Condensed Interim Consolidated Financial Statements (unaudited) Q2 2015
**CONSOLIDATED BALANCE SHEETS**

(unaudited)

<table>
<thead>
<tr>
<th>As at ($ Thousands)</th>
<th>June 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (Note 3)</td>
<td>$ 582,396</td>
<td>$ 531,475</td>
</tr>
<tr>
<td>Short-term investments (Note 3)</td>
<td>–</td>
<td>$ 47,618</td>
</tr>
<tr>
<td>Accounts receivable (Note 12)</td>
<td>22,307</td>
<td>32,117</td>
</tr>
<tr>
<td>Income tax receivable (Note 10)</td>
<td>2,215</td>
<td>9,579</td>
</tr>
<tr>
<td>Prepaid expenses and other</td>
<td>11,049</td>
<td>10,582</td>
</tr>
<tr>
<td>Inventory</td>
<td>2,338</td>
<td>–</td>
</tr>
<tr>
<td>Current portion of derivative asset (Note 12)</td>
<td>2,672</td>
<td>930</td>
</tr>
<tr>
<td>Short-term Promissory Note (Note 4)</td>
<td>150,000</td>
<td>450,000</td>
</tr>
<tr>
<td>Long-term Promissory Note (Note 4)</td>
<td>133,892</td>
<td>133,892</td>
</tr>
<tr>
<td>Long-term portion of derivative asset (Note 12)</td>
<td>29,271</td>
<td>11,708</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>4,957</td>
<td>3,747</td>
</tr>
<tr>
<td>Property, plant and equipment (Note 5)</td>
<td>2,261,302</td>
<td>2,103,334</td>
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<tr>
<td>Exploration and evaluation assets (Note 6)</td>
<td>971,305</td>
<td>962,821</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$ 772,977</td>
<td>$ 1,082,301</td>
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<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities (Note 11)</td>
<td>$ 70,072</td>
<td>$ 168,500</td>
</tr>
<tr>
<td>Current portion of long-term debt (Note 9)</td>
<td>2,779</td>
<td>2,597</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>72,851</td>
<td>171,097</td>
</tr>
<tr>
<td>Long-term debt (Note 9)</td>
<td>807,167</td>
<td>786,649</td>
</tr>
<tr>
<td>Provisions (Note 11)</td>
<td>66,333</td>
<td>68,949</td>
</tr>
<tr>
<td>Deferred income tax liability (Note 10)</td>
<td>108,129</td>
<td>106,922</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>1,054,480</td>
<td>1,133,617</td>
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<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common shares (Note 13)</td>
<td>1,997,181</td>
<td>1,984,134</td>
</tr>
<tr>
<td>Contributed surplus</td>
<td>150,348</td>
<td>154,201</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>971,695</td>
<td>1,025,851</td>
</tr>
<tr>
<td><strong>Total Shareholders’ Equity</strong></td>
<td>3,119,224</td>
<td>3,164,186</td>
</tr>
<tr>
<td><strong>Total Liabilities and Shareholders’ Equity</strong></td>
<td>$ 4,173,704</td>
<td>$ 4,297,803</td>
</tr>
</tbody>
</table>

Commitments and contingencies (Note 19)

See accompanying notes to the condensed interim consolidated financial statements.
## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(unaudited)

<table>
<thead>
<tr>
<th>($ Thousands, except per share amounts)</th>
<th>Three months ended June 30,</th>
<th>Six months ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petroleum and natural gas sales</td>
<td>$17,105</td>
<td>$34,626</td>
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<tr>
<td>Interest income and other</td>
<td>3,422</td>
<td>1,981</td>
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<tr>
<td>Midstream revenue</td>
<td>338</td>
<td>755</td>
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<tr>
<td>Royalties</td>
<td>223</td>
<td>(2,794)</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>21,088</td>
<td>34,568</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
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<tr>
<td>Operating and transportation</td>
<td>6,977</td>
<td>8,380</td>
</tr>
<tr>
<td>General and administrative (Note 16)</td>
<td>8,270</td>
<td>11,853</td>
</tr>
<tr>
<td>Restructuring and other charges (Note 17)</td>
<td>—</td>
<td>134</td>
</tr>
<tr>
<td>Stock-based compensation (Note 14)</td>
<td>4,940</td>
<td>2,386</td>
</tr>
<tr>
<td>Financing and interest (Note 18)</td>
<td>3,178</td>
<td>9,643</td>
</tr>
<tr>
<td>Depletion and depreciation (Note 5)</td>
<td>16,757</td>
<td>20,384</td>
</tr>
<tr>
<td>Exploration expense</td>
<td>480</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>40,602</td>
<td>52,780</td>
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<tr>
<td>Revenue less expenses</td>
<td>(19,514)</td>
<td>(18,212)</td>
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<tr>
<td><strong>Other income (expenses)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange gain (loss), net</td>
<td>4,519</td>
<td>4,870</td>
</tr>
<tr>
<td>Derivative gain (loss), net (Note 12)</td>
<td>(5,185)</td>
<td>(9,986)</td>
</tr>
<tr>
<td>Unrealized Put Option gain (Note 4)</td>
<td>—</td>
<td>1,770</td>
</tr>
<tr>
<td>Loss on Provisions (Note 4 and 11b)</td>
<td>(1,365)</td>
<td>(45,092)</td>
</tr>
<tr>
<td>Gain on sale of assets</td>
<td>—</td>
<td>182</td>
</tr>
<tr>
<td><strong>Loss before income taxes</strong></td>
<td>(21,545)</td>
<td>(66,468)</td>
</tr>
<tr>
<td><strong>INCOME TAXES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income tax expense (recovery) (Note 10)</td>
<td>7,499</td>
<td>(9,807)</td>
</tr>
<tr>
<td><strong>Loss before the following</strong></td>
<td>(29,044)</td>
<td>(56,661)</td>
</tr>
<tr>
<td>Equity loss on investments</td>
<td>—</td>
<td>(105)</td>
</tr>
<tr>
<td><strong>Net loss and comprehensive loss</strong></td>
<td>$ (29,044)</td>
<td>$ (56,766)</td>
</tr>
</tbody>
</table>

**BASIC LOSS PER SHARE (Note 15)**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic loss per share</td>
<td>$ (0.07)</td>
<td>$ (0.14)</td>
<td>$ (0.13)</td>
<td>$ (0.19)</td>
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</tbody>
</table>

**DILUTED LOSS PER SHARE (Note 15)**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diluted loss per share</td>
<td>$ (0.07)</td>
<td>$ (0.14)</td>
<td>$ (0.13)</td>
<td>$ (0.19)</td>
</tr>
</tbody>
</table>

See accompanying notes to the condensed interim consolidated financial statements.
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Six months ended June 30,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td>COMMON SHARES (Note 13)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of period</td>
<td>$1,984,134</td>
<td>$1,970,186</td>
<td></td>
</tr>
<tr>
<td>Exercise of stock options and RSUs</td>
<td>13,047</td>
<td>8,312</td>
<td></td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>1,997,181</td>
<td>1,978,498</td>
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<tr>
<td>CONTRIBUTED SURPLUS</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Balance, beginning of period</td>
<td>154,201</td>
<td>150,362</td>
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<tr>
<td>Stock-based compensation (Note 14)</td>
<td>9,079</td>
<td>5,100</td>
<td></td>
</tr>
<tr>
<td>Exercise of stock options and RSUs</td>
<td>(12,932)</td>
<td>(8,239)</td>
<td></td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>150,348</td>
<td>147,223</td>
<td></td>
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<tr>
<td>RETAINED EARNINGS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of period</td>
<td>1,025,851</td>
<td>1,253,409</td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>(54,156)</td>
<td>(78,119)</td>
<td></td>
</tr>
<tr>
<td>Balance, end of period</td>
<td>971,695</td>
<td>1,175,290</td>
<td></td>
</tr>
<tr>
<td>TOTAL SHAREHOLDERS’ EQUITY</td>
<td>$3,119,224</td>
<td>$3,301,011</td>
<td></td>
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</tbody>
</table>

See accompanying notes to the condensed interim consolidated financial statements.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Three months ended June 30, 2015</th>
<th>2014</th>
<th>Six months ended June 30, 2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>$(29,044)</td>
<td>$(56,766)</td>
<td>$(54,156)</td>
<td>$(78,119)</td>
</tr>
<tr>
<td>Items not affecting cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>4,940</td>
<td>2,386</td>
<td>5,932</td>
<td>2,857</td>
</tr>
<tr>
<td>Net non-cash financing and interest</td>
<td>1,817</td>
<td>553</td>
<td>3,479</td>
<td>1,119</td>
</tr>
<tr>
<td>Depreciation, depletion and impairment</td>
<td>16,757</td>
<td>20,384</td>
<td>35,539</td>
<td>47,184</td>
</tr>
<tr>
<td>Deferred income tax expense (recovery)</td>
<td>7,499</td>
<td>(9,807)</td>
<td>(308)</td>
<td>(17,259)</td>
</tr>
<tr>
<td>Long term portion of non-cash restructuring charges</td>
<td>180</td>
<td>–</td>
<td>3,648</td>
<td>–</td>
</tr>
<tr>
<td>Equity loss on investment</td>
<td>–</td>
<td>105</td>
<td>–</td>
<td>319</td>
</tr>
<tr>
<td>Unrealized foreign exchange (gain) loss</td>
<td>(4,426)</td>
<td>(4,950)</td>
<td>19,246</td>
<td>(4,950)</td>
</tr>
<tr>
<td>Unrealized (gain) loss on Derivative (Note 12)</td>
<td>5,844</td>
<td>9,837</td>
<td>(19,305)</td>
<td>9,837</td>
</tr>
<tr>
<td>Unrealized Put Option loss</td>
<td>–</td>
<td>(1,770)</td>
<td>–</td>
<td>(3,981)</td>
</tr>
<tr>
<td>Loss on provisions</td>
<td>–</td>
<td>45,092</td>
<td>–</td>
<td>45,092</td>
</tr>
<tr>
<td>(Gain) on sale of assets</td>
<td>–</td>
<td>(182)</td>
<td>(912)</td>
<td>(182)</td>
</tr>
<tr>
<td>Income tax credits received</td>
<td>1,698</td>
<td>–</td>
<td>1,698</td>
<td>6,797</td>
</tr>
<tr>
<td>Reclamation expenditures (Note 11)</td>
<td>(221)</td>
<td>9</td>
<td>(2,328)</td>
<td>(1,262)</td>
</tr>
<tr>
<td>Changes in non-cash working capital (Note 20)</td>
<td>3,532</td>
<td>(23,532)</td>
<td>13,389</td>
<td>(10,681)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td>8,576</td>
<td>(18,641)</td>
<td>5,922</td>
<td>(3,229)</td>
</tr>
<tr>
<td>Proceeds from Term Loan</td>
<td>–</td>
<td>236,675</td>
<td>–</td>
<td>236,675</td>
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<tr>
<td>Repayment of long-term debt</td>
<td>(626)</td>
<td>–</td>
<td>(1,336)</td>
<td>–</td>
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<tr>
<td>Proceeds from exercised equity incentives (Note 14)</td>
<td>62</td>
<td>47</td>
<td>116</td>
<td>73</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td>(564)</td>
<td>236,722</td>
<td>(1,220)</td>
<td>236,748</td>
</tr>
<tr>
<td>Proceeds on sale of investments (Note 4)</td>
<td>–</td>
<td>–</td>
<td>300,000</td>
<td>–</td>
</tr>
<tr>
<td>Proceeds on sale of assets</td>
<td>–</td>
<td>319</td>
<td>–</td>
<td>56,472</td>
</tr>
<tr>
<td>Additions to property, plant and equipment (Note 5)</td>
<td>(46,333)</td>
<td>(94,491)</td>
<td>(189,955)</td>
<td>(318,761)</td>
</tr>
<tr>
<td>Additions to exploration and evaluation assets (Note 6)</td>
<td>(2,165)</td>
<td>(11,965)</td>
<td>(7,995)</td>
<td>(24,557)</td>
</tr>
<tr>
<td>Contributions to assets held for sale and investments (Note 4)</td>
<td>–</td>
<td>(2,600)</td>
<td>–</td>
<td>(6,600)</td>
</tr>
<tr>
<td>(Increase) decrease in short-term investments (Note 3)</td>
<td>92,829</td>
<td>20,350</td>
<td>47,618</td>
<td>23,795</td>
</tr>
<tr>
<td>Changes in non-cash working capital (Note 20)</td>
<td>(40,237)</td>
<td>(76,580)</td>
<td>(103,449)</td>
<td>(80,364)</td>
</tr>
<tr>
<td><strong>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</strong></td>
<td>12,106</td>
<td>53,114</td>
<td>50,921</td>
<td>(116,496)</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</strong></td>
<td>570,290</td>
<td>129,385</td>
<td>531,475</td>
<td>298,995</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS, END OF PERIOD</strong></td>
<td>$ 582,396</td>
<td>$ 182,499</td>
<td>$ 582,396</td>
<td>$ 182,499</td>
</tr>
</tbody>
</table>

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 and six months ended June 30, 2015.
(Tabular amounts expressed in thousands of Canadian dollars, except where otherwise noted)

<table>
<thead>
<tr>
<th>Financial Statement Note</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Nature of business</td>
<td>5</td>
</tr>
<tr>
<td>2 Basis of presentation</td>
<td>5</td>
</tr>
<tr>
<td>3 Cash and cash equivalents and short-term investments</td>
<td>6</td>
</tr>
<tr>
<td>4 Sale of Dover</td>
<td>6</td>
</tr>
<tr>
<td>5 Property, plant and equipment (“PP&amp;E”)</td>
<td>7</td>
</tr>
<tr>
<td>6 Exploration and evaluation (“E&amp;E”) assets</td>
<td>8</td>
</tr>
<tr>
<td>7 Impairment</td>
<td>8</td>
</tr>
<tr>
<td>8 Segmented information</td>
<td>9</td>
</tr>
<tr>
<td>9 Indebtedness</td>
<td>11</td>
</tr>
<tr>
<td>10 Income taxes</td>
<td>13</td>
</tr>
<tr>
<td>11 Provisions</td>
<td>13</td>
</tr>
<tr>
<td>12 Financial instruments</td>
<td>14</td>
</tr>
<tr>
<td>13 Shareholders’ equity</td>
<td>17</td>
</tr>
<tr>
<td>14 Stock-based compensation</td>
<td>17</td>
</tr>
<tr>
<td>15 Per share computations</td>
<td>20</td>
</tr>
<tr>
<td>16 General and administrative expenses</td>
<td>20</td>
</tr>
<tr>
<td>17 Restructuring and other charges</td>
<td>21</td>
</tr>
<tr>
<td>18 Financing and interest</td>
<td>21</td>
</tr>
<tr>
<td>19 Commitments and contingencies</td>
<td>21</td>
</tr>
<tr>
<td>20 Supplemental cash flow information</td>
<td>22</td>
</tr>
</tbody>
</table>

1. NATURE OF BUSINESS

Athabasca Oil Corporation (“Athabasca” or the “Company”) is an exploration and production company developing light and thermal oil resource plays in the Western Canadian Sedimentary Basin in Alberta, Canada. Athabasca was incorporated on August 23, 2006, under the laws governing the Province of Alberta. The domicile of the Company is 1200, 215 - 9th Avenue SW, Calgary, Alberta. The Company is publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol “ATH”. These unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on July 30, 2015.

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements (“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, 2014.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at their estimated fair value. They have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2014. There were no changes to the Company’s operating segments during the period. General and administrative expenses for the three and six month periods ended June 30, 2014, have been reduced by $0.1 million and $5.8 million, respectively, from those presented in prior periods to reflect Athabasca’s decision to separately present costs incurred as part of the Company’s cost structure reduction throughout 2014 and 2015 as restructuring and other charges.

In 2015, Athabasca began acquiring inventory to support its Hangingstone project (“Project 1”) operations. Inventory consists of crude oil products and other consumables. The carrying value of inventory also includes transportation and other costs necessary to bring its products to market. Athabasca values its inventory using the weighted average cost method and inventory is held at the lower of cost and net realizable value at each reporting period.
3. **CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS**

<table>
<thead>
<tr>
<th>Initial Term (Days)</th>
<th>Interest Rates (%)</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AS AT JUNE 30, 2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>—</td>
<td>0.50 – 1.50</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>60 - 63</td>
<td>1.26 – 1.27</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>91 - 183</td>
<td>1.48 – 1.53</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AS AT DECEMBER 31, 2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>—</td>
<td>0.50 – 1.50</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>54 - 56</td>
<td>1.44 – 1.45</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>183</td>
<td>1.53</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. **SALE OF DOVER**

**Initial sale of assets to PetroChina and sale of MacKay River**

On February 10, 2010, the Company entered into a series of agreements pursuant to which, among other things, for $1.90 billion, a wholly owned subsidiary of PetroChina International Investment Company Limited (Phoenix Energy Holdings Limited (“Phoenix”)) acquired 100% of the shares of a corporation which held a 60% working interest in the Company’s MacKay River and Dover oil sands projects (the “PetroChina Transaction”). The PetroChina Transaction also included Put/Call Options over the Company’s remaining 40% working interest in the MacKay River oil sands project and the Dover oil sands projects. The MacKay River Put Option was exercised in 2011 and closing of the sale occurred in 2012.

**Valuation of the Dover Put Option**

In 2012, Athabasca was required to value its put option under the Put/Call Option Agreement in respect of the Dover oil sands project (the “Dover Put Option”) given greater clarity around regulatory approval and potential exercise of the option. The initial fair value was determined to be the anticipated residual of the gross proceeds from the Dover Put Option, adjusted for estimated closing costs, and the anticipated carrying value of the Dover investment at the time of exercise, discounted for the duration to the expected transaction closing date using a risk-free rate given PetroChina’s investment grade credit rating. The initial fair value of the Dover Put Option was adjusted for the probability of receipt of regulatory approval and the estimated probability of exercise. The valuation of the Dover Put Option resulted in an unrealized gain of $374.6 million being recognized in net income in 2012. For the year ended December 31, 2013, Athabasca recognized an unrealized loss of $52.0 million in net income offset by $5.6 million for the time value of money accretion. Time value of money accretion for the three and six months ended June 30, 2014 was $1.3 million and $2.5 million respectively and was recognized in interest income. Regulatory approval for the Dover oil sands project was received on April 16, 2014, triggering Athabasca’s right to exercise the Dover Put Option, which it did on April 17, 2014.

**Thermal abandonment claims**

The loss on provisions of $45.1 million for the three months ended June 30, 2014 was primarily due to $49.0 million paid to Phoenix to settle certain claims under the PetroChina Transaction Agreements and the AOSC MacKay Share Purchase Agreement in relation to future thermal abandonment costs associated with petroleum and natural gas wells located in the Dover and MacKay River areas. The abandonment claims were partially offset by the de-recognition of certain decommissioning obligations previously recognized by Athabasca and working capital adjustments amounting to $3.9 million.
Sale of Dover

On August 29, 2014, Athabasca closed the sale of its wholly owned subsidiary, AOC (Dover) Energy Inc., which held the Company’s 40% interest in the Dover oil sands project, to Phoenix for a net purchase price of $1,183.9 million, excluding working capital adjustments of $2.3 million of which $1.0 million was recognized in the first quarter of 2015.

At closing, Athabasca received a cash payment of $600.0 million, as well as three interest bearing Promissory Notes (the “Promissory Notes”) issued by Phoenix for the remaining $583.9 million of the net purchase price. The Promissory Notes are unconditional, secured by irrevocable, standby letters of credit issued by HSBC Bank Canada and bear interest at an average rate of 1.67%. The Promissory Notes have been classified as held-to-maturity.

<table>
<thead>
<tr>
<th>As at</th>
<th>June 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2, 2015 Promissory Note</td>
<td>—</td>
<td>$300,000</td>
</tr>
<tr>
<td>August 28, 2015 Promissory Note</td>
<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td>August 29, 2016 Promissory Note</td>
<td>133,892</td>
<td>133,892</td>
</tr>
<tr>
<td></td>
<td>$283,892</td>
<td>$583,892</td>
</tr>
</tbody>
</table>

Presented as:
- Short-term Promissory Note: $150,000
- Long-term Promissory Note: $133,892

On March 2, 2015, the first Promissory Note matured and Athabasca received cash proceeds of $302.5 million, comprised of $300.0 million principal and accrued interest of $2.5 million.

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

<table>
<thead>
<tr>
<th>Balance, December 31, 2013</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PP&amp;E expenditures</td>
<td>$1,598,205</td>
<td>578,725</td>
</tr>
<tr>
<td>Non-cash capitalized costs(1)</td>
<td>11,694</td>
<td>(82,427)</td>
</tr>
<tr>
<td>Depletion and depreciation</td>
<td>(2,863)</td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 2014</td>
<td>$2,103,334</td>
<td></td>
</tr>
<tr>
<td>PP&amp;E expenditures</td>
<td>189,955</td>
<td></td>
</tr>
<tr>
<td>Non-cash capitalized costs(1)</td>
<td>3,588</td>
<td></td>
</tr>
<tr>
<td>Depletion and depreciation</td>
<td>(35,539)</td>
<td></td>
</tr>
<tr>
<td>Balance, June 30, 2015</td>
<td>$2,261,302</td>
<td></td>
</tr>
</tbody>
</table>

(1) Non-cash PP&E expenditures include capitalized stock-based compensation, decommissioning obligation assets, land swap additions and non-cash interest and financing.

PP&E consists of the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PP&amp;E at cost</td>
<td>$2,507,485</td>
<td>$2,313,978</td>
</tr>
<tr>
<td>Accumulated depletion and depreciation</td>
<td>(246,183)</td>
<td>(210,644)</td>
</tr>
<tr>
<td>TOTAL PP&amp;E</td>
<td>$2,261,302</td>
<td>$2,103,334</td>
</tr>
</tbody>
</table>

As at June 30, 2015, $1,428 million (December 31, 2014, $1,278 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. EXPLORATION AND EVALUATION (“E&E”) ASSETS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>E&amp;E expenditures</td>
<td>1,124,530</td>
<td>962,821</td>
<td>971,305</td>
</tr>
<tr>
<td>Non-cash capitalized costs(1)</td>
<td>48,133</td>
<td>8,514</td>
<td></td>
</tr>
<tr>
<td>Recognition of SR&amp;ED tax credits</td>
<td>10,506</td>
<td>489</td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>(2,172)</td>
<td>(57,111)</td>
<td></td>
</tr>
<tr>
<td>Depletion, depreciation and impairment (Note 7)</td>
<td>(161,065)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BALANCE, DECEMBER 31, 2013</strong></td>
<td><strong>1,124,530</strong></td>
<td><strong>962,821</strong></td>
<td><strong>971,305</strong></td>
</tr>
<tr>
<td><strong>BALANCE, DECEMBER 31, 2014</strong></td>
<td><strong>962,821</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BALANCE, JUNE 30, 2015</strong></td>
<td><strong>971,305</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Non-cash E&E expenditures include capitalized stock-based compensation and decommissioning obligation assets.

During 2014, Athabasca disposed of exploratory non-core Thermal Oil properties for cash proceeds of $56.1 million and exploratory non-core Light Oil properties for cash proceeds of $1.0 million.

7. IMPAIRMENT

At each financial reporting date, the Company considers potential indicators of impairment for both its Light Oil and Thermal Oil Divisions. This assessment includes an analysis of current market conditions as well as a review of pending land expiries and future development plans for each of the Company’s assets.

Athabasca combines E&E and PP&E assets that are in the same CGU together for the purposes of testing for impairment. The Company uses fair value less costs of disposal to calculate the recoverable amount of its CGUs. Significant estimates are utilized to determine the recoverable amounts of the CGUs and are based on discounted cash flow estimates from the Company’s Proved plus Probable Reserves and Best Estimate Contingent Resources (Level 3) as well as comparable market transactions for the Company’s undeveloped Light Oil and Thermal Oil acreage (Level 3). The discounted cash flow estimates uses forecasted commodity prices and cost estimates that are consistent with Athabasca’s independent qualified reserve engineers. Future cash flows are estimated using a two percent inflation rate and a market appropriate discount rate of 10% to 12% based on the nature of the properties included in the CGU and the extent of their development. A significant change to the forecasted price assumptions, cost estimates or discount rate used could have a material impact on these cash flow estimates.

During the year ended December 31, 2014, it was determined that the significant decline in commodity prices was an indicator of impairment across all of the Company’s assets, and Athabasca tested all of its cash generating units (“CGUs”) for impairment.

Light Oil Division

The Light Oil Division consists of the Greater Kaybob Area development CGU as well as other exploration acreage located in northwest Alberta (the “Light Oil Exploration Areas”). For the year ended December 31, 2014, Athabasca recognized an impairment loss of $74.4 million representing the full carrying value of the CGU in its Light Oil Exploration Areas. During 2014, Athabasca also recognized $27.8 million of land expires in the Light Oil Exploration Areas, bringing the total Light Oil expiration and impairment charges to $102.2 million. No impairments were recognized during the six months ended June 30, 2015. To date, there have been no impairments of the Greater Kaybob Area CGU.

Thermal Oil Division

The Thermal Oil Division consists of the Hangingstone, Dover West, Birch and Grosmont CGUs located in the Athabasca region of northern Alberta. For the year ended December 31, 2014, Athabasca recognized an impairment loss of $53.5 million representing the full carrying value of the CGU in its Grosmont exploration area. During 2014, Athabasca also relinquished $5.3 million in non-commercial Grosmont leases bringing the total Thermal Oil relinquishment and impairment charges to $58.8 million. No impairments have been recognized for any of the Thermal Oil CGUs for the six months ended June 30, 2015. To date, there have been no impairments of the Hangingstone, Dover West or Birch CGUs.
8. SEGMENTED INFORMATION

Segmented capital expenditures

Athabasca’s total capital expenditures by segment are as follows:

<table>
<thead>
<tr>
<th>Capital expenditures</th>
<th>Three months ended June 30, 2015</th>
<th>2014</th>
<th>Six months ended June 30, 2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIGHT OIL</td>
<td>$14,959</td>
<td>$14,362</td>
<td>$94,200</td>
<td>$90,553</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>$14,959</td>
<td>$14,362</td>
<td>$94,200</td>
<td>$90,553</td>
</tr>
<tr>
<td>Exploration and evaluation(^{(1)})</td>
<td>—</td>
<td>485</td>
<td>—</td>
<td>1,743</td>
</tr>
<tr>
<td>THERMAL OIL</td>
<td>30,953</td>
<td>79,076</td>
<td>93,628</td>
<td>225,700</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>30,953</td>
<td>79,076</td>
<td>93,628</td>
<td>225,700</td>
</tr>
<tr>
<td>Exploration and evaluation(^{(4)})</td>
<td>2,165</td>
<td>11,480</td>
<td>8,057</td>
<td>22,814</td>
</tr>
<tr>
<td>Assets held for sale (Note 4)</td>
<td>—</td>
<td>2,600</td>
<td>—</td>
<td>6,600</td>
</tr>
<tr>
<td>CORPORATE</td>
<td>33,118</td>
<td>93,156</td>
<td>101,685</td>
<td>255,114</td>
</tr>
<tr>
<td>Corporate assets and other PP&amp;E</td>
<td>421</td>
<td>1,053</td>
<td>2,065</td>
<td>2,508</td>
</tr>
<tr>
<td>TOTAL CAPITAL SPENDING(^{(2)(3)})</td>
<td>$48,498</td>
<td>$109,056</td>
<td>$197,950</td>
<td>$349,918</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Due to the recognition of a full impairment loss in the Light Oil Exploration and Grosmont CGUs for the year ended December 31, 2014 any future spending in these CGUs will be expensed as incurred as exploration expense.

\(^{(2)}\) Excludes non-cash capitalized costs consisting of capitalized stock based compensation, decommissioning obligation assets, land swap additions and non-cash interest and financing.

\(^{(3)}\) Includes capitalized project staff costs for the three and six months ended June 30, 2015, of $4.6 million and $12.3 million respectively (three and six months ended June 30, 2014 - $9.7 million and $21.7 million, respectively) and cash capitalized interest for the three and six months ended June 30, 2015, of $15.1 million and $30.6 million respectively (three and six months ended June 30, 2014 - $10.5 million and $18.0 million, respectively).

Segmented assets

Athabasca’s total assets by segment are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LIGHT OIL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>$1,183,848</td>
<td>$1,120,896</td>
</tr>
<tr>
<td>Exploration and evaluation</td>
<td>2,631</td>
<td>2,632</td>
</tr>
<tr>
<td>THERMAL OIL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1,067,677</td>
<td>971,627</td>
</tr>
<tr>
<td>Exploration and evaluation</td>
<td>968,674</td>
<td>960,189</td>
</tr>
<tr>
<td>CORPORATE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>772,977</td>
<td>1,082,301</td>
</tr>
<tr>
<td>Long-term Promissory Note</td>
<td>133,892</td>
<td>133,892</td>
</tr>
<tr>
<td>Long-term portion of derivative asset</td>
<td>29,271</td>
<td>11,708</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>4,957</td>
<td>3,747</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>9,777</td>
<td>10,811</td>
</tr>
<tr>
<td></td>
<td>950,874</td>
<td>1,242,459</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$4,173,704</td>
<td>$4,297,803</td>
</tr>
</tbody>
</table>
Segmented operating results

Athabasca’s operating results by segment are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Three month period ended June 30,</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SEGMENT REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petroleum and natural gas sales</td>
<td>$17,105</td>
<td>$34,626</td>
<td>$—</td>
<td>$—</td>
<td>$17,105</td>
<td>$34,626</td>
</tr>
<tr>
<td>Midstream revenue</td>
<td>338</td>
<td>755</td>
<td>—</td>
<td>—</td>
<td>338</td>
<td>755</td>
</tr>
<tr>
<td>Other income</td>
<td>—</td>
<td>—</td>
<td>128</td>
<td>1,495</td>
<td>128</td>
<td>1,495</td>
</tr>
<tr>
<td>Royalties</td>
<td>223</td>
<td>(2,794)</td>
<td>—</td>
<td>—</td>
<td>223</td>
<td>(2,794)</td>
</tr>
<tr>
<td><strong>SEGMENT EXPENSES &amp; OTHER</strong></td>
<td>17,666</td>
<td>32,587</td>
<td>128</td>
<td>1,495</td>
<td>17,794</td>
<td>34,082</td>
</tr>
<tr>
<td>Operating and transportation</td>
<td>6,977</td>
<td>8,380</td>
<td>—</td>
<td>—</td>
<td>6,977</td>
<td>8,380</td>
</tr>
<tr>
<td>Depletion and depreciation</td>
<td>15,737</td>
<td>17,816</td>
<td>—</td>
<td>—</td>
<td>15,737</td>
<td>17,816</td>
</tr>
<tr>
<td>Unrealized Put Option gain</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(1,770)</td>
<td>—</td>
<td>(1,770)</td>
</tr>
<tr>
<td>Exploration expense</td>
<td>244</td>
<td>—</td>
<td>236</td>
<td>—</td>
<td>480</td>
<td>—</td>
</tr>
<tr>
<td>Gain on sale of assets</td>
<td>—</td>
<td>(182)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(182)</td>
</tr>
<tr>
<td>Equity loss on investments</td>
<td>—</td>
<td>—</td>
<td>105</td>
<td>—</td>
<td>105</td>
<td>—</td>
</tr>
<tr>
<td><strong>Segment income (loss)</strong></td>
<td>$ (5,292)</td>
<td>$ 6,573</td>
<td>$ (108)</td>
<td>$ 3,160</td>
<td>$ (5,400)</td>
<td>$ 9,733</td>
</tr>
<tr>
<td><strong>CORPORATE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income and other</td>
<td>3,294</td>
<td>486</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financing and interest</td>
<td>(3,178)</td>
<td>(9,643)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>(8,270)</td>
<td>(11,853)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restructuring and other charges</td>
<td>—</td>
<td>(134)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>(4,940)</td>
<td>(2,386)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(1,020)</td>
<td>(2,568)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange gain, net</td>
<td>4,519</td>
<td>4,870</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative loss, net</td>
<td>(5,185)</td>
<td>(9,986)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on Provision</td>
<td>(1,365)</td>
<td>(45,092)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred income tax expense (recovery)</td>
<td>7,499</td>
<td>9,807</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET LOSS AND COMPREHENSIVE LOSS</strong></td>
<td>$ (29,044)</td>
<td>$ (56,766)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Six month period ended June 30,</td>
<td>Light Oil</td>
<td>Thermal Oil</td>
<td>Consolidated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
<td>---------------------------------</td>
<td>-----------</td>
<td>-------------</td>
<td>--------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SEGMENT REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petroleum and natural gas</td>
<td>$32,630</td>
<td>$69,272</td>
<td>—</td>
<td>—</td>
<td>$32,630</td>
<td>$69,272</td>
</tr>
<tr>
<td>sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Midstream revenue</td>
<td>$668</td>
<td>1,558</td>
<td>—</td>
<td>—</td>
<td>668</td>
<td>1,558</td>
</tr>
<tr>
<td>Other income</td>
<td>—</td>
<td>—</td>
<td>384</td>
<td>2,913</td>
<td>384</td>
<td>2,913</td>
</tr>
<tr>
<td>Royalties</td>
<td>(1,637)</td>
<td>(7,822)</td>
<td>384</td>
<td>2,913</td>
<td>(1,637)</td>
<td>(7,822)</td>
</tr>
<tr>
<td></td>
<td>31,661</td>
<td>63,008</td>
<td>384</td>
<td>2,913</td>
<td>32,045</td>
<td>65,921</td>
</tr>
<tr>
<td><strong>SEGMENT EXPENSES &amp; OTHER</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating and transportation</td>
<td>14,380</td>
<td>17,859</td>
<td>—</td>
<td>—</td>
<td>14,380</td>
<td>17,859</td>
</tr>
<tr>
<td>Depletion and depreciation</td>
<td>33,124</td>
<td>37,038</td>
<td>—</td>
<td>5,264</td>
<td>33,124</td>
<td>42,302</td>
</tr>
<tr>
<td>Unrealized Put Option gain</td>
<td>—</td>
<td>—</td>
<td>469</td>
<td>(3,981)</td>
<td>—</td>
<td>(3,981)</td>
</tr>
<tr>
<td>Exploration expense</td>
<td>282</td>
<td>—</td>
<td>(912)</td>
<td>—</td>
<td>(912)</td>
<td>(912)</td>
</tr>
<tr>
<td>Gain on sale of assets</td>
<td>—</td>
<td>(182)</td>
<td>(912)</td>
<td>—</td>
<td>(912)</td>
<td>(912)</td>
</tr>
<tr>
<td>Equity loss on investments</td>
<td>—</td>
<td>—</td>
<td>319</td>
<td>—</td>
<td>319</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>47,786</td>
<td>54,715</td>
<td>(443)</td>
<td>1,602</td>
<td>47,343</td>
<td>56,317</td>
</tr>
<tr>
<td><strong>Segment income (loss)</strong></td>
<td>$ (16,125)</td>
<td>$ 8,293</td>
<td>$ 827</td>
<td>$ 1,311</td>
<td>$ (15,298)</td>
<td>$ 9,604</td>
</tr>
<tr>
<td><strong>CORPORATE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,305</td>
<td>1,468</td>
</tr>
<tr>
<td>Financing and interest</td>
<td></td>
<td></td>
<td>(4,756)</td>
<td></td>
<td>(18,938)</td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td></td>
<td></td>
<td>(16,640)</td>
<td></td>
<td>(23,796)</td>
<td></td>
</tr>
<tr>
<td>Restructuring and other</td>
<td></td>
<td></td>
<td>(16,988)</td>
<td></td>
<td>(5,769)</td>
<td></td>
</tr>
<tr>
<td>charges</td>
<td></td>
<td></td>
<td>(16,988)</td>
<td></td>
<td>(5,769)</td>
<td></td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td></td>
<td></td>
<td>(5,932)</td>
<td></td>
<td>(2,857)</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td>(2,415)</td>
<td></td>
<td>(4,882)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange gain (loss),</td>
<td></td>
<td></td>
<td>(19,101)</td>
<td></td>
<td>4,870</td>
<td></td>
</tr>
<tr>
<td>net</td>
<td></td>
<td></td>
<td>(19,101)</td>
<td></td>
<td>4,870</td>
<td></td>
</tr>
<tr>
<td>Derivative gain (loss), net</td>
<td></td>
<td></td>
<td>20,726</td>
<td></td>
<td>(9,986)</td>
<td></td>
</tr>
<tr>
<td>Loss on Provision</td>
<td></td>
<td></td>
<td>(1,365)</td>
<td></td>
<td>(45,092)</td>
<td></td>
</tr>
<tr>
<td>Deferred income tax recovery</td>
<td></td>
<td></td>
<td>308</td>
<td></td>
<td>17,259</td>
<td></td>
</tr>
<tr>
<td><strong>NET LOSS AND COMPREHENSIVE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$ (54,156)</td>
<td>$ (78,119)</td>
</tr>
<tr>
<td><strong>LOSS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. **INDEBTEDNESS**

<table>
<thead>
<tr>
<th></th>
<th>As at</th>
<th>June 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Secured Second Lien</td>
<td>$550,000</td>
<td>$550,000</td>
<td></td>
</tr>
<tr>
<td>Notes (a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Secured Term Loans (b)(3)</td>
<td>$277,869</td>
<td>259,719</td>
<td></td>
</tr>
<tr>
<td>Debt issuance costs</td>
<td>(31,115)</td>
<td>(30,804)</td>
<td></td>
</tr>
<tr>
<td>Amortization of debt</td>
<td>13,192</td>
<td>10,331</td>
<td></td>
</tr>
<tr>
<td>issuance costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LONG-TERM DEBT</strong></td>
<td>$809,946</td>
<td>$789,246</td>
<td></td>
</tr>
<tr>
<td>Presented as:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term</td>
<td>$2,779</td>
<td>$2,597</td>
<td></td>
</tr>
<tr>
<td>debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$807,167</td>
<td>$786,649</td>
<td></td>
</tr>
</tbody>
</table>

(3) As at June 30, 2015 the US dollar denominated Senior Secured Term Loan of US$222.8 million was translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.2474. As at December 31, 2014, the US dollar denominated Senior Secured Term Loan of US$223.9 million was translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.3601.

a) **Senior Secured Second Lien Notes**

On November 19, 2012, Athabasca issued Senior Secured Second Lien Notes (the “Notes”) in an aggregate principal amount of $550 million. The Notes bear interest at a rate of 7.50% per annum and have a term of five years maturing on November 19, 2017. Interest payments are required semi-annually on May 19 and November 19 of each year. These notes are secured by a second priority security interest on all present and after acquired property of the Company. Subject to certain exceptions and qualifications the 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 Notes do not include any financial covenants.
Athabasca has the option to redeem the Notes at a price of 107.50%, 103.75% and 100.00% in the 12-month periods beginning November 19, 2014, 2015 and 2016, respectively. Debt issuance costs associated with the transaction were initially capitalized and are amortized to net income (loss) over the life of the Notes using the effective interest rate method.

As at June 30, 2015, Athabasca was in compliance with all of the Notes covenants.

b) Senior Secured Term Loans

On May 7, 2014, Athabasca entered into a credit agreement providing for a US$225 million term loan (the "Term Loan"), which was fully funded at closing, plus an additional US$50 million committed delayed draw term loan, which the Company may draw at its option at any time up until May 7, 2016, subject to compliance with certain conditions precedent and covenants (collectively the "Term Loans"). Borrowings on drawn amounts under the Term Loans bear interest at a floating rate based on LIBOR plus 7.25%, subject to a LIBOR floor of 1.00%. The Company incurs standby fees on the undrawn portion of the US$50 million delayed draw term loan equal to 1.00% per annum. The Term Loans will amortize in equal quarterly installments in an aggregate annual amount equal to 1.00% of the original principal amount with the balance payable on May 7, 2019, or on May 19, 2017 if the Company has not redeemed or refinanced the Notes prior to that date. The Term Loans are secured by a first priority security interest on all present and after acquired property of the Company.

Athabasca has the option to redeem the Term Loan at a price of 102% for the 12-month period beginning May 7, 2015, 101% for the 12-month period beginning May 7, 2016 and at par thereafter.

The Term Loans are subject to substantially the same restrictive covenants as the Notes and certain additional restrictive covenants including: hedging restrictions; certain business operating requirements; a requirement to maintain a minimum ratio of adjusted consolidated net tangible assets ("ACNTA") to total debt of 3.5 times; and, beginning with the March 31, 2015 quarter-end, if the aggregate of the Company's unrestricted cash, cash equivalents and short-term investments do not exceed the amount of outstanding total debt, the Company must maintain a minimum ratio of the present value of proved reserves, discounted at 10%, to net first lien debt of 1.5 times.

ACNTA consists of the aggregate of the present value of the Company's Proved plus Probable Reserves (discounted at 10%), Athabasca's net working capital, the carrying value of the Promissory Notes, the carrying value of equity investments and the carrying value of oil and gas assets without Proved Plus Probable Reserves assigned in the Company's consolidated balance sheet. Total debt consists of the aggregate of the Company's Notes and Term Loan. Net First Lien Debt is defined as the carrying value of the Term Loan less the Company's cash, cash equivalents and short-term investments.

As at June 30, 2015, Athabasca's ACNTA to total debt ratio was 5.3 times and the Company had a net first lien cash position of $304.5 million. As at June 30, 2015, the Company was in compliance with all of the covenants related to the Term Loan.

Debt issuance costs associated with the Term Loans were initially capitalized and are amortized to net income over the life of the Term Loans using the effective interest rate method.

c) Revolving Senior Secured Credit Facility

On May 7, 2014, concurrent with entering into the Term Loans, the Company entered into a $125 million amended and restated credit agreement with a syndicate of financial institutions to replace its previous $350 million credit facility. The amended and restated credit facility (the "Credit Facility") is available on a revolving basis until April 30, 2017. The Credit Facility may be extended subject to lender consent and provided the term of the facility does not exceed three years from the date of extension.

Amounts borrowed under the Credit Facility bear interest at a floating rate based on the applicable Canadian prime rate, US base rate, LIBOR or bankers' acceptance rate, plus a margin of between 1.00% and 4.00% depending on the type of borrowing and the Company's indebtedness to consolidated cash flow ratio. The Company incurs a standby fee on the undrawn portion of the Credit Facility of between 0.50% and 1.00% based on the Company's indebtedness to consolidated cash flow ratio. For the six months ended June 30, 2015, the Company paid a rate of 1.00% on the undrawn portion of the Credit Facility (June 30, 2013 - 1.00%). As of June 30, 2015, Athabasca had $1.3 million in letters of credit secured by the Credit Facility (December 31, 2014 - $0.5 million) and no amounts had been drawn under the Credit Facility (December 31, 2014 - $nil). If drawn, the credit facility is collateralized by a first priority security interest on all present and after acquired property of the Company and is effectively senior in priority to the Term Loans and the Senior Secured Second Lien Notes.

The Credit Facility is subject to substantially the same covenants as the Notes and Term Loans plus, among others, the requirement to maintain a minimum tangible net worth based on the Company’s shareholders’ equity of $2,750 million. As at June 30, 2015,
the Company’s shareholders’ equity was $3,119 million (December 31, 2014 - $3,164 million). As at June 30, 2015, Athabasca was in compliance with all of the Credit Facility covenants.

10. INCOME TAXES

During the second quarter of 2015, the Alberta Government announced a 2% increase to the 2015 provincial tax rate effective July 1, 2015. For the three months ended June 30, 2015, Athabasca recognized a deferred income tax expense of $7.5 million including a tax expense of approximately $12.6 million from the impact of the rate increase, partially offset by non-capital losses incurred. For the six months ended June 30, 2015, Athabasca recognized an income tax recovery of $0.3 million, which was primarily due to non-capital losses incurred, offset by the $12.6 million tax expense incurred as a result of the provincial income tax rate changes.

The deferred income tax recoveries recognized during the three and six months ended June 30, 2014 for $9.8 million and $17.3 million, respectively, were primarily due to non-capital losses incurred.

11. PROVISIONS

<table>
<thead>
<tr>
<th>As at</th>
<th>June 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decommissioning obligations (a)</td>
<td>$ 69,345</td>
<td>$ 72,054</td>
</tr>
<tr>
<td>Office lease provision (b)</td>
<td>7,372</td>
<td>—</td>
</tr>
<tr>
<td>Other long-term obligations (c)</td>
<td>4,380</td>
<td>3,096</td>
</tr>
<tr>
<td>TOTAL PROVISIONS</td>
<td>$ 81,097</td>
<td>$ 75,150</td>
</tr>
</tbody>
</table>

Presented as:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 14,764</td>
<td>$ 6,201</td>
</tr>
<tr>
<td>Provisions</td>
<td>$ 66,333</td>
<td>$ 68,949</td>
</tr>
</tbody>
</table>

a) Decommissioning obligations

The total future costs to reclaim oil and gas assets are estimated by management based on the Company’s ownership interest in wells and facilities, estimated costs to reclaim and abandon 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:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended</th>
<th>Year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2015</td>
<td>December 31, 2014</td>
</tr>
<tr>
<td>DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD</td>
<td>$ 72,054</td>
<td>$ 64,115</td>
</tr>
<tr>
<td>Liabilities incurred</td>
<td>605</td>
<td>1,929</td>
</tr>
<tr>
<td>Liabilities settled</td>
<td>(2,328)</td>
<td>(7,887)</td>
</tr>
<tr>
<td>Liabilities disposed</td>
<td>—</td>
<td>(533)</td>
</tr>
<tr>
<td>Change in discount rate</td>
<td>—</td>
<td>2,222</td>
</tr>
<tr>
<td>Changes in estimates</td>
<td>(4,246)</td>
<td>6,059</td>
</tr>
<tr>
<td>Accretion expense</td>
<td>3,260</td>
<td>6,149</td>
</tr>
<tr>
<td>DECOMMISSIONING OBLIGATIONS, END OF PERIOD</td>
<td>$ 69,345</td>
<td>$ 72,054</td>
</tr>
</tbody>
</table>

Presented as:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 11,040</td>
<td>$ 6,201</td>
</tr>
<tr>
<td>Provisions</td>
<td>$ 58,305</td>
<td>$ 65,853</td>
</tr>
</tbody>
</table>

The Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2% (December 31, 2014 - 2%) and a credit-adjusted risk free discount rate of 8.25% per annum (December 31, 2014 - 8.25%). 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 total undiscounted amount of estimated cash flows required to settle the obligations as at June 30, 2015 is $265.7 million (December 31, 2014 - $254.1 million).

A 1% increase in the credit-adjusted risk free discount rate would decrease the provision by $6.2 million, with a corresponding adjustment to E&E and PP&E. A 1% decrease in the credit-adjusted risk free discount rate would increase the provision by $9.7 million, with a corresponding adjustment to E&E and PP&E.
b) Office lease provision

As part of the restructuring activities completed in the first quarter of 2015 (Note 17), Athabasca recognized a $7.0 million provision related to certain onerous office lease contracts in restructuring and other charges (December 31, 2014 - $ nil). For the three months ended June 30, 2015, an additional $1.4 million was recognized as a loss on provisions due to refined estimates of the timing and amount of expected cash inflows associated with the liability. The increase in the office lease provision was partially offset by cash settlements of $1.2 million during the second quarter of 2015.

The provision represents the present value of the minimum future lease payments that the Company is obligated to make under the non-cancellable onerous operating lease contracts less revenue expected to be earned through sub-lease agreements. The total undiscounted amount of estimated future cash flows to settle the obligations is $9.1 million (December 31, 2014 - $ nil). These cash flows have been discounted using Athabasca’s credit-adjusted risk free discount rate of 8.25% (December 31, 2014 - nil). This estimate may vary as a result of changes in the utilization of the leased premises and the sub-lease arrangements. Any subsequent changes in estimates will be recognized as a (Gain) Loss on Provisions.

As at June 30, 2015, $3.7 million of the provision has been presented as current and included in accounts payable and accrued liabilities. A 1% increase in the credit-adjusted risk free discount rate would decrease the provision by $0.5 million, with a corresponding adjustment against income. A 1% decrease in the credit-adjusted risk free discount rate would decrease the provision by $0.1 million, with a corresponding adjustment against income.

c) Other long-term obligations

In December 2013, Athabasca assigned an office lease to a third party. Under the terms of the reassignment, Athabasca continues to be liable to the landlord for any default under the lease that is caused by the assignee. In January 2014, Athabasca received a deposit of $3.1 million which will be held as security for the term of the lease in order to cover any default by the assignee. Once the lease term has expired Athabasca will be required to refund the deposit to the third party plus any interest earned on the funds during the period the deposit was held. Athabasca does not anticipate any defaults as the assignee is a large investment-grade-rated energy company. The lease commenced on January 1, 2015, for a term of 12 years.

The Company also recognized $1.3 million in other long-term obligations relating to the Company’s newly issued deferred share unit plan. Refer to Note 14 for further details.

12. FINANCIAL INSTRUMENTS

The Company’s consolidated financial assets and liabilities are comprised of cash and cash equivalents, short-term investments, accounts receivable, income tax receivable, derivative financial assets, Promissory Notes, other long-term assets, accounts payable and long-term debt.

a) Fair Value

The Company classifies its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company’s cash and cash equivalents and short-term investments have been assessed on the fair value hierarchy described above and have been classified as Level 1. At June 30, 2015, Athabasca held no short-term GIC investments. The fair value of Athabasca’s derivative financial asset of $31.9 million has been classified as Level 2. The fair value was determined using a third party model which was verified for reasonableness by the Company by comparing it to other external market data. The fair value of the Promissory Notes of $287.9 million and the Notes of $499.8 million have been classified as Level 2. The fair values were based on observable quoted prices from financial institutions. The Term Loan has a fair value of $258.1 million (US$222.8 million) and has been classified as Level 3. As the Term Loan is not actively traded, the value of the Notes, adjusted for the senior priority of the loan, was used as a proxy.
b) Financial Risk Management

Credit Risk

The maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, income tax receivable, derivative assets and Promissory Notes on the consolidated balance sheets. Cash and cash equivalents and short-term investments 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.

The maximum exposure to credit risk at the reporting date is:

<table>
<thead>
<tr>
<th>As at</th>
<th>June 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$582,396</td>
<td>$531,475</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>—</td>
<td>47,618</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>22,307</td>
<td>32,117</td>
</tr>
<tr>
<td>Income tax receivable</td>
<td>2,215</td>
<td>9,579</td>
</tr>
<tr>
<td>Derivative asset</td>
<td>31,943</td>
<td>12,638</td>
</tr>
<tr>
<td>Promissory notes</td>
<td>283,892</td>
<td>583,892</td>
</tr>
<tr>
<td><strong>MAXIMUM CREDIT RISK</strong></td>
<td>$922,753</td>
<td>$1,217,319</td>
</tr>
</tbody>
</table>

As at June 30, 2015 and December 31, 2014 Athabasca’s cash, cash equivalents and short-term investments were held with four counterparties. The Company holds investments in term deposits with large reputable financial institutions. The Company’s management believes that credit risk associated with these investments is low. At June 30, 2015, the largest institution held 31% of the balances (December 31, 2014 - 35%).

As at June 30, 2015, 23% of the accounts receivable balance relates to the sale of petroleum and natural gas and was substantially collected within 30 days after the end of the period (December 31, 2014 - 23%). Joint interest billings due from partners account for 53% of accounts receivable (December 31, 2014 - 30%) and additional activity with partners accounts for 7% (December 31, 2014 - 17%). Additionally, 10% relates to accrued interest on the Promissory Notes (December 31, 2014 - 8%). Management believes collection risk on the outstanding accounts receivable as at June 30, 2015 is low given the high credit quality of the Company’s material counterparties. No material amounts were past due at June 30, 2015.

As at June 30, 2015 Athabasca holds $287.9 million in remaining Promissory Notes including the note principal and accrued interest. The Promissory Notes are unconditional and secured by irrevocable, standby letters of credit issued by HSBC Bank Canada (“HSBC”). Management believes that credit risk associated with this receivable is low as Phoenix is a wholly owned subsidiary of PetroChina, an investment grade rated corporation, and HSBC is a large reputable financial institution. The first Promissory Note, which matured on March 2, 2015 was fully collected on maturity.

Liquidity Risk

The Company’s objective in managing liquidity risk is to maintain sufficient available reserves to meet its liquidity requirements at any point. The Company achieves this by managing its capital spending and maintaining sufficient funds for anticipated short-term spending in cash and cash equivalent accounts. Until required, excess cash will be invested through short-term investments.

It is anticipated that Athabasca’s 2015 capital and operating budgets, including continued appraisal and development activities in the Greater Kaybob area and the ramp up of Project 1, will be funded with existing cash and cash equivalents, short-term investments, Promissory Notes, cash flows from operations and available credit. The Company has significant flexibility to adjust its Light Oil capital programs in response to commodity price cycles or other constraints. Beyond 2015, the Company will require additional capital to fully develop its assets and Athabasca believes it will fund its capital programs through some combination of cash and cash equivalents, short-term investments, Promissory Notes, cash flow from operations, a reasonable level of debt and other external financing options which could include joint ventures or equity issuances. The Company cannot guarantee the availability of these sources of additional funding.

The Company’s significant outstanding financial liabilities mature as follows: the Notes mature on November 19, 2017; the Term Loan matures on May 7, 2019 or on May 19, 2017 if the Company has not redeemed or refinanced the Notes prior to that date; and the long-term deposit, described in Note 11 (c), will be held until December 31, 2026. The ability to draw on the delayed draw term loan...
expires on May 7, 2016 and the undrawn Credit Facility matures on April 30, 2017. All other financial liabilities mature within one year.

Interest Rate Risk

The Company’s floating interest rate profile at the reporting date was as follows:

<table>
<thead>
<tr>
<th>As at</th>
<th>June 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents(^{(1)})</td>
<td>$478,717</td>
<td>$436,286</td>
</tr>
<tr>
<td>Long-term debt(^{(2)(3)})</td>
<td>(277,869)</td>
<td>(259,719)</td>
</tr>
<tr>
<td><strong>NET INTEREST RATE EXPOSURE</strong></td>
<td>$200,848</td>
<td>$176,567</td>
</tr>
</tbody>
</table>

(1) As at June 30, 2015 $103.7 million was held as cash equivalents (December 31, 2014 - $95.2 million). All cash equivalents were fixed rate financial instruments and were not exposed to changes in interest rates as at the balance sheet date.

(2) The outstanding Term Loan which has a face value of US $222.8 million as at June 30, 2015 (December 31, 2014 - US $223.9 million) is subject to a floating interest rate based on the LIBOR, plus a credit spread of 7.25%, with a LIBOR floor of 1.00%.

(3) The Notes have a face value of $550 million as at June 30, 2015 (December 31, 2014 - $550 million), and are subject to a fixed interest rate of 7.50% per annum and are not exposed to changes in interest rates as at the balance sheet date.

The Company’s exposure to interest rate fluctuations on interest earned on the floating rate cash balance of $478.7 million, from a 1.00% change in interest rates, would be approximately $4.8 million for a 12 month period (year ended December 31, 2014 - $4.4 million).

The Company is also exposed to interest rate cash flow risk on its floating rate Term Loan. However, given that the Company has a 1.00% LIBOR floor on its Term Loan, a decrease in the rate would have no impact. A 1.00% increase in LIBOR above the existing rate would result in a US$0.6 million ($0.8 million) increase in interest expense for a 12 month period (year ended December 31, 2014 - US$0.6 million ($0.7 million)).

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on its US dollar denominated Term Loan and US dollar forward contract as described below. If the Canadian dollar strengthened by 5% relative to the US dollar, holding all other variables constant, the derivative asset of $31.9 million would decrease by $15.7 million. Long-term debt would decrease by $13.9 million resulting in a net $1.8 million loss. A 5% decrease in the Canadian dollar relative to the US dollar, holding all other variables constant, would increase the derivative asset by $15.7 million and increase long-term debt by $13.9 million resulting in a net $1.8 million gain.

c) Derivative Contract

Athabasca is exposed to foreign currency risk on its US dollar denominated Term Loan. To manage the currency exposure, in May 2014, Athabasca entered into a US dollar forward contract for US$270.8 million relating to the interest payments and principal repayments on the Term Loan at a rate of US$1.00 = C$1.12111 expiring on March 31, 2017. This contract is accounted for as a derivative instrument and changes in the valuation are recognized in net income (loss) and the associated liability or asset is recognized on the balance sheet.

<table>
<thead>
<tr>
<th></th>
<th>Three months ended</th>
<th>Six months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2015</td>
<td>June 30, 2015</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td>Unrealized derivative gain (loss)</td>
<td>$ (5,844)</td>
<td>$ (9,837)</td>
</tr>
<tr>
<td>Realized derivative gain (loss)</td>
<td>659</td>
<td>(149)</td>
</tr>
<tr>
<td><strong>DERIVATIVE GAIN (LOSS), NET</strong></td>
<td>$ (5,185)</td>
<td>$ (9,986)</td>
</tr>
</tbody>
</table>

Q2 2015 Consolidated Financial Statements
<table>
<thead>
<tr>
<th></th>
<th>June 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPENING DERIVATIVE ASSET</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized derivative gain</td>
<td>$ 12,638</td>
<td>$ —</td>
</tr>
<tr>
<td></td>
<td>$ 19,305</td>
<td>$ 12,638</td>
</tr>
<tr>
<td>CLOSING DERIVATIVE ASSET</td>
<td>$ 31,943</td>
<td>$ 12,638</td>
</tr>
<tr>
<td>Presented as:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of derivative asset</td>
<td>$ 2,672</td>
<td>$ 930</td>
</tr>
<tr>
<td>Long-term portion of derivative asset</td>
<td>$ 29,271</td>
<td>$ 11,708</td>
</tr>
</tbody>
</table>

13. **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. None of the Company’s share capital has a par value. The following table summarizes changes to the Company’s common share capital:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended June 30, 2015</th>
<th>Year ended December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Shares</td>
<td>Amount</td>
</tr>
<tr>
<td>Balance at beginning of period</td>
<td>402,119,473</td>
<td>$ 1,984,134</td>
</tr>
<tr>
<td>Exercise of stock options and RSUs (Note 14 a, b)</td>
<td>1,155,391</td>
<td>13,047</td>
</tr>
<tr>
<td><strong>BALANCE AT END OF PERIOD</strong></td>
<td>403,274,864</td>
<td>$ 1,997,181</td>
</tr>
</tbody>
</table>

14. **STOCK-BASED COMPENSATION**

The Company’s stock-based compensation plans for employees, directors and certain other service providers, currently consists of stock options, restricted share units, deferred share units and performance awards. The following table summarizes the outstanding equity compensation units as at June 30, 2015:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2015</th>
<th>December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock options (Note 14a)</td>
<td>12,494,632</td>
<td>13,339,894</td>
</tr>
<tr>
<td>Restricted share units (2010 RSU Plan) (Note 14b)</td>
<td>7,881,474</td>
<td>10,282,878</td>
</tr>
<tr>
<td>Restricted share units (2015 RSU Plan) (Note 14b)</td>
<td>2,882,050</td>
<td>—</td>
</tr>
<tr>
<td>Performance share units (Note 14c)</td>
<td>1,763,200</td>
<td>455,000</td>
</tr>
<tr>
<td>Deferred share units (Note 14d)</td>
<td>642,368</td>
<td>—</td>
</tr>
<tr>
<td><strong>TOTAL OUTSTANDING EQUITY COMPENSATION UNITS</strong></td>
<td>25,663,724</td>
<td>24,077,772</td>
</tr>
</tbody>
</table>

**a) Stock Options**

The Company has a stock option plan, approved in 2009, which allows options to be granted to employees, directors and certain other service providers. All options issued by the Company permit the holder to purchase one common share of the Company at the stated exercise price or to receive a cash payment equal to the appreciated value of the stock option at the sole discretion of the Company. The stock option plan is a rolling plan and currently limits the number of common shares that may be issued on exercise of options awarded under the plan to an aggregate of 10% of the common shares outstanding from time to time, less the number of common shares issuable under all other security-based compensation agreements. Currently, options generally vest within four years and have a life of five to seven years.
The estimated fair value per stock option granted during the six months ended June 30, 2015 was $0.84 (year ended December 31, 2014 - $2.39). The weighted average exercise prices of the Company’s outstanding stock options as at June 30, 2015 range from $2.07 - $17.22 as follows:

<table>
<thead>
<tr>
<th>Range of exercise prices ($)</th>
<th>Options outstanding</th>
<th>Options exercisable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of options</td>
<td>Exercise price(1)</td>
<td>Years to Expiry(1)</td>
</tr>
<tr>
<td>2.07 - 2.47</td>
<td>2,573,100</td>
<td>2.07</td>
</tr>
<tr>
<td>2.48 - 6.20</td>
<td>2,027,600</td>
<td>5.25</td>
</tr>
<tr>
<td>6.21 - 7.15</td>
<td>1,384,740</td>
<td>6.52</td>
</tr>
<tr>
<td>7.16 - 7.98</td>
<td>1,558,200</td>
<td>7.42</td>
</tr>
<tr>
<td>7.99 - 10.97</td>
<td>1,554,609</td>
<td>10.24</td>
</tr>
<tr>
<td>10.98 - 12.21</td>
<td>1,663,695</td>
<td>11.43</td>
</tr>
<tr>
<td>12.22 - 17.22</td>
<td>1,732,688</td>
<td>14.58</td>
</tr>
</tbody>
</table>

(1) Weighted average

b) Restricted Share Units

During the first quarter of 2010, the Company established an RSU stock-based compensation plan (the "2010 RSU Plan"). Under the terms of the 2010 RSU Plan, the Company may grant RSUs to employees, directors and consultants. All RSUs issued by the Company permit the holder to purchase one common share of the Company for $0.10 or to receive a cash payment equal to the fair market value of the common shares less the exercise price of the RSU at the sole discretion of the Company.

The 2010 RSU Plan is a rolling plan and currently limits the number of common shares that may be issued on exercise of RSUs awarded under the plan to an aggregate of 10% of the common shares outstanding from time to time, less the number of common shares issuable under all other security based compensation arrangements. The RSUs generally vest within one to four years and have an average expected life of four years. The following summarizes the 2010 RSU Plan outstanding units as at June 30, 2015:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended June 30, 2015</th>
<th>Year ended December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding RSUs at beginning of period</td>
<td>10,282,878</td>
<td>10,617,753</td>
</tr>
<tr>
<td>Granted</td>
<td>519,580</td>
<td>4,403,745</td>
</tr>
<tr>
<td>Forfeited and cancelled</td>
<td>(1,761,593)</td>
<td>(3,632,489)</td>
</tr>
<tr>
<td>Expired</td>
<td>(4,000)</td>
<td>—</td>
</tr>
<tr>
<td>Exercised</td>
<td>(1,155,391)</td>
<td>(1,106,131)</td>
</tr>
<tr>
<td>OUTSTANDING RESTRICTED SHARE UNITS AT END OF PERIOD</td>
<td>7,881,474</td>
<td>10,282,878</td>
</tr>
<tr>
<td>EXERCISABLE RESTRICTED SHARE UNITS AT END OF PERIOD</td>
<td>1,556,832</td>
<td>1,973,048</td>
</tr>
</tbody>
</table>

The average estimated fair value per RSU granted, under the 2010 RSU Plan, during the six months ended June 30, 2015 was $2.21 (year ended December 31, 2014 - $6.79). There were no 2010 RSU Plan grants during the second quarter of 2015.

During the second quarter of 2015, the 2010 RSU Plan was replaced with a new RSU plan for employees (the "2015 RSU Plan"). The RSUs will vest evenly over three years and have no exercise price. The RSUs will be automatically settled at each vest date in either
cash, shares issued from treasury or through the purchase of shares on the open market, at the Company’s discretion. The 2015 RSU Plan has been accounted for as an equity-settled share-based compensation plan. The following summarizes the 2015 RSU Plan outstanding units as at June 30, 2015:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended June 30, 2015</th>
<th>Year ended December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding RSUs at beginning of period</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>2,902,250</td>
<td>—</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(20,200)</td>
<td>—</td>
</tr>
<tr>
<td>OUTSTANDING RESTRICTED SHARE UNITS AT END OF PERIOD</td>
<td>2,882,050</td>
<td>—</td>
</tr>
<tr>
<td>EXERCISABLE RESTRICTED SHARE UNITS AT END OF PERIOD</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

The average estimated fair value per RSU granted, under the 2015 RSU Plan, during the six months ended June 30, 2015 was $2.07 (year ended December 31, 2014 - nil).

c) Performance Share Units

During 2014, the Company approved a performance award plan ("PSUs"). Under the PSU plan, the Company may grant performance awards to employees. PSUs will cliff vest over approximately three years and vested awards will be settled in cash, shares issued from treasury or through the purchase of shares on the open market, at the Company’s discretion. The settlement value is based on a multiplier, which ranges from 0% to 200%, based on the Company’s total shareholder return relative to a performance peer group consisting of other industry peers over the vesting period.

The performance award plan has been accounted for as an equity-settled share-based compensation plan, which has been adjusted for the probability of performance achievement. The following table summarizes the PSUs outstanding as at June 30, 2015:

<table>
<thead>
<tr>
<th></th>
<th>Six months ended June 30, 2015</th>
<th>Year ended December 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding PSUs at beginning of period</td>
<td>455,000</td>
<td>—</td>
</tr>
<tr>
<td>Granted</td>
<td>1,429,500</td>
<td>455,000</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(121,300)</td>
<td>—</td>
</tr>
<tr>
<td>OUTSTANDING PERFORMANCE SHARE UNITS AT END OF PERIOD</td>
<td>1,763,200</td>
<td>455,000</td>
</tr>
</tbody>
</table>

The average estimated fair value per PSU granted during the six months ended June 30, 2015 was $2.24 (year ended December 31, 2014 - $7.25)

d) Deferred Share Units

During the second quarter of 2015, the Company approved a deferred share unit plan ("DSUs") for Athabasca’s non-management directors. The DSUs vest immediately on the date of grant and becomes payable when the individual ceases to be a director of the Company. DSUs will be settled in cash based on the prevailing 20-day weighted average trading price of Athabasca’s common shares at the date of settlement.

For the three and six month period ended June 30, 2015, the Company granted 642,368 DSUs to its directors and recognized $1.3 million in stock-based compensation expense. As at June 30, 2015, the Company has also recognized an associated liability of $1.3 million (December 31, 2014 - $ nil).
e) Fair Value Assumptions for Stock-based Compensation

The Company uses the Black-Scholes pricing model to calculate the fair value for option, RSU and PSU grants under its stock-based compensation plans. Estimated fair values for the stock-based grants for the six months ended June 30, 2015 were calculated using the following weighted average assumptions:

<table>
<thead>
<tr>
<th>For the six months ended June 30, 2015</th>
<th>Options</th>
<th>2010 RSUs</th>
<th>2015 RSUs</th>
<th>PSUs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average share price</td>
<td>$2.07</td>
<td>$2.30</td>
<td>$2.07</td>
<td>$2.24</td>
</tr>
<tr>
<td>Risk-free interest rate (%)</td>
<td>1.0</td>
<td>0.8</td>
<td>0.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Estimated forfeiture rate (%)</td>
<td>7.0</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Expected life (years)</td>
<td>4.4</td>
<td>3.6</td>
<td>2.7</td>
<td>3.3</td>
</tr>
<tr>
<td>Dividend rate (%)</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Volatility (%)</td>
<td>48.9</td>
<td>47.4</td>
<td>52.1</td>
<td>49.5</td>
</tr>
</tbody>
</table>

The share price is determined using the TSX quoted market price on the date of grant. Volatility is based on the historical trading price variances of the Company’s share price using market data.

15. PER SHARE COMPUTATIONS

| Weighted average shares outstanding - basic | 402,981,471 | 401,334,034 | 402,698,520 | 401,144,341 |
| Dilutive effect of stock options and RSUs   | —          | —           | —           | —           |
| WEIGHTED AVERAGE SHARES OUTSTANDING - diluted | 402,981,471 | 401,334,034 | 402,698,520 | 401,144,341 |

Dilutive securities will have a dilutive effect under the treasury stock method only 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 six months ended June 30, 2015, 25,021,356 (June 30, 2014 - 20,366,989) in anti-dilutive securities were excluded from the calculation of diluted loss per share.

16. GENERAL AND ADMINISTRATIVE EXPENSES

For the three and six months ended June 30, 2015 and 2014, the Company’s general and administrative expenses consisted of the following:

| Salaries and benefits | $8,667 | $15,752 | $19,132 | $32,792 |
| Office costs          | 3,089  | 4,094   | 7,070   | 9,094   |
| Legal, accounting and consulting | 1,009 | 1,345 | 2,245 | 2,741 |
| Stakeholder relations and other | 89 | 382 | 480 | 896 |
| Capitalized staff costs | (4,584) | (9,720) | (12,287) | (21,727) |
| TOTAL GENERAL AND ADMINISTRATIVE EXPENSES | $8,270 | $11,853 | $16,640 | $23,796 |
17. Restructuring and Other Charges

For the three and six months ended June 30, 2015 and 2014, the Company’s restructuring and other charges consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended June 30, 2015</th>
<th>Three months ended June 30, 2014</th>
<th>Six months ended June 30, 2015</th>
<th>Six months ended June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff restructuring charges</td>
<td>$—</td>
<td>$134</td>
<td>$5,985</td>
<td>$5,769</td>
</tr>
<tr>
<td>Office lease provision (Note 11)</td>
<td>$—</td>
<td>$—</td>
<td>$7,034</td>
<td>$—</td>
</tr>
<tr>
<td>Cancellation charges</td>
<td>$—</td>
<td>$—</td>
<td>$3,969</td>
<td>$—</td>
</tr>
<tr>
<td><strong>TOTAL RESTRUCTURING AND OTHER CHARGES</strong></td>
<td>$—</td>
<td>$134</td>
<td>$16,988</td>
<td>$5,769</td>
</tr>
</tbody>
</table>

For the three months ended June 30, 2015 and 2014, Athabasca incurred non-recurring staff restructuring and other charges of nil and $0.1 million, respectively, relating to the Company’s cost realignment activities. For the six months ended June 30, 2015 and 2014, Athabasca incurred non-recurring staff restructuring and other charges of $6.0 million and $5.8 million, respectively, relating to the Company’s cost realignment activities. The Company also recognized a loss of $7.0 million relating to onerous lease commitments on vacated office space primarily as a result of the staff reductions (Note 11 (b)).

As a result of the decline in commodity prices and Athabasca’s focused capital allocation priorities toward the Greater Kaybob area and Project 1, expenditures related to the Company’s expansion development of Hangingstone and appraisal activities for other thermal assets have been significantly reduced. As a result of this reduction, during the first quarter of 2015, Athabasca recognized $4.0 million of cancellation charges relating to Thermal Oil rig commitments associated with the 2014/15 drilling season.

18. Financing and Interest

For the three and six months ended June 30, 2015 and 2014, the Company’s financing and interest expense consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended June 30, 2015</th>
<th>Three months ended June 30, 2014</th>
<th>Six months ended June 30, 2015</th>
<th>Six months ended June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense on indebtedness (Note 9)</td>
<td>$16,533</td>
<td>$14,176</td>
<td>$31,629</td>
<td>$27,871</td>
</tr>
<tr>
<td>Accretion of decommissioning obligations (Note 11 (a))</td>
<td>$1,580</td>
<td>$1,556</td>
<td>$3,418</td>
<td>$3,059</td>
</tr>
<tr>
<td>Amortization of debt issuance costs</td>
<td>$1,805</td>
<td>$5,468</td>
<td>$3,623</td>
<td>$7,933</td>
</tr>
<tr>
<td>Capitalized financing and interest&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>(16,740)</td>
<td>(11,557)</td>
<td>(33,914)</td>
<td>(19,925)</td>
</tr>
<tr>
<td><strong>TOTAL FINANCING AND INTEREST</strong></td>
<td>$3,178</td>
<td>$9,643</td>
<td>$4,756</td>
<td>$18,938</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> For the three months ended June 30, 2015, Athabasca’s effective capitalization interest rate was 8.42% (three months ended June 30, 2014 - 8.61%). For the six months ended June 30, 2015, Athabasca’s effective capitalization interest rate was 8.52% (six months ended June 30, 2014 - 8.45%).

19. Commitments and Contingencies

The following table summarizes Athabasca’s estimated future minimum commitments as at June 30, 2015 for the following five years and thereafter:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of long-term debt</td>
<td>$1,411</td>
<td>$2,801</td>
<td>$552,773</td>
<td>$2,745</td>
<td>$272,795</td>
<td>—</td>
<td>$832,525</td>
</tr>
<tr>
<td>(Note 9)&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense on long-term</td>
<td>$30,979</td>
<td>$61,632</td>
<td>$53,824</td>
<td>$19,845</td>
<td>$6,801</td>
<td>—</td>
<td>$173,081</td>
</tr>
<tr>
<td>debt (Note 9)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>$4,396</td>
<td>$32,578</td>
<td>$33,759</td>
<td>$26,990</td>
<td>$29,103</td>
<td>$484,125</td>
<td>$610,951</td>
</tr>
<tr>
<td>Office leases</td>
<td>$492</td>
<td>$4,291</td>
<td>$4,291</td>
<td>$4,291</td>
<td>$4,291</td>
<td>$27,101</td>
<td>$44,757</td>
</tr>
<tr>
<td>Purchase commitments and other</td>
<td>$12,151</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$12,151</td>
</tr>
<tr>
<td>(Note 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drilling rigs</td>
<td>$1,704</td>
<td>$4,656</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$6,360</td>
</tr>
<tr>
<td><strong>TOTAL COMMITMENTS</strong></td>
<td>$51,133</td>
<td>$105,958</td>
<td>$644,647</td>
<td>$53,871</td>
<td>$312,990</td>
<td>$511,226</td>
<td>$1,679,825</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> The Term Loan is required to be repaid on May 19, 2017 if the Company has not redeemed or refinanced the Notes prior to this date.

<sup>(2)</sup> Purchase commitments and other primarily relates to Thermal Oil camp costs and long-lead equipment in the Light Oil Division.
Athabasca has entered into two transportation services agreements which will support the Hangingstone projects. The first agreement was signed with Enbridge Pipelines (Athabasca) Inc. ("Enbridge") for the transportation of produced bitumen and blended diluents from Hangingstone. Included in the table above under Transportation are the minimum take or pay commitments for terminalling and transportation from Cheecham to Edmonton. No amounts have been recognized in the table for the transportation from Hangingstone to Cheecham as that commitment takes effect upon the completion of a lateral pipeline, which is anticipated to be completed in the second half of 2015. The amount of the commitment for the transportation from Hangingstone to Cheecham is anticipated to be greater than $475 million over the initial term of the agreement, but the final commitment depends on the actual costs incurred by Enbridge to construct the lateral pipeline. The initial term of the agreement is 25 years with Athabasca having the option to extend over four renewal terms of five years each.

The second agreement was signed with Inter Pipeline Polaris Inc. ("IPPI") for the transportation of condensate to the Hangingstone project using the IPPI owned and operated Polaris Condensate Pipeline System. Included in the table above under Transportation are the minimum take or pay commitments under the agreement. The initial term of the agreement is 25 years with Athabasca having the option to extend over five renewal terms of five years each.

Athabasca is subject to certain financial assurance provisions under its pipeline transportation agreements which will likely require the Company to provide financial collateral beginning in the first quarter of 2016. The ultimate amount of collateral required is not yet determinable and will be based on the Company’s capitalization, liquidity position and operational performance at the end of 2015, but could be material.

Athabasca is responsible for the retirement of its resource assets at the end of their useful lives (Note 11(a)).

Excluded from the table above is a commitment for $136.5 million in office leases which were assigned to a third party in December 2013 (Note 11 (c)).

Athabasca has entered into indemnity agreements with its directors and officers whereby the Company indemnifies the directors and officers to the fullest extent permitted by law against all personal liability and loss that may arise in service to the Company.

The Company may, from time to time, be involved in claims arising in the normal course of business.

20. 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 June 30, 2015 and 2014:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended June 30, 2015</th>
<th>Three months ended June 30, 2014</th>
<th>Six months ended June 30, 2015</th>
<th>Six months ended June 30, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in accounts receivable</td>
<td>$16,562</td>
<td>$(10,781)</td>
<td>$9,810</td>
<td>$(13,694)</td>
</tr>
<tr>
<td>Change in current income tax receivable</td>
<td>8,639</td>
<td>—</td>
<td>7,364</td>
<td>—</td>
</tr>
<tr>
<td>Change in prepaid expenses and other</td>
<td>(1,848)</td>
<td>5,115</td>
<td>(467)</td>
<td>10,630</td>
</tr>
<tr>
<td>Change in inventory</td>
<td>(2,338)</td>
<td>—</td>
<td>(2,338)</td>
<td>—</td>
</tr>
<tr>
<td>Change in accounts payable and accrued liabilities</td>
<td>(56,430)</td>
<td>(94,446)</td>
<td>(98,428)</td>
<td>(87,981)</td>
</tr>
<tr>
<td>Other items impacting changes in non-cash working capital:</td>
<td>$35,415</td>
<td>$(100,112)</td>
<td>$84,059</td>
<td>$(91,045)</td>
</tr>
<tr>
<td>Change in long-term portion of interest income</td>
<td>(1,162)</td>
<td>—</td>
<td>(1,162)</td>
<td>—</td>
</tr>
<tr>
<td>Change in current decommissioning obligations (Note 11(a))</td>
<td>(128)</td>
<td>—</td>
<td>(4,839)</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>$36,705</td>
<td>$(100,112)</td>
<td>$(90,060)</td>
<td>$(91,045)</td>
</tr>
</tbody>
</table>

| RELATED TO:                      |                                |                                |                               |                               |
| Operating activities             | $3,532                         | $(23,532)                      | $13,389                       | $(10,681)                     |
| Investing activities             | (40,237)                       | (76,580)                       | (103,449)                     | (80,364)                      |
| NET CHANGE IN NON-CASH WORKING CAPITAL | $36,705                      | $(100,112)                     | $(90,060)                     | $(91,045)                     |
CORPORATE INFORMATION

MANAGEMENT

Rob Broen
President & Chief Executive Officer

Kim Anderson
Chief Financial Officer

Robert Bowie
Vice President, Corporate Development

Blair Hockley
Vice President, Thermal Oil

Anne Schenkenberger
Vice President, Legal & Corporate Secretary

Kevin Smith
Vice President, Light Oil

Matthew Taylor
Vice President, Capital Markets & Communications

DIRECTORS

Thomas Buchanan
Chair

Gary Dundas
Independent Lead Director

Ronald Eckhardt

Carlos Fierro

Paul Haggis

Marshall McRae

Peter Sametz

CORPORATE OFFICE

1200, 215 - 9 Avenue SW
Calgary, Alberta T2P 1K3
Telephone: (403) 237-8227
Fax: (403) 264-4640

WEBSITE

www.atha.com

Detailed biographies of Athabasca’s Board of Directors and Management are available on the Corporation’s website.

TRUSTEE AND TRANSFER AGENT

Computershare Trust Company of Canada
Suite 600, 530- 8th Avenue SW
Calgary, Alberta, T2P 3S8
Telephone: (403) 267-6800
Fax: (403) 267-6529

BANK

TD Canada Trust

AUDITORS

Ernst & Young LLP

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

INDEPENDENT EVALUATORS

GLJ Petroleum Consultants Ltd.
DeGolyer and MacNaughton Canada Limited

STOCK SYMBOL

ATH

Member of:

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

Athabasca Oil Corporation Q2 2015 Consolidated Financial Statements 23