Condensed Interim Consolidated Financial Statements (unaudited)

Q2 2021

ATHABASCA OIL CORPORATION

FOCUSED | EXECUTING | DELIVERING

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at ($ Thousands)	June 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 152,639	$ 165,201
Restricted cash (Note 8)	29,259	—
Accounts receivable	90,083	62,528
Prepaid expenses and deposits (Note 3)	50,623	11,649
Inventory (Note 4)	43,390	30,350
	365,994	269,728
Restricted cash (Notes 3 and 8)	60,973	135,624
Prepaid expenses and deposits (Note 3)	53,751	44,407
Property, plant and equipment (Note 5)	984,991	975,987
Exploration and evaluation assets	393	238
	$ 1,466,102	$ 1,425,984
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 117,681	$ 103,999
Risk management contracts (Note 6)	57,333	811
Current portion of provisions and other liabilities (Note 8)	73,316	5,054
Current portion of long-term debt (Note 7)	549,855	—
	798,185	109,864
Long-term debt (Note 7)	—	559,498
Provisions and other liabilities (Note 8)	133,587	189,597
	931,772	858,959
SHAREHOLDERS' EQUITY		
Common shares (Note 9)	2,241,880	2,241,880
Contributed surplus	124,204	125,483
Accumulated deficit	(1,831,754)	(1,800,338)
	534,330	567,025
	$ 1,466,102	$ 1,425,984

Commitments and contingencies (Note 17).

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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
REVENUE				
Petroleum and natural gas sales (Note 13)	$ 232,111	$ 51,677	$ 443,767	$ 182,831
Interest income	226	560	543	2,183
Royalties	(6,600)	(1,010)	(10,625)	(2,929)
	225,737	51,227	433,685	182,085
Unrealized gain (loss) on commodity risk mgmt contracts (Note 6)	(41,838)	(52,841)	(56,522)	15,270
Realized gain (loss) on commodity risk mgmt contracts (Note 6)	(17,824)	24,435	(38,937)	45,861
	166,075	22,821	338,226	243,216
EXPENSES				
Cost of diluent	70,971	18,606	144,539	106,824
Operating expenses	40,397	19,196	84,913	68,808
Transportation and marketing	21,319	15,670	44,938	42,867
General and administrative	2,887	5,329	7,581	10,726
Restructuring expenses	—	5,703	—	5,703
Stock-based compensation (Note 10)	6,457	1,406	11,008	847
Financing and interest (Note 14)	20,889	22,351	42,000	43,904
Depletion and depreciation (Note 5)	24,810	25,338	49,281	56,630
Impairment loss	—	—	—	471,839
Exploration and non-producing asset expenses	898	11,855	1,083	12,125
Total expenses	188,628	125,454	385,343	820,273
Revenue less expenses	(22,553)	(102,633)	(47,117)	(577,057)
OTHER INCOME (EXPENSES)				
Foreign exchange gain (loss), net (Note 16)	8,477	19,819	15,344	(25,970)
Gain (loss) on revaluation of provisions and other	—	(3,529)	—	9
Gain (loss) on sale of assets	132	21,008	357	21,202
Net income (loss) and comprehensive income (loss)	$ (13,944)	$ (65,335)	$ (31,416)	$ (581,816)
BASIC NET INCOME (LOSS) PER SHARE (Note 11)	$ (0.03)	$ (0.12)	$ (0.06)	$ (1.10)
DILUTED NET INCOME (LOSS) PER SHARE (Note 11)	$ (0.03)	$ (0.12)	$ (0.06)	$ (1.10)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ Thousands)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
OPERATING ACTIVITIES				
Net income (loss)	$ (13,944)	$ (65,335)	$ (31,416)	$ (581,816)
Items not affecting cash:				
Non-cash transportation and marketing (Note 3)	372	—	372	—
Non-cash stock-based compensation (Note 10)	836	1,406	(956)	847
Net non-cash financing and interest	6,292	5,617	12,362	11,001
Depletion and depreciation (Note 5)	24,810	25,338	49,281	56,630
Impairment loss	—	—	—	471,839
Non-cash foreign exchange (gain) loss (Note 16)	(9,844)	(24,305)	(16,619)	28,180
Unrealized (gain) loss on risk management contracts (Note 6)	41,838	52,841	56,522	(15,270)
Non-cash (gain) loss on revaluation of provisions and other	—	3,529	—	(9)
(Gain) loss on sale of assets	(132)	(21,008)	(357)	(21,202)
Settlement of provisions (Note 8)	(63)	(121)	(1,366)	(6,116)
Changes in non-cash working capital and other liabilities (Note 18)	(13,982)	(9,148)	(30,502)	21,709
	36,183	(31,186)	37,321	(34,207)
FINANCING ACTIVITIES				
Payments of lease liabilities (Note 8)	(706)	(640)	(1,395)	(1,264)
Proceeds from exercised equity incentives	—	—	—	16
	(706)	(640)	(1,395)	(1,248)
INVESTING ACTIVITIES				
Additions to property, plant and equipment (Note 5)	(22,589)	(5,758)	(58,053)	(81,908)
Additions to exploration and evaluation assets	(39)	(53)	(129)	(149)
Recovery of capital-carry proceeds	—	—	—	22,740
Proceeds from sale of assets	192	70,008	439	70,202
(Increase) decrease in restricted cash (Note 3)	389	(41,491)	335	(41,516)
Changes in non-cash working capital and other liabilities (Note 18)	(3,136)	(22,955)	7,312	(20,861)
	(25,183)	(249)	(50,096)	(51,492)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	1,215	—	1,608	—
CHANGE IN CASH AND CASH EQUIVALENTS	11,509	(32,075)	(12,562)	(86,947)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	141,130	199,517	165,201	254,389
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 152,639	$ 167,442	$ 152,639	$ 167,442

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

($ Thousands)	Six months ended June 30, 2021	2020
COMMON SHARES (Note 9)		
Balance, beginning of period	$ 2,241,880	$ 2,233,396
Exercise of stock options, RSUs and PSUs (Note 10)	—	8,484
Balance, end of period	2,241,880	2,241,880
CONTRIBUTED SURPLUS		
Balance, beginning of period	125,483	129,479
Stock-based compensation (Note 10)	(1,279)	2,253
Exercise of stock options, RSUs and PSUs (Note 10)	—	(8,468)
Balance, end of period	124,204	123,264
ACCUMULATED DEFICIT		
Balance, beginning of period	(1,800,338)	(1,142,813)
Net income (loss)	(31,416)	(581,816)
Balance, end of period	(1,831,754)	(1,724,629)
TOTAL SHAREHOLDERS' EQUITY	$ 534,330	$ 640,515

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As at and for the three and six months ended June 30, 2021.

(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 July 28, 2021.

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, 2020. 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, 2020. There were no changes to the Company's operating segments during the period.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and global commodity prices declined significantly due to a reduction in oil demand as countries around the world, including Canada, enacted emergency measures to combat the spread of the virus. Throughout the second half of 2020, economies started to reopen along with positive developments on the vaccine front leading to a recovery in oil prices in late 2020 and into the first half of 2021. Despite strengthening oil fundamentals sentiment remains fragile with potential demand impacts of COVID-19 variants and supply uncertainty from US shale and the return of OPEC+ barrels to the market. Accordingly, estimates and judgements made by management in the preparation of the Consolidated Financial Statements are subject to a higher degree of measurement uncertainty during this volatile period.

3. PREPAID EXPENSES AND DEPOSITS

As at		June 30, 2021		December 31, 2020
Hangingstone transportation prepayment	$	43,482	$	—
Deposit for pipeline project (Note 8)		30,985		31,830
Prepaid expenses and deposits		17,330		11,649
CRA deposit (Note 15)		12,577		12,577
TOTAL PREPAID EXPENSES AND DEPOSITS	$	104,374	$	56,056
Presented as:				
Current portion of prepaid expenses and deposits	$	50,623	$	11,649
Long term portion of prepaid expenses and deposits	$	53,751	$	44,407

Hangingstone transportation prepayment

In the second quarter of 2021, Athabasca executed an amending Transportation and Storage Service Agreement ("TSSA") at Hangingstone that resulted in a $43.9 million prepayment and corresponding reduction in the financial assurances which Athabasca secured with restricted cash. As such, the restricted cash was released and was used to fund the TSSA prepayment. Beginning in May 2021, the prepayment will be expensed within transportation and marketing on a monthly basis up until June 2040, which is the termination date of the TSSA. The current portion of the prepayment is $2.3 million.

4. INVENTORY

As at		June 30, 2021		December 31, 2020
Product inventory	$	32,712	$	19,724
Warehouse inventory		10,678		10,626
TOTAL	$	43,390	$	30,350

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

BALANCE, DECEMBER 31, 2019	$	1,505,720
PP&E expenditures		111,322
Non-cash capitalized costs and other(1)		(9,639)
Depletion and depreciation(2)		(113,165)
Impairment loss		(471,839)
Disposals		(46,412)
BALANCE, DECEMBER 31, 2020	$	975,987
PP&E expenditures		58,053
Non-cash capitalized costs and other(1)		314
Depletion and depreciation(2)		(49,281)
Disposals		(82)
BALANCE, JUNE 30, 2021	$	984,991

(1) Non-cash capitalized costs relate to capitalized stock-based compensation and decommissioning obligation assets.
(2) For the six months ended June 30, 2021 and for the year ended December 31, 2020, depletion and depreciation includes $1.0 million and $2.1 million of depreciation relating to the Leased Asset, respectively.

PP&E consists of the following:

Net book value (As at)		June 30, 2021		December 31, 2020
PP&E at cost(1)	$	3,120,795	$	3,062,510
Accumulated depletion and depreciation(1)		(752,591)		(703,310)
Accumulated impairment losses		(1,383,213)		(1,383,213)
TOTAL PP&E	$	984,991	$	975,987

(1) As at June 30, 2021, the PP&E cost includes $12.6 million of Leased Asset cost and accumulated depletion and depreciation includes $5.2 million of accumulated depreciation relating to the Leased Asset (as at December 31, 2020 – Leased Asset cost of $12.6 million and accumulated depreciation relating to the Leased Asset of $4.2 million).

As at June 30, 2021, $123.9 million (December 31, 2020 - $74.5 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.

Athabasca is also exposed to foreign exchange risk on the principal and interest components of its US dollar denominated 2022 Notes and may utilize financial contracts to reduce its exposure to foreign currency risk. As at June 30, 2021, no foreign exchange risk management contracts were in place.

Financial commodity risk management contracts

As at June 30, 2021, 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 fixed price swaps	July - December 2021	5,000 bbl/d	$	78.08	$	63.00
WTI sold call options	July - December 2021	15,900 bbl/d	$	69.29	$	55.90
WTI/WCS differential swaps	July - September 2021	15,000 bbl/d	$	(14.75)	$	(11.90)
WTI/WCS differential swaps	October - December 2021	5,000 bbl/d	$	(16.05)	$	(12.95)
Purchase contracts				*C$/GJ*		*US$/GJ*
AECO fixed price swaps	July - December 2021	10,000 GJ/d	$	2.73	$	2.20

(1) The implied C$ or US$ Average Price/bbl, as applicable, was calculated using the June 30, 2021 exchange rate of US$1.00 = C$1.2394.

As at June 30, 2021, Athabasca's commodity risk management contracts were held with a single counterparty, which is a large reputable financial institution. 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.

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

		Change in WTI				Change in WCS differential		
As at June 30, 2021		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	$	(23,192)	$	23,192	$	2,276	$	(2,276)

7. INDEBTEDNESS

Senior Secured Second Lien Notes

On February 24, 2017, Athabasca issued US$450.0 million of Senior Secured Second Lien Notes (the "2022 Notes"). The 2022 Notes bear interest at a rate of 9.875% per annum, payable semi-annually, and mature on February 24, 2022. As such, starting March 31, 2021 the long-term debt has been classified as current on the consolidated balance sheet.

As at		June 30, 2021		December 31, 2020
Senior Secured Second Lien Notes ("2022 Notes")(1)	$	557,730	$	572,940
Debt issuance costs		(47,081)		(47,081)
Amortization of debt issuance costs		39,206		33,639
TOTAL LONG-TERM DEBT, INCLUDING CURRENT PORTION	$	549,855	$	559,498

(1) As at June 30, 2021, the 2022 Notes (as defined below) were translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.2394 (December 31, 2020 – C$1.2732).

The 2022 Notes are not subject to any maintenance or financial covenants and are secured by a second priority lien on substantially all of the assets of the Company. Subject to certain exceptions and qualifications, the 2022 Notes contain certain covenants that limit the Company's ability to, among other things, incur additional indebtedness, create or permit liens to exist, and make certain restricted payments, dispositions and transfers of assets. As at June 30, 2021, the Company is in compliance with all covenants. At this point to maturity Athabasca may redeem the 2022 Notes at 100% of the principal.

Debt issuance costs associated with the 2022 Notes were initially capitalized and are being amortized to net income (loss) over the life of the 2022 Notes using the effective interest rate method. As at June 30, 2021, the fair value of the 2022 Notes was $518.2 million (US$418.1 million), based on observable market quoted prices (Level 1).

Senior Extendible Revolving Term Credit Facility

In the second quarter of 2021, the Company's banking syndicate renewed the reserve-based credit facility (the "Credit Facility") until November 30, 2021. The credit facility is $29.0 million and reflects the outstanding letters of credit for transportation commitments. The Credit Facility is collateralized by the Company's restricted cash balances.

As at June 30, 2021, the Company had no amounts drawn and $29.0 million letters of credit issued under the Credit Facility which bear interest at 0.7%. As at December 31, 2020, the Company had no amounts drawn and had $38.0 million of letters of credit issued under the Credit Facility.

Under the terms of the 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 Credit Facility. As at June 30, 2021, $29.3 million of restricted cash was held in the cash-collateral account (December 31, 2020 - $38.5 million). The Credit Facility is secured by a first priority security interest on all present and after acquired property of the Company and is senior in priority to the 2022 Notes. The Credit Facility contains certain covenants that limit the Company's ability to, among other things, incur additional indebtedness, create or permit liens to exist, make certain restricted payments, and dispose of or transfer assets. The Company is in compliance with all covenants.

Cash-Collateralized Letter of Credit Facility

Athabasca maintains a $120.0 million cash-collateralized letter of credit facility (the "Letter of Credit Facility") with a Canadian bank for issuing letters of credit to counterparties. The facility is available on a demand basis and letters of credit issued under the Letter of Credit Facility incur an issuance fee of 0.25%. As at June 30, 2021, Athabasca had $60.3 million (December 31, 2020 - $96.0 million) in letters of credit issued under the Letter of Credit Facility.

Under the terms of the Letter of Credit Facility, Athabasca is required to contribute cash to a cash-collateral account equivalent to 101% of the value of all letters of credit issued under the facility. As at June 30, 2021, $61.0 million of restricted cash was held in the cash-collateral account (December 31, 2020 – $97.1 million).

Unsecured Letter of Credit Facility

Athabasca maintains a $40.0 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. The facility is available on a demand basis and letters of credit issued under this facility incur an issuance and performance guarantee fee of 3.5%. As at June 30, 2021, the Company had $39.9 million of letters of credit issued under the Unsecured Letter of Credit Facility (December 31, 2020 - $39.7 million).

8. PROVISIONS AND OTHER LIABILITIES

As at		June 30, 2021		December 31, 2020
Decommissioning obligations	$	123,697	$	116,363
Provision for pipeline project		59,955		61,590
Other obligations		—		1,242
TOTAL PROVISIONS		183,652		179,195
Lease liability		12,324		13,719
Cash settled stock-based compensation liability (Note 10)		10,927		1,737
TOTAL PROVISIONS AND OTHER LIABILITIES	$	206,903	$	194,651
Presented as:				
Current portion of provisions and other liabilities	$	73,316	$	5,054
Provisions and other liabilities	$	133,587	$	189,597

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		June 30, 2021		December 31, 2020
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	$	116,363	$	121,832
Liabilities incurred		663		615
Liabilities settled		(124)		(2,242)
Change in discount rate		—		(15,452)
Change in estimates		—		(903)
Accretion expense		6,795		12,513
DECOMMISSIONING OBLIGATIONS, END OF PERIOD	$	123,697	$	116,363

At June 30, 2021, the Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2.0% (December 31, 2020 - 2.0%) and a credit-adjusted discount rate of 12.0% per annum (December 31, 2020 - 12.0%). 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 $435.2 million (December 31, 2020 - $426.6 million). A 1.0% change in the credit-adjusted discount rate would impact the discounted value of the decommissioning obligations by approximately $6.7 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 June 30, 2021, $0.6 million was included within the current portion of provisions (December 31, 2020 - $0.6 million).

Provision for pipeline project

As disclosed previously, during the third quarter of 2019 Athabasca participated in TC Energy’s (“TCE”) 50,000 bbl/d open season on the existing Keystone system with service from Hardisty to the US Gulf Coast. Athabasca entered into a 20 year firm service transportation agreement with TCE for 7,200 bbl/d of service that was anticipated to be made available in 2020 and timing is currently undetermined. In consideration for the Keystone service, Athabasca concurrently entered into a development cost agreement (“DCA”) in relation to the Keystone XL pipeline. This DCA agreement provides for a US$48.4 million ($60.0 million) conditional payment, originally payable if shipper agreements on the Keystone XL pipeline were terminated on or before March 31, 2021 (the “Sunset Date”). Athabasca and TCE extended the Sunset Date to allow time for both parties to jointly explore other commercial opportunities. At December 31, 2020 the Company recorded a long-term provision related to the DCA following the US Administration revoking the Presidential Permit on January 20, 2021. Starting June 30, 2021, the $60.0 million provision, along with the associated $31.0 million deposit (Note 3) and $29.3 million of restricted cash collateralizing the related letter of credit have been classified as current on the consolidated balance sheet.

Cash settled stock-based compensation liability

The phantom share units ("PUPs") and deferred share units ("DSUs") stock-based compensation plans, and the restricted share units ("RSUs") and performance share units ("PSUs") that vested on April 1, 2021, have been accounted for as cash-settled share-based compensation plans and are recognized as liabilities on the consolidated balance sheet. The following table reconciles the Company's cash settled stock-based compensation liability:

As at		June 30, 2021		December 31, 2020
CASH SETTLED STOCK-BASED COMPENSATION LIABILITY, BEGINNING OF PERIOD	$	1,737	$	2,111
Stock-based compensation expense (recovery) - cash based (Note 10)		14,193		(302)
Liabilities settled		(5,003)		(72)
CASH SETTLED STOCK-BASED COMPENSATION LIABILITY, END OF PERIOD	$	10,927	$	1,737

9. SHAREHOLDERS' EQUITY

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

	Six months ended June 30, 2021			Year ended December 31, 2020		
As at	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of period	530,675,391	$	2,241,880	523,452,277	$	2,233,396
Exercise of stock options, RSUs and PSUs (Note 10)	—		—	7,223,114		8,484
BALANCE, END OF PERIOD	530,675,391	$	2,241,880	530,675,391	$	2,241,880

10. 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"). Refer to the December 31, 2020 Consolidated Financial Statements of the Company for further information on the Company's stock-based compensation plans. The following table summarizes the Company's outstanding stock-based compensation units:

As at	June 30, 2021	December 31, 2020
Stock options(1)	7,045,233	7,045,233
RSUs	18,073,326	11,198,843
PSUs	6,724,800	8,340,300
Equity based	31,843,359	26,584,376
PUPs	10,433,220	8,442,900
DSUs	8,019,984	6,697,979
Cash based	18,453,204	15,140,879
TOTAL OUTSTANDING STOCK-BASED COMPENSATION UNITS	50,296,563	41,725,255

(1) The weighted average exercise price of the Company's outstanding stock options as at June 30, 2021 was $1.90 per share with a range of $0.41 - $7.31 per share.

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

	Three months ended June 30,				Six months ended June 30,			
		2021		2020		2021		2020
Stock-based compensation expense (recovery) - equity based	$	1,239	$	795	$	(1,279)	$	2,253
Stock-based compensation expense (recovery) - cash based		6,282		833		14,193		(734)
GROSS STOCK-BASED COMPENSATION EXPENSE (RECOVERY)		7,521		1,628		12,914		1,519
Stock-based compensation capitalized to PP&E and E&E assets		(1,064)		(222)		(1,906)		(672)
NET STOCK-BASED COMPENSATION EXPENSE (RECOVERY)	$	6,457	$	1,406	$	11,008	$	847

11. PER SHARE AMOUNTS

	Three months ended June 30, 2021	2020	Six months ended June 30, 2021	2020
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	530,675,391	530,363,434	530,675,391	526,979,706

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 six months ended June 30, 2021, anti-dilutive securities of 31,843,359 were excluded from the diluted net income (loss) per share calculation as their effect is anti-dilutive (three and six months ended June 30, 2020 – 26,855,203).

12. SEGMENTED INFORMATION

Segmented operating results

	Thermal Oil		Light Oil		Eliminations[1]		Consolidated	
Three months ended June 30,	2021	2020	2021	2020	2021	2020	2021	2020
SEGMENT REVENUES								
Petroleum & natural gas sales	$ 207,503	$ 39,231	$ 36,365	$ 16,806	$ (11,757)	$ (4,360)	$ 232,111	$ 51,677
Royalties	(4,395)	(166)	(2,205)	(844)	—	—	(6,600)	(1,010)
	203,108	39,065	34,160	15,962	(11,757)	(4,360)	225,511	50,667
SEGMENT EXPENSES & OTHER								
Cost of diluent	82,728	22,966	—	—	(11,757)	(4,360)	70,971	18,606
Operating expenses	34,469	13,724	5,928	5,472	—	—	40,397	19,196
Transportation and marketing	18,715	11,530	2,604	4,140	—	—	21,319	15,670
Depletion and depreciation	11,704	9,771	12,363	14,814	—	—	24,067	24,585
Exploration and non-producing asset expenses	898	11,855	—	—	—	—	898	11,855
(Gain) loss on sale of assets	(132)	(21,008)	—	—	—	—	(132)	(21,008)
	148,382	48,838	20,895	24,426	(11,757)	(4,360)	157,520	68,904
Gain (loss) on commodity risk management contracts, net							(59,662)	(28,406)
Segment income (loss)	$ 54,726	$ (9,773)	$ 13,265	$ (8,464)	$ —	$ —	$ 8,329	$ (46,643)
CORPORATE								
Interest income							226	560
Financing and interest							(20,889)	(22,351)
General and administrative							(2,887)	(5,329)
Restructuring expenses							—	(5,703)
Stock-based compensation							(6,457)	(1,406)
Depreciation							(743)	(753)
Foreign exchange gain (loss), net							8,477	19,819
Gain (loss) on revaluation of provisions and other							—	(3,529)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)							$ (13,944)	$ (65,335)

(1) Eliminations include adjustments for 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.

Six months ended June 30,	Thermal Oil 2021	Thermal Oil 2020	Light Oil 2021	Light Oil 2020	Eliminations[1] 2021	Eliminations[1] 2020	Consolidated 2021	Consolidated 2020
SEGMENT REVENUES								
Petroleum & natural gas sales	$ 394,213	$ 153,384	$ 70,937	$ 41,153	$ (21,383)	$ (11,706)	$ 443,767	$ 182,831
Royalties	(6,567)	(1,101)	(4,058)	(1,828)	—	—	(10,625)	(2,929)
	387,646	152,283	66,879	39,325	(21,383)	(11,706)	433,142	179,902
SEGMENT EXPENSES & OTHER								
Cost of diluent	165,922	118,530	—	—	(21,383)	(11,706)	144,539	106,824
Operating expenses	72,273	56,345	12,640	12,463	—	—	84,913	68,808
Transportation and marketing	40,087	35,138	4,851	7,729	—	—	44,938	42,867
Depletion and depreciation	22,749	24,890	25,049	30,140	—	—	47,798	55,030
Impairment loss	—	207,884	—	263,955	—	—	—	471,839
Exploration and non-producing asset expenses	1,083	12,125	—	—	—	—	1,083	12,125
(Gain) loss on sale of assets	(257)	(21,202)	(100)	—	—	—	(357)	(21,202)
	301,857	433,710	42,440	314,287	(21,383)	(11,706)	322,914	736,291
Gain (loss) on commodity risk management contracts, net							(95,459)	61,131
Segment income (loss)	$ 85,789	$ (281,427)	$ 24,439	$ (274,962)	$ —	$ —	$ 14,769	$ (495,258)
CORPORATE								
Interest income							543	2,183
Financing and interest							(42,000)	(43,904)
General and administrative							(7,581)	(10,726)
Restructuring expenses							—	(5,703)
Stock-based compensation							(11,008)	(847)
Depreciation							(1,483)	(1,600)
Foreign exchange gain (loss), net							15,344	(25,970)
Gain (loss) on revaluation of provisions and other							—	9
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)							$ (31,416)	$ (581,816)

(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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
THERMAL OIL				
Property, plant and equipment	$ 21,349	$ 4,669	$ 54,273	$ 22,269
Exploration and evaluation	39	53	129	149
	21,388	4,722	54,402	22,418
LIGHT OIL[1]				
Property, plant and equipment	544	1,089	1,512	59,617
CORPORATE				
Corporate assets[2]	696	—	2,268	22
TOTAL CAPITAL SPENDING[1][2][3][4]	$ 22,628	$ 5,811	$ 58,182	$ 82,057

(1) Including the recovery of the capital-carry, Athabasca's net cash outflow from capital expenditures during the three and six months ended June 30, 2020 was $5.8 and $59.3 million and in the Light Oil Division was $1.1 million and $36.9 million.

(2) For the three and six months ended June 30, 2021, expenditures include cash capitalized stock-based compensation costs of $0.7 million and $2.3 million (three and six months ended June 30, 2020 - $nil).

(3) For the three and six months ended June 30, 2021, expenditures include cash capitalized staff costs of $1.7 million and $3.3 million (three and six months ended June 30, 2020 - $1.0 million and $3.3 million).

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

Segmented assets

Net book value (As at)	June 30, 2021	December 31, 2020
THERMAL OIL		
Prepaid expense (Note 3)	$ 43,482	$ —
Inventory (Note 4)	43,390	30,350
Property, plant and equipment	529,397	496,017
Exploration and evaluation	393	238
	616,662	526,605
LIGHT OIL		
Property, plant and equipment	445,709	468,640
CORPORATE		
Current assets[1]	320,296	239,378
Long-term restricted cash	60,973	135,624
Long-term deposit (Notes 3 and 15)	12,577	44,407
Property, plant and equipment	9,885	11,330
	403,731	430,739
TOTAL ASSETS	$ 1,466,102	$ 1,425,984

(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.

13. REVENUE

The following table summarizes Athabasca's revenue by product:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Heavy oil (blended bitumen)	$ 207,503	$ 39,231	$ 394,213	$ 153,384
Oil and condensate	25,817	11,738	50,351	31,506
Natural gas	6,794	4,151	13,830	7,875
Other natural gas liquids	3,754	917	6,756	1,772
Eliminations - inter-segment sales	(11,757)	(4,360)	(21,383)	(11,706)
TOTAL REVENUE	$ 232,111	$ 51,677	$ 443,767	$ 182,831

14. FINANCING AND INTEREST

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Financing and interest expense on indebtedness (Note 7)	$ 14,286	$ 15,989	$ 28,998	$ 31,728
Amortization of debt issuance costs (Note 7)	2,840	2,887	5,567	5,369
Accretion of provisions (Note 8)	3,452	3,097	6,795	6,035
Interest expense on lease liability (Note 8)	311	378	640	772
TOTAL FINANCING AND INTEREST	$ 20,889	$ 22,351	$ 42,000	$ 43,904

15. INCOME TAXES

From time to time, Athabasca undergoes income tax audits in the normal course of business. The Company has received notice of reassessments from the Canada Revenue Agency ("CRA") and Alberta Finance. While the final outcome of such reassessments 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 reassessments. As such, the Company has not recognized any provision in its Consolidated Financial Statements with respect to the reassessments and has posted a $12.6 million deposit with the CRA while objecting the reassessments.

As at June 30, 2021, the Company has approximately $3.3 billion in tax pools, including approximately $2.5 billion in non-capital losses and exploration tax pools available for immediate deduction against future income.

16. FINANCIAL INSTRUMENTS RISK

As at June 30, 2021, the Company's consolidated financial assets and liabilities are comprised of cash and cash equivalents, restricted cash, accounts receivable, deposits, risk management contracts, accounts payable and long-term debt. The risk management contracts have been classified as Level 2 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, cash equivalents and restricted cash are held with three counterparties, all of which are large reputable financial institutions, and management concluded that credit risk associated with these 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 June 30, 2021. Athabasca's risk management contracts are held with a single counterparty, which is a large reputable financial institution, 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 equivalent and short-term investment accounts, as well as through available credit facilities.

For the balance of 2021, 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 2021, depending on the Company's level of capital spend and the commodity price environment, the Company will need to refinance its 2022 Notes and 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.

The Company's significant outstanding financial liabilities consist of the 2022 Notes which mature on February 24, 2022. Athabasca is actively pursuing its refinancing plans with current intentions to issue a new high yield instrument and increase credit capacity with a new reserved based credit facility. All other material financial liabilities mature within one year. In addition, the Company has provisions and other liabilities as disclosed in Note 8. The Company's future unrecognized commitments are disclosed in Note 17.

Foreign exchange risk

Athabasca is exposed to foreign currency risk on the principal and interest components of its US dollar denominated 2022 Notes (Note 7), the US dollar restricted cash, deposit and provision related to a pipeline project (Notes 3 and 8), and the US dollar denominated cash, cash equivalents, receivables and payables. As at June 30, 2021, Athabasca's net foreign exchange risk exposure was a US$280.8 million liability (December 31, 2020 - US$374.4 million), and a 5.0% change in the foreign exchange rate (USD:CAD) would result in a $17.4 million change in the foreign exchange gain/loss (December 31, 2020 - $23.8 million).

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Unrealized foreign exchange gain (loss)	$ 9,844	$ 24,305	$ 16,619	$ (28,180)
Realized foreign exchange gain (loss)	(1,367)	(4,486)	(1,275)	2,210
FOREIGN EXCHANGE GAIN (LOSS), NET	$ 8,477	$ 19,819	$ 15,344	$ (25,970)

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, cash equivalents and restricted cash balance at June 30, 2021 of $242.9 million (December 31, 2020 - $300.8 million), from a 1.0% change in interest rates, would have an annualized impact of approximately $2.4 million (year ended December 31, 2020 - $3.0 million). The 2022 Notes and letters of credit issued are subject to fixed interest rates and are not exposed to changes in interest rates.

17. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future unrecognized minimum commitments as at June 30, 2021 for the following five years and thereafter:

	Remaining 2021	2022	2023	2024	2025	Thereafter	Total
Transportation and processing[(1)]	$ 54,455	$122,329	$163,190	$159,813	$156,990	$2,438,621	$3,095,398
Interest expense on long-term debt (Note 7)[(1)]	8,261	27,538	—	—	—	—	35,799
Purchase commitments	11,436	5,524	—	—	—	—	16,960
TOTAL COMMITMENTS	$ 74,152	$155,391	$163,190	$159,813	$156,990	$2,438,621	$3,148,157

(1) Commitments which are denominated in US dollars were converted into Canadian dollars at the June 30, 2021 exchange rate of US$1.00 = C$1.2394.

In the second quarter of 2021 the Hangingstone transportation and storage service agreement was amended and the related transportation commitments were reduced by $97.7 million. In the first quarter of 2021 the shipper agreements on the Keystone XL pipeline were terminated, therefore, the related transportation commitments of $529.1 million were removed from the above disclosure (Note 8).

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

18. 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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Change in accounts receivable	$ (5,041)	$ 30,099	$ (27,555)	$ 51,106
Change in prepaid expenses and deposits	(37,439)	(4,531)	(38,974)	(6,331)
Change in inventory	(5,666)	(3,977)	(13,040)	18,291
Change in accounts payable and accrued liabilities	(4,251)	(52,844)	13,682	(63,947)
	(52,397)	(31,253)	(65,887)	(881)
Other items impacting changes in non-cash working capital:				
Long-term assets reclassified to working capital (Notes 3 and 8)	32,488	—	32,488	—
Change in other liabilities - stock based compensation (Note 8)	1,279	—	9,190	—
Unrealized foreign exchange gain (loss) related to working capital	1,512	(850)	1,019	1,729
	$ (17,118)	$ (32,103)	$ (23,190)	$ 848
RELATED TO:				
Operating activities	$ (13,982)	$ (9,148)	$ (30,502)	$ 21,709
Investing activities	(3,136)	(22,955)	7,312	(20,861)
NET CHANGE IN NON-CASH WORKING CAPITAL	$ (17,118)	$ (32,103)	$ (23,190)	$ 848
Cash interest paid	$ 523	$ 1,001	$ 29,121	$ 31,432
Cash interest received	$ 226	$ 627	$ 509	$ 2,458

CORPORATE INFORMATION

MANAGEMENT

Robert Broen
President & Chief Executive Officer

Matthew Taylor
Chief Financial Officer

Karla Ingoldsby
Vice President, Thermal Oil

Mike Wojcichowsky
Vice President, Light Oil

DIRECTORS

Ronald Eckhardt(2)
Chair

Bryan Begley(1)(3)

Robert Broen

Anne Downey(2)

Thomas Ebbern(1)(3)

John Festival(2)

Carlos Fierro(1)(3)

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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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AUDITORS

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STOCK SYMBOL

ATH
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Member of:

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