhardt(1)(2)
Chair

Bryan Begley(2)(3)

Rob Broen(2)

Carlos Fierro(1)(3)

Marshall McRae(1)

Henry Sykes(1)(3)

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 Corporation's website.

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Royal Bank of Canada

AUDITORS

Ernst & Young LLP

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

INDEPENDENT EVALUATORS

GLJ Petroleum Consultants Ltd.
DeGolyer and MacNaughton Canada Limited

STOCK SYMBOL

ATH
Toronto Stock Exchange