Consolidated Financial Statements

December 31, 2019

FOCUSED | EXECUTING | DELIVERING

MANAGEMENT'S REPORT

Management's responsibility for the consolidated financial statements

The accompanying consolidated financial statements of Athabasca Oil Corporation (the "Company") are the responsibility of Management. The consolidated financial statements have been presented and prepared within acceptable limits of materiality by Management in Canadian dollars in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect Management's best judgments.

The Company maintains systems of internal accounting and administrative controls. These systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are properly accounted for and adequately safeguarded. Management's evaluation concluded that the Company's internal controls over financial reporting were effective as of December 31, 2019.

The Company's Board of Directors approves the consolidated financial statements. Their consolidated financial statement related responsibilities are fulfilled primarily through the Audit Committee, which is made up of three independent directors. The Audit Committee has a written mandate that complies with the current requirements of Canadian securities legislation. The Audit Committee meets regularly with Management and the external auditors to discuss reporting and control issues and ensures each party is properly discharging its responsibilities.

Ernst & Young LLP, an independent firm of auditors, has been engaged, as approved by a vote of the shareholders at the Company's most recent Annual General Meeting, to audit and provide their independent audit opinion on the Company's consolidated financial statements as at and for the year ended December 31, 2019. Their report, contained herein, outlines the nature of their audit and expresses their opinion on the consolidated financial statements.

(Signed)	*(Signed)*
Robert Broen President and Chief Executive Officer	Matthew Taylor Chief Financial Officer

March 4, 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Athabasca Oil Corporation

Opinion

We have audited the consolidated financial statements of Athabasca Oil Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert Jubenvill.

Ernst & Young LLP

Calgary, Canada
March 4, 2020

CONSOLIDATED BALANCE SHEETS

As at ($ Thousands)	December 31, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	$ 254,389	$ 73,898
Accounts receivable (Note 5)	97,633	39,119
Current portion of capital-carry receivable (Note 6)	22,602	61,161
Prepaid expenses and deposits (Note 26)	45,013	10,205
Inventory (Note 7)	42,432	25,442
Risk management contracts (Note 8)	—	2,495
Assets held for sale (Note 10)	—	39,877
	462,069	252,197
Restricted cash (Note 9)	110,609	111,056
Long-term portion of capital-carry receivable (Note 6)	—	17,955
Long-term deposit (Note 23)	12,577	12,577
Property, plant and equipment (Note 11)	1,505,720	1,429,706
Exploration and evaluation assets (Note 12)	2,490	2,147
	$ 2,093,465	$ 1,825,638
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 154,795	$ 138,462
Risk management contracts (Note 8)	14,140	11,703
Current portion of provisions and other liabilities (Note 15)	8,809	5,460
	177,744	155,625
Long-term debt (Note 14)	559,687	581,140
Provisions and other liabilities (Note 15)	135,972	122,924
	873,403	859,689
SHAREHOLDERS' EQUITY		
Common shares (Note 16)	2,233,396	2,217,963
Contributed surplus	129,479	134,704
Accumulated deficit	(1,142,813)	(1,386,718)
	1,220,062	965,949
	$ 2,093,465	$ 1,825,638

Commitments and contingencies (Note 26).

See accompanying notes to the consolidated financial statements.

Approved by the Board:

(Signed) *(Signed)*

Ronald Eckhardt
Chairman

Marshall McRae
Director

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

Year ended ($ Thousands, except per share amounts)	December 31, 2019	December 31, 2018
REVENUE		
Petroleum and natural gas sales (Note 20)	$ 836,933	$ 809,637
Interest income	8,152	3,958
Royalties	(16,183)	(18,696)
	828,902	794,899
Unrealized gain (loss) on commodity risk management contracts (Note 8)	(2,437)	(8,155)
Realized gain (loss) on commodity risk management contracts (Note 8)	(43,981)	(23,695)
	782,484	763,049
EXPENSES		
Cost of diluent	268,793	413,525
Operating expenses	173,601	175,520
Transportation and marketing	101,156	84,083
General and administrative (Note 3)	22,645	29,962
Restructuring	—	3,604
Stock-based compensation (Note 17)	6,755	8,565
Financing and interest (Note 21)	83,839	80,435
Depletion and depreciation (Note 11)	132,850	162,112
Impairment loss (Note 13)	—	356,674
Exploration expenses (Note 12)	2,330	960
Total expenses	791,969	1,315,440
Revenue less Expenses	(9,485)	(552,391)
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss), net (Note 25)	29,999	(49,869)
Gain (loss) on foreign exchange risk management contracts, net (Note 8)	(762)	3,566
Gain (loss) on revaluation of provisions and other (Note 22)	4,460	29,037
Gain (loss) on sale of assets (Note 10)	222,653	—
Net income (loss) and comprehensive income (loss)	$ 246,865	$ (569,657)
BASIC NET INCOME (LOSS) PER SHARE (Note 18)	$ 0.47	$ (1.11)
DILUTED NET INCOME (LOSS) PER SHARE (Note 18)	$ 0.47	$ (1.11)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended ($ Thousands)	December 31, 2019	December 31, 2018
OPERATING ACTIVITIES		
Net income (loss) and comprehensive income (loss)	$ 246,865	$ (569,657)
Items not affecting cash		
Stock-based compensation (Note 17)	6,755	8,565
Net non-cash financing and interest	20,791	19,525
Depletion and depreciation (Note 11)	132,850	162,112
Impairment loss (Note 13)	—	356,674
Non-cash foreign exchange (gain) loss (Note 25)	(30,320)	48,729
Non-cash (gain) loss on risk management contracts (Note 8)	4,932	5,660
Non-cash (gain) loss on revaluation of provisions and other (Note 22)	(4,460)	(29,037)
(Gain) loss on sale of assets (Note 10)	(222,653)	—
Settlement of provisions and other liabilities (Note 15)	(3,675)	(9,937)
(Increase) decrease in long-term deposit (Note 23)	—	(12,577)
Changes in non-cash working capital (Note 28)	(58,453)	103,787
	92,632	83,844
FINANCING ACTIVITIES		
Payments of lease liabilities (Note 3, 15)	(2,346)	—
Proceeds from exercised equity incentives (Note 17)	103	165
Changes in non-cash working capital (Note 28)	—	(350)
	(2,243)	(185)
INVESTING ACTIVITIES		
Proceeds from sale of assets (Note 10)	263,288	—
Additions to property, plant and equipment (Note 11)	(198,820)	(273,315)
Additions to exploration and evaluation assets (Note 12)	(321)	(3,013)
Recovery of capital-carry proceeds (Note 6)	58,934	82,348
(Increase) decrease in restricted cash (Note 9)	447	2,350
Changes in non-cash working capital (Note 28)	(33,426)	18,548
	90,102	(173,082)
CHANGE IN CASH AND CASH EQUIVALENTS	180,491	(89,423)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	73,898	163,321
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 254,389	$ 73,898

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended ($ Thousands)	December 31, 2019	December 31, 2018
COMMON SHARES (Note 16)		
Balance, beginning of period	$ 2,217,963	$ 2,201,690
Exercise of stock options, RSUs and PSUs (Note 17)	15,433	16,273
Balance, end of period	2,233,396	2,217,963
CONTRIBUTED SURPLUS		
Balance, beginning of period	134,704	139,981
Stock-based compensation (Note 17)	10,105	10,831
Exercise of stock options, RSUs and PSUs (Note 17)	(15,330)	(16,108)
Balance, end of period	129,479	134,704
ACCUMULATED DEFICIT		
Balance, beginning of period	(1,386,718)	(817,061)
Net income (loss)	246,865	(569,657)
Impact of change in accounting policy (Note 3)	(2,960)	—
Balance, end of period	(1,142,813)	(1,386,718)
TOTAL SHAREHOLDERS' EQUITY	$ 1,220,062	$ 965,949

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended December 31, 2019.

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

	Financial Statement Note	Page
1	Nature of business	5
2	Basis of presentation	5
3	Summary of significant accounting policies	6
4	Cash and cash equivalents	13
5	Accounts Receivable	14
6	Capital-carry receivable	14
7	Inventory	14
8	Risk management contracts	14
9	Restricted cash	16
10	Sale of assets	16
11	Property, plant and equipment (“PP&E”)	17
12	Exploration and evaluation (“E&E”) assets	17
13	Impairment	18
14	Indebtedness	18
15	Provisions and other liabilities	19
16	Shareholders' equity	21
17	Stock-based compensation	22
18	Per share amounts	24
19	Segmented information	25
20	Revenue	26
21	Financing and interest	26
22	Gain (loss) on revaluation of provisions and other	26
23	Income taxes	27
24	Capital management	27
25	Financial instruments risk	27
26	Commitments and contingencies	29
27	Related party transactions	29
28	Supplemental cash flow information	30

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 audited consolidated financial statements (“consolidated financial statements”) were authorized for issue by the Board of Directors on March 4, 2020.

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”) and have been prepared on a historical cost basis, except for financial instruments which are measured at their estimated fair value. The consolidated financial statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2018, except for IFRS 16 *Leases* which was adopted on January 1, 2019. There were no changes to the Company’s operating segments during the period. Certain comparative figures have been restated to conform to current period presentation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Joint Arrangements

These consolidated financial statements reflect the activities of the Company and its wholly owned subsidiaries. Intercompany transactions and balances are eliminated upon consolidation. Athabasca also undertakes certain business activities through joint arrangements. A joint arrangement is established under contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Athabasca only recognizes its proportionate interests in the assets, liabilities, revenues and expenses associated with joint arrangements.

Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to use estimates, judgments and assumptions. These judgments and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the applicable reporting period. These estimates relate to unsettled transactions and events as of the date of the consolidated financial statements and may differ from actual results as future confirming events occur. Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the year in which the estimates are revised. Changes in the Company's accounting estimates and judgments could have a significant impact on net income (loss).

The prepaid expenses and deposits include the financial assurance payment related to the firm service transportation agreement entered into during the third quarter of 2019 (Note 26). Judgment was applied in determining the current/non-current classification as in the event that the shipper agreements on the Keystone XL pipeline are terminated, the deposit would be considered a non-current asset rather than a current asset.

Included in the carrying value of property, plant and equipment ("PP&E") are accumulated depletion, depreciation and impairment charges that are determined, in part, by utilizing estimates based on Athabasca's reserves, resources, relevant market transactions and land acreage values. The estimates of reserves and resources include estimates of the recoverable volumes of oil, gas, NGLs and bitumen, future commodity prices and future costs required to develop and produce the assets. Reserve and resource estimates and future cash flows could be revised either upwards or downwards based on updated information from drilling and operating results as well as changes to future commodity price estimates, changes in cost estimates and changes to the anticipated timing of project development. The rates used to discount future cash flows are based on judgment of economic and operating factors. Changes in these factors could increase or decrease the discount rate which may result in material changes to the estimated recoverable amount of the assets. Exploration and evaluation assets ("E&E") require judgment as to whether future economic benefits exist, including the estimated recoverability of contingent resources, technology uncertainty, government regulation uncertainty and the ability to finance exploration and evaluation projects, where technical feasibility and commercial viability has not yet been determined.

For purposes of impairment testing PP&E and E&E are aggregated into cash-generating units ("CGUs") based on separately identifiable and largely independent cash inflows. The determination of the Company's CGUs is subject to judgment. Factors considered in the classification of CGUs include the integration between assets, shared infrastructures, the existence of common sales points, geography, geologic structure and the manner in which management monitors and makes decisions regarding operations. CGUs are not larger than an operating segment. Impairment test calculations require the use of estimates and assumptions and are subject to change as new information becomes available. Factors that are subject to change include estimates of future commodity prices, expected production volumes, development timing, land values, quantity of reserves and resources, discount rates, recovery rates, timing of anticipated ramp-up of production, and future development, regulatory and operating costs. Changes in assumptions used in determining the recoverable amount could have a prospective material effect on the carrying value of the related PP&E and E&E CGUs.

The capital-carry receivable includes estimates for the anticipated timing of capital expenditures and the credit-adjusted discount rate (Note 6). The timing of actual cash inflows could differ from the estimates as a result of changes in the timing of the Greater Kaybob area development plan.

The Company evaluates the carrying value of its inventory at the lower of cost and net realizable value. The net realizable value is estimated based on anticipated current market prices that Athabasca would expect to receive from the sale of its inventory.

The provision for decommissioning obligations is based upon numerous assumptions including the ultimate settlement amounts, inflation factors, credit-adjusted discount rates, timing of settlement and changes in the legal, regulatory, environmental and political environments. Actual costs and cash outflows could differ from the estimates as a result of changes in any of the above noted assumptions.

The provision for the contingent payment obligation is based upon numerous assumptions including future WTI prices, inflation factors, foreign exchange rates and Leismer bitumen production. Actual cash outflows could differ from the estimates as a result of changes in any of the above noted assumptions.

The lease liability is based upon assumptions including the identification of fixed lease payments, separating lease components from non-lease components and the incremental borrowing rate.

The provision for income taxes is based on judgments in applying income tax law and estimates on the timing and likelihood of reversal of temporary differences between the accounting and tax bases of assets and liabilities. The provision for income taxes is based on Athabasca's interpretation of the tax legislation and regulations which are also subject to change. Athabasca recognizes a tax provision when a payment to tax authorities is considered more likely than not. Income tax filings are subject to audits and re-assessments and changes in facts, circumstances and interpretations of the standards which may result in a material increase or decrease in the Company's provision for income taxes. As at December 31, 2019 and as at December 31, 2018, Athabasca did not recognize deductible temporary differences in respect of income tax assets (Note 23).

The Company utilizes commodity risk management contracts to manage its commodity price risk on its petroleum and natural gas sales. The Company may also utilize foreign exchange risk management contracts to reduce its exposure to foreign exchange risk associated with its interest payments on its US dollar denominated 2022 Notes. The calculated fair value of the risk management contracts relies on external observable market data including quoted forward commodity prices and foreign exchange rates. The resulting fair value estimates may not be indicative of the amounts actually realized at settlement and as such are subject to measurement uncertainty.

The measurement of stock-based compensation includes volatility, expected life and forfeiture rates which are based on management's assumptions and estimates.

All of these estimates and judgments are subject to measurement uncertainty and changes in these estimates could materially impact the consolidated financial statements of future periods and have a significant impact on net income (loss).

Segment Reporting

The Company's operating segments are determined based on differences in the nature of operations, products sold, economic characteristics, regulatory environments and management responsibility. Operating segments have been aggregated based on similar characteristics as follows:

- Light Oil - includes the Company's assets, liabilities and operating results for the exploration, development and production of unconventional oil, natural gas and natural gas liquids located primarily in the Greater Kaybob and Greater Placid areas, near the town of Fox Creek, Alberta.
- Thermal Oil - includes the Company's assets, liabilities and operating results for the exploration, development and production of bitumen from sand and carbonate rock formations located in the Athabasca region of Northern Alberta.

Segment results, assets and liabilities only include items directly attributable to a segment and those items that can be allocated on a reasonable basis. There were no changes to the Company's operating segments during the year. Segmented information is presented in Note 19.

Financial Instruments

All financial instruments are assessed at initial recognition in the context of the Company's business model and the contractual cash flow characteristics of the financial assets and liabilities.

The Company has measured its financial instruments as follows:

Financial Assets and Liabilities	
Cash and cash equivalents	Amortized cost
Restricted cash	Amortized cost
Risk management contracts	Fair value through net income (loss)
Accounts receivable	Amortized cost
Capital-carry receivable	Fair value through net income (loss)
Prepaid expenses and deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Contingent payment obligation	Fair value through net income (loss)
Long-term debt	Amortized cost

Subsequent measurement of financial instruments is based on their classification. Unrealized gains and losses on financial instruments are recognized in net income (loss).

The Company also 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.

Transaction costs for all financial assets and liabilities are expensed as incurred, with the exception of long-term debt and indebtedness. Transaction costs related to long-term debt are included in the initial carrying value of the debt and the debt is subsequently carried at amortized cost using the effective interest rate method. The fair value of Athabasca's long-term debt is derived from quoted prices provided by financial institutions.

Cash and cash equivalents consist of cash and investments in money market instruments with an initial maturity date of three months or less. Restricted cash primarily consists of cash held in a restricted account used to secure letters of credit issued as security in respect of long-term transportation commitments and is reported as long-term restricted cash on the consolidated balance sheet.

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Athabasca's receivables are comprised of various accounts receivables and the capital-carry receivable. The capital-carry receivable has been discounted due to the longer-term nature of the instrument in order to reflect its fair value. Time value of money accretion income is recognized in the period as the capital-carry receivable is unwound.

Derivative financial instruments are used by the Company to manage risks related to commodity prices and foreign exchange. All derivatives are classified at fair value through net income (loss). Derivative financial instruments are included on the consolidated balance sheet and are classified as current or non-current based on the contractual terms specific to the instrument. Gains and losses on re-measurement of derivatives are shown separately on the consolidated statement of income (loss) in the period in which they arise.

At each reporting date, the Company uses the expected credit loss model to assess whether any of the financial assets, measured at amortized cost or fair value through other comprehensive income (loss), are impaired. Any necessary impairment loss would be recognized based on the expected credit loss model.

Inventory

Inventory consists of crude oil products and warehouse consumables. The carrying value of inventory includes all direct expenditures required to bring the inventory to its present location and condition, including transportation expenses. 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. Net realizable value is the estimated selling price less any expected selling costs. If the carrying value exceeds the net realizable value, a write-down is recognized. A change in circumstance could result in a reversal of the write-down for inventory that remains on hand in a subsequent period.

Property, Plant and Equipment ("PP&E")

Items of PP&E are measured using historical cost less accumulated depletion and depreciation and any accumulated impairment losses. The initial cost of an asset comprises its purchase price, any cost directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located. Included in PP&E are assets that have been transferred from exploration and evaluation assets upon the establishment of technical feasibility and commercial viability. Once Athabasca's projects are available for use in the manner intended by management, they will either be depleted or depreciated over their useful lives depending on the nature of the asset. The costs of planned major inspection & maintenance, overhaul and turnaround activities that maintain PP&E and benefit future years of operations are capitalized. Recurring planned maintenance activities performed on shorter intervals are expensed as operating costs. Replacements outside of a major inspection & maintenance, overhaul or turnaround are capitalized when it is probable that future economic benefits will be realized, and the replaced component is derecognized. When an asset is disposed of in the PP&E phase, the carrying value of the assets sold are de-recognized from the PP&E asset pool with any difference, relative to the proceeds from the disposal, recognized as a gain or loss in net income (loss).

Light Oil producing assets that are ready for use in the manner intended by management are depleted using the unit-of-production method based on the production in the year relative to the proved plus probable reserve base, taking into account estimated future development costs necessary to bring those reserves into production. Depreciation of the Light Oil infrastructure assets is calculated using the straight-line method over the estimated useful life of the assets, which ranges from three to fifty years.

Thermal Oil assets that are ready for use in the manner intended by management are depleted or depreciated based on three separate components. The central processing facilities are depreciated on a unit-of-production basis over the total productive capacity of the facility. The supporting infrastructure, pumps and turnaround costs are depreciated using a straight-line basis over the estimated useful life of the components, which ranges from two to forty years. The producing oil sands assets, including estimated future development costs, are depleted using the unit-of-production method based on estimated proved reserves or proved developed producing reserves.

Depreciation of corporate assets is calculated using the straight-line method over the estimated useful life of the asset, ranging from two to ten years.

Exploration and Evaluation ("E&E") Assets

Costs of exploring for and evaluating oil and gas activities are initially capitalized and primarily consist of lease acquisition costs, exploratory drilling to delineate resource formations, geological and geophysical costs, engineering, licensing and regulatory fees, carrying charges on non-productive assets, estimates of the reclamation and abandonment obligations incurred as a result of the exploration activities, employee salaries and stock-based compensation directly related to E&E activities. Tangible assets acquired and utilized to develop an E&E asset are also recorded as part of the cost of the E&E asset. When an asset is disposed of in the E&E phase the proceeds of the assets sold are de-recognized from the E&E asset pool with no gain or loss recognized. E&E costs do not include general prospecting or evaluation costs incurred prior to having obtained the legal rights to explore an area, and as a result, these costs are expensed directly to the consolidated statement of income (loss) as they are incurred.

E&E assets are carried at cost on the consolidated balance sheet until both the technical feasibility and commercial viability of extracting a mineral resource is established. Upon technical feasibility and commercial viability being established, E&E assets are tested for impairment and then reclassified from E&E assets to PP&E. Technical feasibility and commercial viability of Light Oil and Thermal Oil activities are considered achieved when proved reserves are determined to exist and the Company has received approval to proceed with commercial development by its Board of Directors and, in some cases, approval from regulatory authorities.

If the technical feasibility and commercial viability cannot be proved or if a full impairment is recognized, subsequent expenditures are no longer capitalized and are recognized as exploration expense.

Impairment

PP&E and E&E assets are tested for impairment at the CGU level at each reporting date when facts and circumstances suggest that the carrying amount may exceed the recoverable amount due to significant changes in the technological, market, regulatory, economic or legal environment. Athabasca combines PP&E and E&E assets that are in the same CGU together for the purposes of testing for impairment. The recoverable amount is determined as the greater of the CGU's value in use ("VIU") and fair value less costs to sell ("FVLCTS"). In assessing VIU, the recoverable amounts of the CGUs are estimated based on after-tax discounted cash flows from the Company's Proved plus Probable Reserves and/or Contingent Resources (Level 3) adjusted for general and administrative expenses. The VIU recoverable amounts also include estimated land values for acreages which do not, at present, have Proved plus Probable Reserves and/or Contingent Resources assigned (Level 3). Future cash flows are estimated using appropriate inflation and discount rates which are based on the individual nature of the properties included in the CGU and the extent of future funding and development risk. FVLCTS is defined as the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable parties, less the costs to dispose of the CGU.

At each reporting period, PP&E and E&E assets are tested for impairment reversal at the CGU level when facts and circumstances suggest that the recoverable amount of the CGU may significantly exceed the carrying value.

Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing development or use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. For the sale to be highly probable, there must be an active program to locate a buyer and plan to complete the sale must be initiated. The asset must be actively marketed and the sale should be expected to be completed within one year from the date of classification. Certain events or circumstances beyond the Company's control may extend the period to complete the sale beyond one year.

Immediately before the PP&E and E&E are classified as held for sale, they are assessed for indicators of impairment or reversal of impairment and are measured at the lower of their carrying amount and recoverable amount, with any impairment charge or reversal of impairment recognized in the consolidated statement of income (loss). Non-current assets held for sale and their associated liabilities are classified and presented in current assets and liabilities within the consolidated balance sheet. Assets held for sale are not depleted, depreciated or amortized.

Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities & contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in net income (loss). Transaction costs associated with business combinations are expensed as incurred.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The Company's oil and gas activities give rise to abandonments and reclamations relating to wells and facilities. Provisions are made for the estimated cost of abandoning and reclaiming the wells and facilities and are capitalized to the corresponding asset. Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the obligation discounted using the Company's credit-adjusted discount rate. Subsequent to initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time, changes in the estimated future cash outflows underlying the obligation and changes in discount rates. The increase in the obligation due to the passage of time is recognized as a finance cost whereas changes due to revisions in the estimated future cash outflows and discount rate are capitalized to the extent the related asset is not impaired. If the related asset is fully impaired, the change in estimate is recognized in net income (loss). Actual costs incurred upon settlement of the obligations are charged against the provision.

A contingent payment obligation was incurred in 2017 relating to the Leismer Corner Acquisition. The contingent payment obligation is management's best estimate of the expenditure required to settle the obligation. Subsequent to initial measurement, the obligation is adjusted at the end of each reporting period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Any change in the obligation is recognized as a revaluation gain or loss in net income (loss). Actual payments are classified on the consolidated statement of cash flows as cash used in investing activities until the cumulative payments exceed the acquisition date fair value of the liability. Cumulative payments in excess of the acquisition date fair value are classified as cash used in operating activities. Actual costs incurred upon settlement of the obligation are charged against the provision.

Leases

Policy applicable before January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of the contract. Leases which transfer substantially all the risks and rewards of ownership to Athabasca are classified as finance leases. Finance leases are recognized at the lower of the fair value of the leased property or the present value of the minimum lease payments and are depreciated over the shorter of the estimated useful life of the asset and the lease term. Other leases are classified as operating leases and payments are recognized as an expense in the period incurred. Lease inducement costs are initially capitalized and amortized to net income (loss) over the lease term. As at December 31, 2018, Athabasca does not have any finance leases.

Policy applicable after January 1, 2019

On January 1, 2019, Athabasca adopted the new IASB Lease Standard IFRS 16. IFRS 16 requires that former operating leases be capitalized and recognized on the consolidated balance sheet by the lessee. Lease assets and liabilities are initially measured at the present value of the unavoidable lease payments and amortized over the lease term. Lessor accounting remains consistent with current IFRS standards. Athabasca adopted IFRS 16 using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information and recognizes the cumulative effect of IFRS 16 prior to January 1, 2019 as an adjustment to the opening accumulated deficit and applies the standard prospectively. On adoption, Athabasca also elected to apply the following expedients as permitted under the standard:

- Leases with terms ending within 12 months are recognized as short-term leases.
- Short-term leases and leases of low value assets that have been identified are not recognized on the consolidated balance sheet. Expenses for these leases are recognized as incurred with the amounts disclosed in the notes to the consolidated financial statements.
- The provision for onerous leases previously recognized was applied to the value of the associated right-of-use asset ("Leased asset"). In this case, no impairment assessment was performed under IAS 36 *Impairment.*

Upon adoption, Athabasca recognized a Leased asset of $12.6 million within PP&E (Note 11) and a lease liability of $18.7 million within provisions and other liabilities (Note 15) relating to its head office lease. The liability was measured at the present value of the remaining lease payments using an incremental borrowing rate of 10.0%. Athabasca netted the previously recognized onerous office lease provision of $3.1 million against the associated Leased asset on January 1, 2019. An adjustment to the opening accumulated deficit of $3.0 million was recognized as a result of using the modified retrospective approach.

During the year ended December 31, 2019, interest expense increased by $1.7 million (Note 21), depreciation increased by $2.1 million (Note 11) and general and administrative expense decreased by $2.8 million as a result of the adoption of IFRS 16. For the year ended December 31, 2019, cash flows associated with the lease repayments of $4.0 million were allocated between operating and financing activities in the amounts of $1.7 million and $2.3 million, respectively, based on their interest and principal repayment components.

The following table reconciles the office lease commitments as at December 31, 2018 to the lease liability as at January 1, 2019:

Offices leases disclosed as commitments as at December 31, 2018	$	17,694
Subleases netted from commitments as at December 31, 2018		7,078
Impact of discounting		(6,115)
LEASE LIABILITY RECOGNIZED ON JANUARY 1, 2019	$	18,657

As a result of the adoption of IFRS 16, the Company has revised its accounting policy for leases as follows:

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. A lease obligation and corresponding Leased asset are recognized at the commencement of the lease. Lease liabilities are initially measured at the present value of the unavoidable lease payments and discounted using the Company's incremental borrowing rate when an implicit rate in the lease is not readily available. Interest expense is recognized on the lease obligations using the effective interest rate method. The Leased asset is recognized at the amount of the lease liability, adjusted for lease incentives received and initial direct costs, on commencement of the lease. The Leased asset is depreciated on a straight-line basis over the lease term. The Company is required to make judgments and assumptions on incremental borrowing rates and lease terms. The carrying balance of the Leased assets and lease liabilities, and related interest and depreciation expense, may differ due to changes in market conditions and expected lease terms.

Revenue Recognition

Athabasca classifies its revenue as being earned from blended bitumen sales and sales from the production of oil and condensate, natural gas and natural gas liquids.

Revenue from the sale of blended bitumen, oil and condensate, natural gas and natural gas liquids is measured based on the consideration specified in the contracts Athabasca has with its customers. Athabasca recognizes revenue when it transfers control of the product to the buyer. This is generally at the time the customer obtains legal title to the product and when it is physically transferred to the delivery mechanism agreed with the customer, including pipelines or other transportation methods.

Athabasca sells substantially all of its production pursuant to variable-priced contracts. The transaction price for variable priced contracts is based on a benchmark commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

Interest income on cash and cash equivalents and restricted cash is recorded as earned. For outstanding investments that mature in future periods, revenue is accrued up to and including the final day of the applicable reporting period based on the terms and conditions of the individual instruments. Incidental revenues are recognized in net income (loss) as earned. Royalty expenses are recognized as production occurs.

Income Taxes

Income tax is comprised of current and deferred tax. Income tax expense is recognized in the consolidated statement of income (loss) except to the extent that it relates to share capital, in which case it is recognized in equity. Current tax is the expected tax payable (receivable) on the taxable income (loss) for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and does not affect profit, other than temporary differences that arise in shareholder’s equity. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset on the consolidated balance sheet if there is a legally enforceable right to offset and they relate to income taxes levied by the same tax authority. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are not recognized until such time that it is more likely than not that the related tax benefit will be realized. Athabasca also recognizes deferred tax liabilities on temporary differences associated with investments in subsidiaries unless the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Stock-based Compensation

The Company's stock-based compensation plans for employees, directors and consultants consist of stock options, restricted share units ("RSUs"), performance share units ("PSUs") and deferred share units ("DSUs"). Other than the DSUs, all of the stock-based compensation plans are accounted for as equity-settled share-based compensation plans. The fair values of the equity settled awards are initially measured using the Black-Scholes model using an estimated forfeiture rate, volatility, risk-free rate and expected life. The fair value is recorded as stock-based compensation over the vesting period with a corresponding amount reflected in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital.

The DSUs are a cash-settled share-based compensation plan. DSUs are expensed immediately upon grant and a liability is recognized. The liability is revalued at each reporting date based on the Company's closing share price.

For employees who are working on capital projects, the stock-based compensation is capitalized to PP&E or E&E assets. For the remainder of employees, the compensation is expensed.

Per Share Amounts

Basic net income (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted income per share reflects the potential dilution that would occur if dilutive securities were exercised using the treasury stock method. To determine the dilutive effect of its dilutive instruments, the Company assumes that proceeds received from the exercise of "in-the-money" equity instruments are used to repurchase common shares. In any period in which there is a loss, diluted per share amounts are calculated excluding potentially dilutive securities.

Commitments and contingencies

Athabasca discloses its financial commitments, yet to be incurred, based on the minimum contractual costs at the reporting date. A contingent liability is disclosed when the possibility is considered more than remote but not yet probable, where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are disclosed if a future economic benefit is probable but are only recorded when recovery of the contingent asset is considered virtually certain.

Foreign Currency Translation

Transactions in foreign currencies are translated into the functional currency using the exchange rate on the transaction date. The consolidated financial statements are presented in Canadian dollars which is the Company's functional currency. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of income (loss).

Recent Accounting Pronouncements

The IASB issued International Financial Reporting Interpretations Committee ("IFRIC") 23 *Uncertainty over Income Tax Treatments* in June 2017. IFRIC 23 is effective beginning January 1, 2019 and applies to the determination of the accounting tax position when there is uncertainty over income tax treatments under IAS 12 *Income Taxes*. Management has assessed the requirements of IFRIC 23 and concluded that the adoption of this interpretation does not have a material impact on the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

As at December 31, 2019 and December 31, 2018, Athabasca's cash, cash equivalents and restricted cash (Note 9) were held with five counterparties, all of which were large reputable financial institutions. Accordingly, the Company has concluded that credit risk associated with these investments is low.

5. ACCOUNTS RECEIVABLE

As at	December 31, 2019	December 31, 2018
Petroleum and natural gas receivables	$ 63,820	$ 7,441
Joint interest billings	30,858	24,914
Risk management (realized), government and other receivables	2,955	6,764
TOTAL	$ 97,633	$ 39,119

Management has concluded that collection risk of the outstanding accounts receivable as at December 31, 2019 is low given the high credit quality of the Company's material counterparties. No material amounts were past due as at December 31, 2019.

6. CAPITAL-CARRY RECEIVABLE

In 2016, Athabasca entered into a joint venture to advance development of its Light Oil assets. The joint venture resulted in Athabasca holding an operated 70% working interest in its Greater Placid assets and a non-operated 30% working interest in its Greater Kaybob assets. As part of the transaction consideration, Athabasca recognized $219.0 million (undiscounted) in the form of a capital-carry receivable in Greater Kaybob, whereby the joint venture partner committed to funding 75% of Athabasca's share of development capital for a five year period.

The capital-carry receivable is based on management's best estimate of the present value of the expected timing of the recovery of the remaining receivable. The timing of the recovery is dependent on the amount of capital expenditures in the Greater Kaybob area, which is governed by the joint development agreement between the parties.

The following table reconciles the change in the capital-carry receivable:

As at	December 31, 2019	December 31, 2018
CAPITAL-CARRY RECEIVABLE, BEGINNING OF PERIOD	$ 79,116	$ 156,036
Recovery of capital-carry through capital expenditures	(58,934)	(82,348)
Revisions in expected timing of future capital expenditures	(529)	(897)
Time value of money accretion	2,949	6,325
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - DISCOUNTED	$ 22,602	$ 79,116
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - UNDISCOUNTED	$ 22,740	$ 81,675

The Company has calculated the net present value of its capital-carry receivable using a credit-adjusted discount rate of 5.0% per annum (December 31, 2018 - 5.0% per annum). The capital-carry receivable is considered to have low credit risk given the high credit quality of the joint venture partner subsidiary that has guaranteed the obligation. The capital-carry receivable (current and long-term portion) has been classified as Level 3 on the fair value hierarchy.

7. INVENTORY

As at	December 31, 2019	December 31, 2018
Product inventory	$ 32,524	$ 15,882
Warehouse inventory	9,908	9,560
TOTAL	$ 42,432	$ 25,442

8. 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 (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.

Financial commodity risk management contracts

As at December 31, 2019, the following financial commodity risk management contracts were in place:

Instrument	Period	Volume		C$ Average Price/bbl[(1)]		US$ Average Price/bbl[(1)]
WTI fixed price swaps	January - March 2020	9,000 bbl/d	$	73.19	$	56.45
WTI/WCS differential swaps	January - March 2020	9,659 bbl/d	$	(26.14)	$	(20.16)
WTI three way collar	January - March 2020	6,000 bbl/d	$	64.28|72.39|78.87	$	49.58|55.83|60.83
WTI fixed price swaps	April - June 2020	6,000 bbl/d	$	71.37	$	55.05
WTI/WCS differential swaps	April - June 2020	9,000 bbl/d	$	(24.55)	$	(18.93)
WTI three way collar	April - June 2020	9,000 bbl/d	$	66.63|74.19|80.78	$	51.39|57.22|62.31
WTI fixed price swaps	July - September 2020	3,000 bbl/d	$	71.34	$	55.03
WTI/WCS differential swaps	July - September 2020	7,000 bbl/d	$	(25.62)	$	(19.76)
WTI three way collar	July - September 2020	6,000 bbl/d	$	64.28|72.39|78.87	$	49.58|55.83|60.83
WTI fixed price swaps	October - December 2020	3,000 bbl/d	$	71.34	$	55.03
WTI/WCS differential swaps	October - December 2020	7,000 bbl/d	$	(25.62)	$	(19.76)
WTI three way collar	October - December 2020	6,000 bbl/d	$	64.28|72.39|78.87	$	49.58|55.83|60.83

(1) The implied C$ or US$ Average Price/bbl, as applicable, was calculated using the December 31, 2019 exchange rate of US$1.00 = C$1.2965.

As at December 31, 2019, Athabasca's commodity risk management contracts were held with five counterparties, all of which were large reputable financial institutions. The Company concluded that credit risk associated with commodity risk management contracts is low. Commodity risk management contracts have been classified as Level 2 on the fair value hierarchy.

As at December 31, 2019, Athabasca had a net commodity risk management liability of $14.1 million in respect of the commodity risk management contracts (December 31, 2018 - $11.7 million).

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

As at December 31, 2019	Change in WTI				Change in WCS differential			
		Increase of US$5.00/bbl		Decrease of US$5.00/bbl		Increase of US$1.00/bbl		Decrease of US$1.00/bbl
Increase (decrease) to fair value of commodity risk management contracts	$	(20,647)	$	22,187	$	3,715	$	(3,705)

Additional financial commodity risk management activity related to 2020 has taken place subsequent to December 31, 2019, as noted in the table below:

Instrument	Period	Volume		C$ Average Price/bbl[(1)]		US$ Average Price/bbl[(1)]
WTI fixed price swaps	January - March 2020	3,000 bbl/d	$	79.45	$	61.28
WTI fixed price swaps	April - June 2020	3,000 bbl/d	$	79.45	$	61.28
WTI/WCS differential swaps	April - June 2020	9,000 bbl/d	$	(22.04)	$	(17.00)
WTI/WCS differential swaps	July - September 2020	9,000 bbl/d	$	(21.06)	$	(16.24)
WTI/WCS differential swaps	October - December 2020	4,000 bbl/d	$	(21.57)	$	(16.64)

(1) The implied C$ or US$ Average Price/bbl, as applicable, was calculated using the December 31, 2019 exchange rate of US$1.00 = C$1.2965.

Foreign exchange risk management contracts

As at December 31, 2019, Athabasca had no foreign exchange risk management contracts in place. As at December 31, 2018, Athabasca had a foreign exchange risk management asset of $2.5 million in respect of a foreign exchange risk management contract associated with the February 2019 interest payment on the Company's 2022 Notes.

The following table summarizes the net gain (loss) on foreign exchange risk management contracts for the year ended December 31, 2019 and 2018:

Year ended	December 31, 2019	December 31, 2018
Unrealized gain (loss) on foreign exchange risk management contracts	$ (2,495)	$ 2,495
Realized gain (loss) on foreign exchange risk management contracts	1,733	1,071
GAIN (LOSS) ON FOREIGN EXCHANGE RISK MANAGEMENT CONTRACTS, NET	$ (762)	$ 3,566

Financial commodity and foreign exchange risk management contracts assets and liabilities are offset and the net amount presented on the consolidated balance sheet when the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously. The following table summarizes the gross asset and liability positions of the Company's individual risk management contracts that are offset on the consolidated balance sheet as at December 31, 2019 and December 31, 2018:

	As at December 31, 2019			As at December 31, 2018		
	Asset	Liability	Net	Asset	Liability	Net
RISK MANAGEMENT CONTRACTS, GROSS	$ 1,348	$ (15,488)	$ (14,140)	$ 3,493	$ (12,701)	$ (9,208)
Individual counterparty offsets	(1,348)	1,348	—	(998)	998	—
RISK MANAGEMENT CONTRACTS, NET	$ —	$ (14,140)	$ (14,140)	$ 2,495	$ (11,703)	$ (9,208)

9. RESTRICTED CASH

Restricted cash consists of a restricted, interest-bearing, cash-collateral account (the "Cash-Collateral Account") into which the Company is required to deposit cash equivalent to 101% of the value of outstanding letters of credit issued to secure the Company's $110.0 million cash-collateralized letter of credit facility (the "Letter of Credit Facility") (Note 14). As at December 31, 2019, $110.6 million was held in the Cash-Collateral Account (December 31, 2018 - $111.1 million).

10. SALE OF ASSETS

Leismer Infrastructure Transaction

On December 10, 2018, Athabasca entered into an agreement to sell its Leismer pipelines and Cheecham storage terminal ("Leismer Infrastructure Transaction") for $265.0 million. The Leismer Infrastructure Transaction was completed on January 15, 2019 and provides Athabasca with priority service on the pipelines and access to the dilbit/diluent tanks at Cheecham for an annual toll of approximately $26.0 million, with a discounted toll for any excess volumes.

Upon close of the transaction, Athabasca received $265.0 million of cash consideration and incurred $2.8 million of transaction costs, resulting in net proceeds of $262.2 million. Athabasca de-recognized $39.9 million of PP&E and $0.4 million in decommissioning obligations resulting in a gain of $222.8 million on the Leismer Infrastructure Transaction.

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

BALANCE, DECEMBER 31, 2017	$	1,419,883
PP&E expenditures		273,315
Non-cash capitalized costs[1]		697
Depletion and depreciation		(162,112)
Impairment loss (Note 13)		(62,200)
BALANCE, DECEMBER 31, 2018	$	1,469,583
PP&E expenditures		198,820
Leased asset (Note 3)		12,570
Non-cash capitalized costs and other[1]		(1,320)
Depletion and depreciation[2]		(132,850)
Disposals (Note 10)		(41,083)
BALANCE, DECEMBER 31, 2019	$	1,505,720

(1) Non-cash capitalized costs relate to capitalized stock-based compensation and decommissioning obligation assets.
(2) Includes $2.1 million of depreciation relating to the Leased asset (Note 3).

PP&E consists of the following:

Net book value (As at)		December 31, 2019		December 31, 2018
PP&E at cost[1]	$	3,007,239	$	2,838,252
Accumulated depletion and depreciation[1]		(590,145)		(457,295)
Accumulated impairment losses		(911,374)		(911,374)
TOTAL PP&E	$	1,505,720	$	1,469,583
Presented as:				
Assets held for sale (Note 10)	$	—	$	39,877
Property, plant and equipment	$	1,505,720	$	1,429,706

(1) The PP&E cost includes $12.6 million of Leased asset cost and accumulated depletion and depreciation includes $2.1 million of accumulated depreciation relating to the Leased asset.

As at December 31, 2019, $80.4 million (December 31, 2018 - $85.2 million) of PP&E was not subject to depletion or depreciation as the underlying oil and gas assets were not ready for use in the manner intended by management.

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

BALANCE, DECEMBER 31, 2017	$	292,279
E&E expenditures		3,013
Non-cash capitalized costs[1]		1,329
Impairment loss (Note 13)		(294,474)
BALANCE, DECEMBER 31, 2018	$	2,147
E&E expenditures		321
Non-cash capitalized costs[1]		22
BALANCE, DECEMBER 31, 2019	$	2,490

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

The Dover West, Grosmont and Birch CGUs are fully impaired as at December 31, 2018. For the year ended December 31, 2019, the Company expensed $2.3 million of related costs (year ended December 31, 2018 - $1.0 million).

13. IMPAIRMENT

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

Light Oil

The Light Oil Division consists of the Greater Kaybob and Greater Placid areas (collectively the "Light Oil CGU"). In 2019, no indicators of impairment or reversal of previous impairment were identified.

At December 31, 2018, Athabasca identified indicators of impairment for its Light Oil CGU as a result of market pricing uncertainty. The Company completed an impairment test using VIU which resulted in the carrying value of the Light Oil CGU being fully supported.

Thermal Oil

The Thermal Oil Division consists of the Leismer/Corner and Hangingstone CGUs as well as the fully impaired CGUs consisting of Dover West, Birch and Grosmont. In 2019, no indicators of impairment or reversal of previous impairment were identified.

At December 31, 2018, Athabasca identified indicators of impairment over its Hangingstone and Dover West CGUs resulting in a $356.7 million impairment loss of which $62.2 million related to the Hangingstone CGU and $294.5 million related to the Dover West CGU. No indicators of impairment or impairment reversals were identified for Athabasca's Leismer/Corner, Birch or Grosmont CGUs.

14. INDEBTEDNESS

As at	December 31, 2019	December 31, 2018
Senior Secured Second Lien Notes ("2022 Notes")[1]	$ 583,425	$ 614,070
Debt issuance costs	(47,081)	(47,081)
Amortization of debt issuance costs	23,343	14,151
TOTAL LONG-TERM DEBT	$ 559,687	$ 581,140

(1) As at December 31, 2019, the 2022 Notes (as defined below) were translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.2965.

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.

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. The 2022 Notes also contain maximum hedging restrictions. As at December 31, 2019, the Company is in compliance with all covenants.

Athabasca may redeem the 2022 Notes at the following specified redemption prices:
- February 24, 2020 to February 23, 2021 - 102.5% of principal
- February 24, 2021 to maturity - 100% of principal

Debt issuance costs associated with the 2022 Notes were initially capitalized and are being amortized to net income (loss) over the life of the 2022 Notes using the effective interest rate method. As at December 31, 2019, the fair value of the 2022 Notes was $498.0 million (US$384.1 million), based on observable market quoted prices (Level 1).

Senior Extendible Revolving Term Credit Facility

In the fourth quarter of 2019, Athabasca renewed its $120.0 million reserve-based credit facility (the "Credit Facility"). The Credit Facility is a 364 day committed facility available on a revolving basis until May 31, 2020, at which time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and any amounts outstanding would be repayable at the end of the non-revolving term, being May 31, 2021. The Credit Facility is subject to a semi-annual borrowing base review, occurring approximately in May and November of each year. The borrowing base is determined based on the lender's evaluation of the Company's petroleum and natural gas reserves and their commodity price outlook at the time of each renewal, which could result in an increase or a reduction to the Credit Facility.

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 Credit Facility also contains certain maximum hedging limitations. The Company is in compliance with all covenants.

As at December 31, 2019, 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 2.5% to 3.5%. The Company incurs an issuance fee for letters of credit of 3.5% and a standby fee on the undrawn portion of the Credit Facility of 0.8%. As at December 31, 2019, the Company had no amounts drawn and had $39.4 million of letters of credit issued and drawn under the Credit Facility. As at December 31, 2018, the Company had no amounts drawn or letters of credit issued and drawn under the Credit Facility.

Cash-Collateralized Letter of Credit Facility

Athabasca maintains a $110.0 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 December 31, 2019, Athabasca had $109.5 million (December 31, 2018 - $110.0 million) in letters of credit issued and drawn 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 (Note 9). As at December 31, 2019, $110.6 million of restricted cash was held in the cash-collateral account (December 31, 2018 - $111.1 million).

Unsecured Letter of Credit Facility

Athabasca maintains a $30.0 million unsecured letter of credit facility (the "Unsecured Letter of Credit Facility") with a Canadian bank which 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 2.5%. As at December 31, 2019, the Company had $24.8 million of letters of credit issued and drawn under the Unsecured Letter of Credit Facility (December 31, 2018 - $18.5 million).

15. PROVISIONS AND OTHER LIABILITIES

As at		December 31, 2019		December 31, 2018
Decommissioning obligations	$	121,832	$	118,468
Contingent payment obligation		1,028		4,470
Lease liability		16,311		—
Other obligations		5,610		5,446
TOTAL PROVISIONS AND OTHER LIABILITIES	$	144,781	$	128,384
Presented as:				
Current portion of provisions and other liabilities	$	8,809	$	5,460
Provisions and other liabilities	$	135,972	$	122,924

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		December 31, 2019		December 31, 2018
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	$	118,468	$	113,830
Liabilities incurred		1,071		1,305
Liabilities settled		(3,675)		(5,296)
Liabilities disposed (Note 10)		(448)		—
Changes in estimates		(5,192)		(2,569)
Accretion expense		11,608		11,198
DECOMMISSIONING OBLIGATIONS, END OF PERIOD	$	121,832	$	118,468

At December 31, 2019, the Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2.0% (December 31, 2018 - 2.0%) and a credit-adjusted discount rate of 10.0% per annum (December 31, 2018 - 10.0%). The payments to settle these obligations are expected to occur during a period of up to 50 years due to the long-term nature of the Company's oil and gas assets. The undiscounted amount of estimated cash flows required to settle the decommissioning obligations is $289.4 million (December 31, 2018 - $291.2 million). The undiscounted amount of estimated future cash flows required to settle the obligations is $422.2 million (December 31, 2018 - $409.3 million). A 1.0% change in the credit-adjusted discount rate would impact the discounted value of the decommissioning obligations by approximately $8.8 million with a corresponding adjustment to PP&E, E&E or net income (loss) if the adjustment is related to fully impaired assets.

Contingent payment obligation

In early 2017, as part of the acquisition of the Leismer/Corner Thermal Oil assets, Athabasca agreed to a contingent payment obligation for a four-year term ending in 2020 which is triggered at oil prices above US$65/bbl WTI. The payments are determined annually and calculated on one-third of annual Leismer bitumen production multiplied by an oil price factor (yearly average US$WTI/bbl less US$65/bbl, adjusted for inflation since 2017). The payments are capped at $75.0 million annually.

The contingent payment obligation is remeasured at each reporting period using an option pricing model with any gains or losses recognized in net income (loss). The option pricing model includes estimates regarding future WTI prices, foreign exchange rates, inflation rates and Leismer production volumes and is therefore subject to significant measurement uncertainty. The difference in the actual cash outflows associated with the obligation could be material.

The following table reconciles the change in the contingent payment obligation:

As at		December 31, 2019		December 31, 2018
CONTINGENT PAYMENT OBLIGATION, BEGINNING OF PERIOD	$	4,470	$	26,286
Changes in estimates		(3,442)		(21,816)
CONTINGENT PAYMENT OBLIGATION, END OF PERIOD	$	1,028	$	4,470

No amounts were payable by Athabasca with respect to the annual contingent payment obligation for 2019 or 2018. The obligation has been classified as a Level 3 financial instrument.

Lease liability

On January 1, 2019, upon adoption of IFRS 16, the Company recognized a lease liability (Note 3) relating to its head office lease. The liability was measured at the present value of the remaining lease payments as at January 1, 2019 discounted at 10.0%. The following table reconciles the change in the lease liability:

As at		December 31, 2019
LEASE LIABILITY, BEGINNING OF PERIOD	$	—
Initial recognition of lease liability (Note 3)		18,657
Interest expense		1,726
Liability settled[1]		(4,072)
LEASE LIABILITY, END OF PERIOD	$	16,311

(1) In the consolidated statements of cash flows, the liability settled is reported as $2.3 million of financing activities and $1.7 million of operating activities for the year ended December 31, 2019.

The following table summarizes Athabasca's estimated future minimum payments associated with the lease liability as at December 31, 2019:

As at		December 31, 2019
Within one year	$	4,072
Later than one year but not later than five years		16,289
After five years		339
Minimum lease payments		20,700
Amounts representing finance charges		(4,389)
Present value of net minimum lease payments	$	16,311

Property taxes associated with the head office lease are considered a variable lease component which have not been included in the measurement of the lease liability and are expensed as incurred. For the year ended December 31, 2019, Athabasca incurred $1.0 million of variable lease expense which has been included within general and administrative expenses in the consolidated statements of income (loss). Lease operating costs are a non-lease component of the head office lease and have therefore been excluded from the measurement of the lease liability and are expensed as incurred.

Short-term leases and low value leases have not been included in the measurement of the lease liability. For the year ended December 31, 2019, Athabasca incurred $7.8 million of expenditures related to short-term and low value leases which have been recognized as incurred.

16. SHAREHOLDERS' EQUITY

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

	December 31, 2019			December 31, 2018		
As at	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of period	515,889,687	$	2,217,963	510,040,477	$	2,201,690
Exercise of stock options, RSUs and PSUs (Note 17)	7,562,590		15,433	5,849,210		16,273
BALANCE, END OF PERIOD	523,452,277	$	2,233,396	515,889,687	$	2,217,963

17. STOCK-BASED COMPENSATION

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

As at	December 31, 2019	December 31, 2018
Stock options	8,432,067	9,659,800
RSUs (2010 RSU Plan)	156,667	1,227,918
RSUs (2015 RSU Plan)	14,956,090	12,777,210
PSUs	5,134,200	4,774,600
DSUs	3,577,464	2,343,489
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	32,256,488	30,783,017

All plans (excluding the DSUs plan) are rolling plans and the number of common shares that may be issued on exercise under the plans is limited to an aggregate of 10% of the common shares outstanding. All plans (excluding the DSUs plan) have been accounted for as equity-settled share-based compensation plans. The DSUs plan has been accounted for as a cash-settled share-based compensation plan.

The following table summarizes the Company's stock-based compensation:

Year ended	December 31, 2019	December 31, 2018
Stock-based compensation expense	$ 6,755	$ 8,565
Stock-based compensation capitalized to PP&E and E&E assets	3,141	3,164
TOTAL STOCK-BASED COMPENSATION	9,896	11,729
Stock-based compensation recovery (expense) related to DSUs	209	(898)
TOTAL STOCK-BASED COMPENSATION RECORDED IN CONTRIBUTED SURPLUS	$ 10,105	$ 10,831

Stock Options

Stock 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. Currently, options generally vest within three years and have a life of five to seven years.

	December 31, 2019		December 31, 2018	
As at	Number of options	Exercise price(1)	Number of options	Exercise price(1)
Outstanding stock options, beginning of period	9,659,800	$ 2.44	11,067,600	$ 2.60
Granted	1,397,300	0.85	—	—
Forfeited	(1,828,033)	1.85	(1,003,433)	2.58
Expired	(797,000)	7.42	(372,600)	6.74
Exercised	—	—	(31,767)	1.07
OUTSTANDING STOCK OPTIONS, END OF PERIOD	8,432,067	$ 1.84	9,659,800	$ 2.44
EXERCISABLE STOCK OPTIONS, END OF PERIOD	4,530,234	$ 2.31	5,163,908	$ 3.31

(1) Weighted average

The estimated fair value per stock option granted during the year ended December 31, 2019 was $0.40. There were no stock options granted during the year ended December 31, 2018. The exercise prices of the Company's outstanding stock options as at December 31, 2019 range from $0.85 - $7.31 as follows:

	Options outstanding				Options exercisable			
Range of exercise prices ($)	Number of options		Exercise price(1)	Years to Expiry(1)	Number of options		Exercise price(1)
0.85 - 1.00	1,526,700	$	0.87	5.88	240,000	$	0.92
1.01 - 1.47	1,541,233		1.35	3.25	1,541,233		1.35
1.48 - 1.79	3,578,534		1.50	4.25	963,401		1.50
1.80 - 3.99	1,201,300		2.07	2.25	1,201,300		2.07
4.00 - 7.31	584,300		7.23	1.64	584,300		7.23
	8,432,067	$	1.84	3.90	4,530,234	$	2.31

(1) Weighted average

Restricted Share Units

Under the Company's former RSU stock-based compensation plan (the "2010 RSU Plan"), the Company granted RSUs ("2010 Plan RSUs") which permitted 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 2010 Plan RSUs, at the sole discretion of the Company. 2010 Plan RSUs had a vesting period within one to four years and had an average expected life of four years.

As at	December 31, 2019	December 31, 2018
Outstanding 2010 Plan RSUs, beginning of period	1,227,918	2,615,155
Forfeited	(22,000)	(65,410)
Expired	(11,822)	(16,350)
Exercised	(1,037,429)	(1,305,477)
OUTSTANDING 2010 PLAN RSUs, END OF PERIOD	156,667	1,227,918
EXERCISABLE 2010 PLAN RSUs, END OF PERIOD	156,667	1,196,168

During the second quarter of 2015, the 2010 RSU Plan was replaced with a new RSU plan (the "2015 RSU Plan"). RSUs granted under the 2015 RSU Plan ("2015 Plan RSUs") generally vest evenly over three years and have no exercise price. The 2015 Plan RSUs automatically settle at each vesting date in either cash, shares issued from treasury or through the purchase of shares on the open market, at the Company's discretion.

As at	December 31, 2019	December 31, 2018
Outstanding 2015 Plan RSUs, beginning of period	12,777,210	8,924,135
Granted	9,898,000	10,499,500
Forfeited	(2,485,927)	(3,042,309)
Exercised	(5,233,193)	(3,604,116)
OUTSTANDING 2015 PLAN RSUs, END OF PERIOD	14,956,090	12,777,210

The average estimated fair value per 2015 Plan RSUs granted during the year ended December 31, 2019 was $0.85 (year ended December 31, 2018 - $1.16).

Performance Share Units

Athabasca has a performance award plan ("the PSU Plan") which allows the Company to grant PSUs. PSUs cliff vest over approximately three years and vested awards are 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 and corporate scorecard performance over the vesting period.

As at	December 31, 2019	December 31, 2018
Outstanding PSUs, beginning of period	4,774,600	3,291,967
Granted	2,800,426	3,236,483
Forfeited	(1,148,858)	(846,000)
Exercised	(1,291,968)	(907,850)
OUTSTANDING PSUs, END OF PERIOD	5,134,200	4,774,600

The estimated fair value per PSU granted during the year ended December 31, 2019 was $0.85 (year ended December 31, 2018 - $1.15).

Deferred Share Units

The Company has a DSUs plan for Athabasca's non-management directors. DSUs vest immediately on the date of grant and are settled in cash when an individual ceases to be a director of the Company. The DSUs are expensed immediately upon grant and the resulting liability is revalued at each reporting date based on the closing share price.

As at	December 31, 2019	December 31, 2018
Outstanding DSUs, beginning of period	2,343,489	1,531,274
Granted	1,233,975	940,978
Exercised	—	(128,763)
OUTSTANDING DSUs, END OF PERIOD	3,577,464	2,343,489

As at December 31, 2019, Athabasca recognized a DSU provision within Provisions and other liabilities of $2.1 million (December 31, 2018 - $2.3 million) which has no current portion (December 31, 2018 - $nil) (Note 15).

18. PER SHARE AMOUNTS

Year ended	December 31, 2019	December 31, 2018
Weighted average shares outstanding - basic	521,316,320	514,151,731
Dilutive effect of stock options, RSUs and PSUs	4,974,369	—
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	526,290,689	514,151,731

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 year ended December 31, 2019, 19,530,431 in anti-dilutive securities were excluded from the diluted net income (loss) per share calculation as their effect is anti-dilutive (year ended December 31, 2018 - 28,439,528).

19. SEGMENTED INFORMATION

Segmented operating results

Year ended December 31,	Light Oil 2019	Light Oil 2018	Thermal Oil 2019	Thermal Oil 2018	Eliminations[1] 2019	Eliminations[1] 2018	Consolidated 2019	Consolidated 2018
SEGMENT REVENUES								
Petroleum & natural gas sales	$ 146,980	$ 169,017	$ 708,117	$ 640,620	$ (18,164)	$ —	$ 836,933	$ 809,637
Royalties	(4,638)	(6,304)	(11,545)	(12,392)	—	—	(16,183)	(18,696)
	142,342	162,713	696,572	628,228	(18,164)	—	820,750	790,941
SEGMENT EXPENSES & OTHER								
Cost of diluent	—	—	286,957	413,525	(18,164)	—	268,793	413,525
Operating expenses	26,234	33,826	147,367	141,694	—	—	173,601	175,520
Transportation and marketing	21,104	21,743	80,052	62,340	—	—	101,156	84,083
Depletion and depreciation	71,322	74,188	57,532	86,278	—	—	128,854	160,466
Impairment loss	—	—	—	356,674	—	—	—	356,674
Exploration expenses	—	66	2,330	894	—	—	2,330	960
(Gain) loss on sale of assets	1,205	—	(223,858)	—	—	—	(222,653)	—
	119,865	129,823	350,380	1,061,405	(18,164)	—	452,081	1,191,228
Gain (loss) on commodity risk management contracts, net							(46,418)	(31,850)
Segment income (loss)	$ 22,477	$ 32,890	$ 346,192	$ (433,177)	$ —	$ —	$ 322,251	$ (432,137)
CORPORATE								
Interest income							8,152	3,958
Financing and interest							(83,839)	(80,435)
General and administrative							(22,645)	(29,962)
Restructuring							—	(3,604)
Stock-based compensation							(6,755)	(8,565)
Depreciation							(3,996)	(1,646)
Foreign exchange gain (loss), net							29,999	(49,869)
Gain (loss) on foreign exchange risk management contracts, net							(762)	3,566
Gain (loss) on revaluation of provisions and other							4,460	29,037
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)							$ 246,865	$ (569,657)

(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.

Segmented capital expenditures

Year ended	December 31, 2019	December 31, 2018
LIGHT OIL[1]		
Property, plant and equipment	$ 109,687	$ 192,495
THERMAL OIL		
Property, plant and equipment	89,022	80,683
Exploration and evaluation	321	3,013
	89,343	83,696
CORPORATE		
Corporate assets	111	137
TOTAL CAPITAL SPENDING[1][2][3]	$ 199,141	$ 276,328

(1) Including the recovery of the capital-carry, Athabasca's net cash outflow from capital expenditures during the year ended December 31, 2019 was $140.2 million (year ended December 31, 2018 - $194.0 million) and in the Light Oil Division was $50.8 million (year ended December 31, 2018 - $110.1 million).

(2) Excludes non-cash capitalized costs consisting of capitalized stock-based compensation and decommissioning obligation assets.

(3) For the year ended December 31, 2019, expenditures include cash capitalized staff costs of $8.5 million (year ended December 31, 2018 - $11.7 million).

Segmented assets

Net book value (As at)	December 31, 2019	December 31, 2018
LIGHT OIL		
Capital-carry receivable (current and long-term) (Note 6)	$ 22,602	$ 79,116
Property, plant and equipment	734,448	695,885
	757,050	775,001
THERMAL OIL		
Inventory (Note 7)	42,432	25,442
Assets held for sale (Note 10)	—	39,877
Property, plant and equipment	756,901	728,135
Exploration and evaluation	2,490	2,147
	801,823	795,601
CORPORATE		
Current assets[1]	397,035	125,717
Restricted cash (Note 9)	110,609	111,056
Long-term deposit (Note 23)	12,577	12,577
Property, plant and equipment	14,371	5,686
	534,592	255,036
TOTAL ASSETS	$ 2,093,465	$ 1,825,638

(1) Current assets under Corporate exclude the current portion of the capital-carry receivable, inventory and assets held for sale which have been included under the Light Oil and Thermal Oil segments, as appropriate.

20. REVENUE

The following table summarizes Athabasca's revenue by product:

Year ended	December 31, 2019	December 31, 2018
Blended bitumen	$ 708,117	$ 640,620
Oil and condensate	110,551	117,037
Natural gas	26,282	33,622
Natural gas liquids	10,147	18,358
Eliminations - inter-segment sales	(18,164)	—
TOTAL REVENUE	$ 836,933	$ 809,637

21. FINANCING AND INTEREST

Year ended	December 31, 2019	December 31, 2018
Financing and interest expense on indebtedness (Note 14)	$ 61,118	$ 60,242
Amortization of debt issuance costs (Note 14)	9,387	8,627
Accretion of provisions (Note 15)	11,608	11,566
Interest expense on lease liability (Note 3, 15)	1,726	—
TOTAL FINANCING AND INTEREST	$ 83,839	$ 80,435

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

Year ended	December 31, 2019	December 31, 2018
Contingent payment obligation (Note 15)	$ 3,442	$ 21,816
Capital-carry receivable (Note 6)	2,420	5,428
Other	(1,402)	1,793
TOTAL GAIN (LOSS) ON REVALUATION OF PROVISIONS AND OTHER	$ 4,460	$ 29,037

23. INCOME TAXES

As at December 31, 2019, Athabasca did not recognize deductible temporary differences of $2.0 billion (December 31, 2018 - $2.0 billion) primarily consisting of approximately $1.6 billion (December 31, 2018 - $1.5 billion) in non-capital losses and $0.4 billion (December 31, 2018 - $0.5 billion) in CCA and resource pools in excess of capital assets. The Company has approximately $3.2 billion in tax pools, including approximately $2.1 billion in non-capital losses and exploration tax pools available for immediate deduction against future income. The non-capital losses begin to expire after 2025.

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"). 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.

The following table reconciles the expected income tax (recovery) expense calculated at the Canadian statutory rate of 26.5% (2018 – 27.0%) to the actual income tax (recovery) expense:

Year ended	December 31, 2019	December 31, 2018
INCOME (LOSS) BEFORE INCOME TAXES	$ 246,865	$ (569,657)
Statutory tax rate	26.5%	27.0%
Expected income tax (recovery) expense	65,419	(153,807)
ADJUSTMENTS RELATED TO THE FOLLOWING:		
Non-taxable portion on foreign exchange (gains) losses, net	(4,060)	6,577
Stock-based compensation	1,098	1,639
Non-taxable portion of (gains) losses on sale of assets and other	(33,573)	722
Impact of tax rate change	67,250	—
Unrecognized deferred income tax asset	(96,134)	144,869
DEFERRED INCOME TAX (RECOVERY) EXPENSE	$ —	$ —

24. CAPITAL MANAGEMENT

Athabasca's capital structure consists of shareholders' equity and its 2022 Notes. Athabasca's objectives when managing its capital structure is to ensure the Company has sufficient funding to develop its core operating properties and a resilient balance sheet with sufficient liquidity to manage periods of market volatility.

Athabasca's capital structure as at December 31, 2019 and December 31, 2018 was as follows:

As at	December 31, 2019	December 31, 2018
2022 Notes (Note 14)	$ 583,425	$ 614,070
Shareholders' Equity	1,220,062	965,949
TOTAL CAPITAL STRUCTURE	$ 1,803,487	$ 1,580,019

As at December 31, 2019, Athabasca's capital resources included $284.3 million of working capital (excluding assets held for sale) and undrawn credit facilities of $85.8 million which include the Credit Facility and Unsecured Letter of Credit Facility. Working capital included cash and cash equivalents of $254.4 million.

25. FINANCIAL INSTRUMENTS RISK

As at December 31, 2019, the Company's consolidated financial assets and liabilities are comprised of cash and cash equivalents, restricted cash, accounts receivable, the capital-carry receivable, long-term deposit, risk management contracts, accounts payable, the contingent payment obligation and long-term debt. The risk management contracts have been classified as Level 2 on the fair value hierarchy and the capital-carry receivable and contingent payment obligation have been classified as Level 3 on the fair value hierarchy.

Credit risk

Credit risk is the risk of financial loss to Athabasca if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Athabasca's cash balances, accounts receivables from petroleum and natural gas marketers and joint interest partners, the capital-carry receivable and risk management contract counterparties.

Athabasca's cash, cash equivalents and restricted cash are held with five counterparties, all of which were 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 and capital-carry receivable is low given the high credit quality of the Company's material counterparties. No material receivables were past due as at December 31, 2019. Athabasca's risk management contracts are held with five counterparties, all of which were large reputable financial institutions, and management concluded that credit risk associated with these risk management contracts is low.

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient available reserves to meet its liquidity requirements at any point in time. The Company expects to achieve this objective through prudent capital spending, an active commodity risk management program (Note 8) and by maintaining sufficient funds for anticipated short-term spending and to manage periods of volatility within its cash, cash equivalent and short-term investment accounts as well as through available credit facilities.

In 2020, it is anticipated that Athabasca's Light Oil and Thermal Oil capital and operating activities will be funded through cash flow from operating activities, the capital-carry receivable, existing cash and cash equivalents and available credit facilities. Beyond 2020, depending on the Company's level of capital spend and the commodity price environment, the Company may require additional funding which could include debt, equity, joint ventures, asset sales or other external financing. The availability of any additional future funding will depend on, among other things, the current commodity price environment, operating performance, the Company's credit rating and the current availability of the equity and debt capital markets.

The Company's significant outstanding financial liabilities consist of the 2022 Notes which mature on February 24, 2022, the Credit Facility with a one year term-out provision to May 31, 2021, the contingent payment obligation ending in 2020 and the lease liability ending in 2025. All other material financial liabilities mature within one year.

Foreign exchange risk

Athabasca is exposed to foreign currency risk on the principal and interest components of its US dollar denominated 2022 Notes (Note 14), the financial assurance amount in Prepaid expenses and deposits related to the firm service transportation agreement entered into during the third quarter of 2019 (Note 26), US dollar denominated cash, cash equivalents, receivables and payables. During the year ended December 31, 2019, Athabasca recognized a $30.0 million foreign exchange gain (year ended December 31, 2018 - $49.9 million loss). As at December 31, 2019, Athabasca's net foreign exchange risk exposure was US$385.0 million and a 5.0% change in the foreign exchange rate (USD:CAD) would result in a $19.3 million change in the foreign exchange gain/loss.

The Company is also exposed to foreign currency risk on crude oil and bitumen 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. Refer to Note 8 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 of $365.0 million (December 31, 2018 - $185.0 million), from a 1.0% change in interest rates, would be approximately $3.7 million for a 12 month period (year ended December 31, 2018 - $1.8 million). The Company is also exposed to interest rate fluctuations on its Credit Facility which is undrawn as at December 31, 2019. The 2022 Notes and letters of credit issued are subject to fixed interest rates and are not exposed to changes in interest rates.

26. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future unrecognized minimum commitments as at December 31, 2019 for the following five years and thereafter:

	2020	2021	2022	2023	2024	Thereafter	Total
Transportation and processing[1]	$125,933	$130,792	$144,275	$236,282	$233,748	$3,872,676	$4,743,706
Interest expense on long-term debt (Note 14)[1]	37,449	57,613	28,806	—	—	—	123,868
Purchase commitments	5,181	—	—	—	—	—	5,181
TOTAL COMMITMENTS	$168,563	$188,405	$173,081	$236,282	$233,748	$3,872,676	$4,872,755

(1) Commitments which are denominated in US dollars were converted into Canadian dollars at the December 31, 2019 exchange rate of US$1.00 = C$1.2965.

In conjunction with the Leismer Infrastructure Transaction (Note 10), Athabasca entered into a new multi-year transportation commitment. Amounts associated with this commitment have been included in the above table.

As disclosed previously, during the third quarter of 2019 Athabasca entered into a 20 year firm service transportation agreement for approximately 7,200 bbl/d of blended bitumen capacity on the existing Keystone pipeline and a development cost agreement in relation to the Keystone XL pipeline. This agreement provides for a US$48.0 million ($62.7 million) conditional payment, which is only payable if shipper agreements on the Keystone XL pipeline were terminated on or before January 31, 2020. In connection with such agreements, Athabasca provided $81.6 million in financial assurances, consisting of $32.4 million (US$25 million) of cash and $49.2 million of letters of credit. The Keystone XL project has not been cancelled however certain regulatory and technical matters have resulted in the extension of shipper agreements to no later than March 31, 2021. Athabasca is evaluating various options under the agreements in order to manage risk and capture value for the Company. Until those options are fully assessed, the conditional payment assurance is still in place.

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.

27. RELATED PARTY TRANSACTIONS

Athabasca has determined that the Company's key management personnel consist of the Company's directors and officers. The compensation and other benefits paid to key management personnel are as follows:

Year ended	December 31, 2019	December 31, 2018
Salaries, fees and short-term employee benefits	$ 4,186	$ 5,173
Termination benefits	—	1,233
Stock-based compensation	2,343	2,665
TOTAL EXECUTIVE COMPENSATION	$ 6,529	$ 9,071

28. 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 consolidated balance sheet to the consolidated statement of cash flows:

Year ended	December 31, 2019	December 31, 2018
Change in accounts receivable	$ (58,514)	$ 72,456
Change in prepaid expenses and deposits	(34,808)	16,096
Change in inventory	(14,566)	11,275
Change in accounts payable and accrued liabilities	16,333	22,158
Unrealized foreign exchange gain (loss) related to working capital	(324)	—
	$ (91,879)	$ 121,985
RELATED TO:		
Operating activities	$ (58,453)	$ 103,787
Financing activities	—	(350)
Investing activities	(33,426)	18,548
NET CHANGE IN NON-CASH WORKING CAPITAL	$ (91,879)	$ 121,985
Cash interest paid	$ 62,076	$ 60,438
Cash interest received	$ 7,901	$ 3,912

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(2)(3)

Robert Broen

Anne Downey(2)

Thomas Ebbern(1)(3)

Carlos Fierro(1)(3)

Marshall McRae(1)

CORPORATE OFFICE

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

WEBSITE

www.atha.com

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

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

BANKS

The Toronto-Dominion Bank
Royal Bank of Canada

AUDITORS

Ernst & Young LLP

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

INDEPENDENT EVALUATORS

McDaniel & Associates Consultants Ltd.

STOCK SYMBOL

ATH
Toronto Stock Exchange

Member of:

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