

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

March 31, 2020



FOCUSED | EXECUTING | DELIVERING

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at (\$ Thousands)	March 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 199,517	\$ 254,389
Accounts receivable	76,626	97,633
Current portion of capital-carry receivable (Note 3)	—	22,602
Prepaid expenses and deposits	46,813	45,013
Inventory (Note 4)	20,164	42,432
Risk management contracts (Note 5)	63,784	—
	406,904	462,069
Restricted cash	110,634	110,609
Long-term deposit (Note 16)	12,577	12,577
Property, plant and equipment (Note 7)	1,067,157	1,505,720
Exploration and evaluation assets	2,588	2,490
	\$ 1,599,860	\$ 2,093,465
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 143,692	\$ 154,795
Risk management contracts (Note 5)	9,813	14,140
Current portion of provisions and other liabilities (Note 9)	5,375	8,809
	158,880	177,744
Long-term debt (Note 8)	617,123	559,687
Provisions and other liabilities (Note 9)	118,802	135,972
	894,805	873,403
SHAREHOLDERS' EQUITY		
Common shares (Note 10)	2,233,756	2,233,396
Contributed surplus	130,593	129,479
Accumulated deficit	(1,659,294)	(1,142,813)
	705,055	1,220,062
	\$ 1,599,860	\$ 2,093,465

Commitments and contingencies (Note 18) and subsequent events (Note 20).

See accompanying notes to the condensed interim consolidated financial statements.

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

(\$ Thousands, except per share amounts)	Three months ended	
	March 31,	
	2020	2019
REVENUE		
Petroleum and natural gas sales (Note 14)	\$ 131,154	\$ 226,127
Interest income	1,623	1,984
Royalties	(1,919)	(3,905)
	130,858	224,206
Unrealized gain (loss) on commodity risk management contracts (Note 5)	68,111	(23,985)
Realized gain (loss) on commodity risk management contracts (Note 5)	21,426	(17,806)
	220,395	182,415
EXPENSES		
Cost of diluent	88,218	78,543
Operating expenses	49,612	43,559
Transportation and marketing	27,197	23,712
General and administrative	5,397	4,949
Stock-based compensation (Note 11)	(559)	1,751
Financing and interest (Note 15)	21,553	20,734
Depletion and depreciation (Note 7)	31,292	35,407
Impairment loss (Note 7)	471,839	—
Exploration expenses	270	626
Total expenses	694,819	209,281
Revenue less Expenses	(474,424)	(26,866)
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss), net (Note 17)	(45,789)	13,610
Gain (loss) on foreign exchange risk management contracts, net	—	(725)
Gain (loss) on revaluation of provisions and other	3,538	(829)
Gain (loss) on sale of assets (Note 6)	194	221,606
Net income (loss) and comprehensive income (loss)	\$ (516,481)	\$ 206,796
BASIC NET INCOME (LOSS) PER SHARE (Note 12)	\$ (0.99)	\$ 0.40
DILUTED NET INCOME (LOSS) PER SHARE (Note 12)	\$ (0.99)	\$ 0.39

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(\$ Thousands)	Three months ended	
	March 31,	
	2020	2019
OPERATING ACTIVITIES		
Net income (loss) and comprehensive income (loss)	\$ (516,481)	\$ 206,796
Items not affecting cash		
Stock-based compensation (Note 11)	(559)	1,751
Net non-cash financing and interest	5,384	4,987
Depletion and depreciation (Note 7)	31,292	35,407
Impairment loss (Note 7)	471,839	—
Non-cash foreign exchange (gain) loss (Note 17)	52,485	(12,870)
Non-cash (gain) loss on risk management contracts (Note 5)	(68,111)	26,325
Non-cash (gain) loss on revaluation of provisions and other	(3,538)	829
(Gain) loss on sale of assets (Note 6)	(194)	(221,606)
Settlement of provisions and other liabilities (Note 9)	(5,995)	(2,791)
Changes in non-cash working capital (Note 19)	30,857	(57,400)
	(3,021)	(18,572)
FINANCING ACTIVITIES		
Payments of lease liabilities (Note 9)	(624)	(565)
Proceeds from exercised equity incentives	16	46
	(608)	(519)
INVESTING ACTIVITIES		
Additions to property, plant and equipment (Note 7)	(76,150)	(52,891)
Additions to exploration and evaluation assets	(96)	(73)
Recovery of capital-carry proceeds (Note 3)	22,740	21,208
Proceeds from sale of assets (Note 6)	194	262,239
(Increase) decrease in restricted cash	(25)	4,671
Changes in non-cash working capital (Note 19)	2,094	(17,721)
	(51,243)	217,433
CHANGE IN CASH AND CASH EQUIVALENTS	(54,872)	198,342
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	254,389	73,898
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 199,517	\$ 272,240

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

(\$ Thousands)	Three months ended	
	March 31,	
	2020	2019
COMMON SHARES (Note 10)		
Balance, beginning of period	\$ 2,233,396	\$ 2,217,963
Exercise of stock options, RSUs and PSUs (Note 11)	360	3,416
Balance, end of period	2,233,756	2,221,379
CONTRIBUTED SURPLUS		
Balance, beginning of period	129,479	134,704
Stock-based compensation (Note 11)	1,458	3,123
Exercise of stock options, RSUs and PSUs (Note 11)	(344)	(3,370)
Balance, end of period	130,593	134,457
ACCUMULATED DEFICIT		
Balance, beginning of period	(1,142,813)	(1,386,718)
Net income (loss)	(516,481)	206,796
Impact of change in accounting policy	—	(2,960)
Balance, end of period	(1,659,294)	(1,182,882)
TOTAL SHAREHOLDERS' EQUITY	\$ 705,055	\$ 1,172,954

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

As at and for the three months ended March 31, 2020.

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

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1. NATURE OF BUSINESS

Athabasca Oil Corporation (“Athabasca” or the “Company”) is an exploration and production company developing Light and Thermal Oil resource plays in the Western Canadian Sedimentary Basin in Alberta, Canada. Athabasca was incorporated on August 23, 2006, under the laws governing the Province of Alberta. The domicile of the Company is 1200, 215 - 9th Avenue SW, Calgary, Alberta. The Company is publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol “ATH”. These unaudited condensed interim consolidated financial statements (“consolidated financial statements”) were authorized for issue by the Board of Directors on May 6, 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”) using International Accounting Standard (“IAS”) 34: *Interim Financial Reporting*. These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which are measured at their estimated fair value. They do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2019. 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, 2019. There were no changes to the Company’s operating segments during the period.

These consolidated financial statements have been prepared on a going concern basis, which assumes that Athabasca will be able to realize its assets and discharge its liabilities in the normal course of business. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Global commodity prices have declined significantly due to reduction in oil demand as countries around the world, including Canada, enact emergency measures to combat the spread of the virus. These measures include the implementation of travel bans, self-imposed quarantine periods and social distancing. The COVID-19 pandemic has

caused a material disruption to global business and a slowdown of the global economy. Governments and central banks have reacted swiftly with significant monetary and fiscal interventions designed to stabilize economic conditions. The current challenging economic climate has and may continue to have significant adverse impacts to global business, the energy industry and our Company, including, but not exclusively:

- declines in revenue and cash flows as a result of the collapse in commodity prices and resulting reductions in production levels;
- reduced capital program for 2020 which is not expected to impact production capability levels this year however further reductions to capital programs could have negative effects on future production levels;
- declines in commodity prices, revenue and cash flows leading to impairment charges (Financial Statement Note 7) and increased risk of onerous contracts related to committed fixed cost contracts;
- increased risk of non-payment of accounts receivable and customer defaults; and
- restructuring charges related to the suspension of its Hangingstone CGU operations (Financial Statement Note 20) as the Company continues to align its operations and structure to adapt to the economic environment.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgements made by management in the preparation of the consolidated financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

3. 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 was 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 was 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	March 31, 2020	December 31, 2019
CAPITAL-CARRY RECEIVABLE, BEGINNING OF PERIOD	\$ 22,602	\$ 79,116
Recovery of capital-carry through capital expenditures	(22,740)	(58,934)
Revisions in expected timing of future capital expenditures	—	(529)
Time value of money accretion	138	2,949
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - DISCOUNTED	\$ —	\$ 22,602
CAPITAL-CARRY RECEIVABLE, END OF PERIOD - UNDISCOUNTED	\$ —	\$ 22,740

As at December 31, 2019, the Company had calculated the net present value of its capital-carry receivable using a credit-adjusted discount rate of 5.0% per annum.

4. INVENTORY

As at	March 31, 2020	December 31, 2019
Product inventory	\$ 9,867	\$ 32,524
Warehouse inventory	10,297	9,908
TOTAL	\$ 20,164	\$ 42,432

For the three months ended March 31, 2020, the Company recognized an expense of \$15.5 million in respect of write-downs of inventory to net realizable value.

5. RISK MANAGEMENT CONTRACTS

Under the Company's commodity risk management program, Athabasca may utilize financial and/or physical delivery contracts to fix the commodity price associated with a portion of its future production in order to manage its exposure to fluctuations in commodity prices.

Financial commodity risk management contracts are valued on the consolidated balance sheet by multiplying the contractual volumes by the differential between the anticipated market price (i.e. forecasted strip price) and the contractual fixed price at each future settlement date. The corresponding change in the asset or liability is recognized as an unrealized gain or loss in net income (loss). As the commodity derivatives are unwound (i.e. settled in cash), Athabasca recognizes a corresponding realized gain or loss in net income (loss). Physical delivery contracts are not considered financial instruments and therefore, no asset or liability is recognized on the consolidated balance sheet.

Athabasca is also exposed to foreign exchange risk on the principal and interest components of its US dollar denominated 2022 Notes and may utilize financial contracts to reduce its exposure to foreign currency risk. As at March 31, 2020, no foreign exchange risk management contracts were in place.

Financial commodity risk management contracts

As at March 31, 2020, the following financial commodity risk management contracts were in place:

Instrument	Period	Volume	C\$ Average Price/bbl ⁽¹⁾		US\$ Average Price/bbl ⁽¹⁾	
<i>Sales contracts</i>						
WTI fixed price swaps	April - June 2020	12,000 bbl/d	\$	71.71	\$	50.54
WTI/WCS differential swaps	April - June 2020	18,000 bbl/d	\$	(25.49)	\$	(17.97)
WTI three way collar	April - June 2020	6,000 bbl/d	\$	70.34 79.21 86.30	\$	49.58 55.83 60.83
WTI fixed price swaps	July - September 2020	3,000 bbl/d	\$	78.07	\$	55.03
WTI/WCS differential swaps	July - September 2020	16,000 bbl/d	\$	(25.23)	\$	(17.78)
WTI three way collar	July - September 2020	6,000 bbl/d	\$	70.34 79.21 86.30	\$	49.58 55.83 60.83
WTI fixed price swaps	October - December 2020	3,000 bbl/d	\$	78.07	\$	55.03
WTI/WCS differential swaps	October - December 2020	11,000 bbl/d	\$	(26.42)	\$	(18.62)
WTI three way collar	October - December 2020	6,000 bbl/d	\$	70.34 79.21 86.30	\$	49.58 55.83 60.83
<i>Purchase contracts</i>						
C5+ fixed price swaps	October - December 2020	1,000 bbl/d	\$	58.17	\$	41.00

(1) The implied C\$ or US\$ Average Price/bbl, as applicable, was calculated using the March 31, 2020 exchange rate of US\$1.00 = C\$1.4187.

As at March 31, 2020, Athabasca had a net commodity risk management asset of \$54.0 million in respect of the commodity risk management contracts (December 31, 2019 - \$14.1 million liability).

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

As at March 31, 2020	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	\$ (10,922)	\$ 10,922	\$ 5,623	\$ (5,623)

6. 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.

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

BALANCE, DECEMBER 31, 2018	\$	1,469,583
PP&E expenditures		198,820
Leased asset		12,570
Non-cash capitalized costs and other ⁽¹⁾		(1,320)
Depletion and depreciation ⁽²⁾		(132,850)
Disposals (Note 6)		(41,083)
BALANCE, DECEMBER 31, 2019	\$	1,505,720
PP&E expenditures		76,150
Non-cash capitalized costs and other ⁽¹⁾		(11,582)
Depletion and depreciation ⁽²⁾		(31,292)
Impairment loss		(471,839)
BALANCE, MARCH 31, 2020	\$	1,067,157

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

(2) For the three months ended March 31, 2020 and for the year ended December 31, 2019, depletion and depreciation includes \$0.5 million and \$2.1 million relating to the Leased asset, respectively.

PP&E consists of the following:

Net book value (As at)	March 31, 2020	December 31, 2019
PP&E at cost ⁽¹⁾	\$ 3,071,807	\$ 3,007,239
Accumulated depletion and depreciation ⁽¹⁾	(621,437)	(590,145)
Accumulated impairment losses	(1,383,213)	(911,374)
TOTAL PP&E	\$ 1,067,157	\$ 1,505,720

(1) As at March 31, 2020, the PP&E cost includes \$12.6 million of Leased asset cost and accumulated depletion and depreciation includes \$2.6 million of accumulated depreciation relating to the Leased asset (as at December 31, 2019 – Leased asset cost of \$12.6 million and accumulated depreciation relating to the Leased asset of \$2.1 million).

As at March 31, 2020, \$82.9 million (December 31, 2019 - \$80.4 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.

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 and regulatory conditions as well as a review of the Company's assets, future development plans and pending land expiries. In this financial reporting period, Athabasca identified indicators of impairment for all its CGUs. The COVID-19 outbreak declared a pandemic by the World Health Organization in March 2020 has caused a significant reduction in oil demand, and an oil price war was initiated in March 2020 whereby oil supply was increased by Saudi Arabia and Russia, causing global commodity prices to decline significantly. In 2019, no indicators of impairment or reversal of previous impairment were identified.

Light Oil

The Light Oil Division consists of the Greater Kaybob and Greater Placid areas (collectively the "Light Oil CGU"). At March 31, 2020, the Company completed an impairment test on its Light Oil CGU which resulted in an estimated recoverable value of \$502 million (based on Value-In-Use ("VIU")), which was below the CGU's carrying value of \$766.0 million resulting in an impairment loss of \$264.0 million.

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. At March 31, 2020, the Hangingstone CGU impairment test (based on VIU) resulted in full impairment of the CGU's net book value of \$207.9 million. The Leismer/Corner CGU impairment test (based on VIU) resulted in the carrying value of the CGU being fully supported. No indicators of impairment reversals were identified for Athabasca's fully impaired Dover West, Birch and Grosmont CGUs.

Impairment Test Assumptions

Future cash flows utilized within the Company's impairment tests were estimated using a 2% inflation rate and discount rates ranging from 11% - 15% based on the nature of the properties included in the CGU and the extent of future funding and development risk. The following table summarizes the price forecasts used in the Company's impairment tests as at March 31, 2020:

	Remaining										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	Thereafter	
WTI (US\$/bbl)	\$ 29.17	\$ 40.45	\$ 49.17	\$ 53.28	\$ 55.66	\$ 56.87	\$ 58.01	\$ 59.17	\$ 60.35	+2.0%/yr	
WCS (C\$/bbl)	\$ 19.21	\$ 34.65	\$ 46.34	\$ 51.25	\$ 54.28	\$ 55.72	\$ 56.96	\$ 58.22	\$ 59.51	+2.0%/yr	
Edm Par (C\$/bbl)	\$ 29.22	\$ 46.85	\$ 59.27	\$ 65.02	\$ 68.43	\$ 69.81	\$ 71.24	\$ 72.70	\$ 74.19	+2.0%/yr	
AECO (C\$/Mcf)	\$ 1.67	\$ 2.12	\$ 2.30	\$ 2.37	\$ 2.45	\$ 2.52	\$ 2.58	\$ 2.64	\$ 2.71	+2.0%/yr	
FX (CAD:USD)	0.71	0.73	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

8. INDEBTEDNESS

As at	March 31, 2020	December 31, 2019
Senior Secured Second Lien Notes ("2022 Notes") ⁽¹⁾	\$ 638,415	\$ 583,425
Debt issuance costs	(47,081)	(47,081)
Amortization of debt issuance costs	25,789	23,343
TOTAL LONG-TERM DEBT	\$ 617,123	\$ 559,687

(1) As at March 31, 2020, the 2022 Notes (as defined below) were translated into Canadian dollars at the period end exchange rate of US\$1.00 = C\$1.4187.

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 March 31, 2020, 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 March 31, 2020, the fair value of the 2022 Notes was \$143.3 million (US\$101.0 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.

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 March 31, 2020, 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 March 31, 2020, the Company had no amounts drawn and had \$41.7 million of letters of credit issued and drawn under the Credit Facility. 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.

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 March 31, 2020, Athabasca had \$109.9 million (December 31, 2019 - \$109.5 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. As at March 31, 2020, \$110.6 million of restricted cash was held in the cash-collateral account (December 31, 2019 - \$110.6 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 2.7%. As at March 31, 2020, the Company had \$26.1 million of letters of credit issued and drawn under the Unsecured Letter of Credit Facility (December 31, 2019 - \$24.8 million).

9. PROVISIONS AND OTHER LIABILITIES

As at	March 31, 2020	December 31, 2019
Decommissioning obligations	\$ 107,776	\$ 121,832
Lease liability	15,687	16,311
Contingent payment obligation	171	1,028
Other obligations	543	5,610
TOTAL PROVISIONS AND OTHER LIABILITIES	\$ 124,177	\$ 144,781
Presented as:		
Current portion of provisions and other liabilities	\$ 5,375	\$ 8,809
Provisions and other liabilities	\$ 118,802	\$ 135,972

Decommissioning obligations

The total future costs to reclaim the Company's oil and gas assets are estimated by management based on Athabasca's ownership interest in wells and facilities, estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods.

The following table reconciles the change in decommissioning obligations:

As at	March 31, 2020	December 31, 2019
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	\$ 121,832	\$ 118,468
Liabilities incurred	203	1,071
Liabilities settled	(1,745)	(3,675)
Liabilities disposed (Note 6)	—	(448)
Change in discount rate	(15,452)	—
Change in estimates	—	(5,192)
Accretion expense	2,938	11,608
DECOMMISSIONING OBLIGATIONS, END OF PERIOD	\$ 107,776	\$ 121,832

At March 31, 2020, the Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2.0% (December 31, 2019 - 2.0%) and a credit-adjusted discount rate of 12.0% per annum (December 31, 2019 - 10.0%). The payments to settle these obligations are expected to occur during a period of up to 50 years due to the long-term nature of the Company's oil and gas assets. The undiscounted amount of estimated inflated future cash flows required to settle the obligations is \$423.9 million (December 31, 2019 - \$422.2 million). A 1.0% change in the credit-adjusted discount rate would impact the discounted value of the decommissioning obligations by approximately \$6.8 million with a corresponding adjustment to PP&E, E&E or net income (loss) if the adjustment is related to fully impaired assets.

Lease liability

On January 1, 2019, upon adoption of IFRS 16, the Company recognized a lease liability 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	March 31, 2020	December 31, 2019
LEASE LIABILITY, BEGINNING OF PERIOD	\$ 16,311	\$ —
Initial recognition of lease liability	—	18,657
Interest expense	394	1,726
Liability settled ⁽¹⁾	(1,018)	(4,072)
LEASE LIABILITY, END OF PERIOD	\$ 15,687	\$ 16,311

(1) In the consolidated statements of cash flows, the liability settled is reported as \$0.6 million of financing activities and \$0.4 million of operating activities for the three months ended March 31, 2020 (year ended December 31, 2019 - \$2.3 million of financing activities and \$1.7 million of operating activities).

Short-term leases and low value leases have not been included in the measurement of the lease liability. For the three months ended March 31, 2020, Athabasca incurred \$1.8 million of expenditures related to short-term and low value leases which have been recognized as incurred (three months ended March 31, 2019 - \$1.9 million).

10. SHAREHOLDERS' EQUITY

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

As at	Three months ended March 31, 2020		Year ended December 31, 2019	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	523,452,277	\$ 2,233,396	515,889,687	\$ 2,217,963
Exercise of stock options, RSUs and PSUs (Note 11)	156,667	360	7,562,590	15,433
BALANCE, END OF PERIOD	523,608,944	\$ 2,233,756	523,452,277	\$ 2,233,396

11. 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	March 31, 2020	December 31, 2019
Stock options ⁽¹⁾	7,356,933	8,432,067
RSUs (2010 RSU Plan)	—	156,667
RSUs (2015 RSU Plan)	13,754,726	14,956,090
PSUs	4,356,006	5,134,200
DSUs ⁽²⁾	3,885,480	3,577,464
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	29,353,145	32,256,488

(1) The weighted average exercise price of the Company's outstanding stock options as at March 31, 2020 was \$1.88 per share with a range of \$0.41 - \$7.31 per share.

(2) The DSU plan is a cash-settled stock-based compensation plan and is recognized as a liability on the consolidated balance sheet.

As at March 31, 2020, total outstanding equity compensation units decreased by 2.9 million compared to December 31, 2019. The decrease was primarily due to 3.2 million of expired and forfeited units, as well as 0.2 million of exercised units, partially offset by 0.5 million units granted.

On May 4, 2020, Athabasca had total outstanding equity compensation units of 39.4 million including 8.7 million units issued in April 2020 under a new "Phantom Share Unit" plan. The units issued under this new plan will generally vest evenly over three years, have no exercise price and automatically settle in cash on each vesting date at an amount equivalent to the share price at that date. Accordingly, the "Phantom Share Unit" plan is a cash-settled share-based compensation plan. Refer to the December 31, 2019 audited consolidated financial statements of the Company for further information on the Company's other stock-based compensation plans.

12. PER SHARE AMOUNTS

	Three months ended March 31, 2020		2019
Weighted average shares outstanding - basic	523,595,977	516,011,483	
Dilutive effect of stock options, RSUs and PSUs	—	8,719,560	
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	523,595,977	524,731,043	

Dilutive securities will have a dilutive effect on the weighted average shares outstanding when the average market price of the common shares during the period exceeds the sum of the exercise price of the securities and the unamortized stock-based compensation expense. For the three months ended March 31, 2020, 25,467,665 in anti-dilutive securities were excluded from the diluted net income (loss) per share calculation as their effect is anti-dilutive (three months ended March 31, 2019 - 8,586,933).

13. SEGMENTED INFORMATION

Segmented operating results

Three months ended March 31,	Light Oil		Thermal Oil		Eliminations ⁽¹⁾		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
SEGMENT REVENUES								
Petroleum & natural gas sales	\$ 24,347	\$ 43,778	\$ 114,153	\$ 182,349	\$ (7,346)	\$ —	\$ 131,154	\$ 226,127
Royalties	(984)	(1,895)	(935)	(2,010)	—	—	(1,919)	(3,905)
	23,363	41,883	113,218	180,339	(7,346)	—	129,235	222,222
SEGMENT EXPENSES & OTHER								
Cost of diluent	—	—	95,564	78,543	(7,346)	—	88,218	78,543
Operating expenses	6,991	5,811	42,621	37,748	—	—	49,612	43,559
Transportation and marketing	3,589	4,792	23,608	18,920	—	—	27,197	23,712
Depletion and depreciation	15,326	19,916	15,119	14,559	—	—	30,445	34,475
Impairment loss	263,955	—	207,884	—	—	—	471,839	—
Exploration expenses	—	—	270	626	—	—	270	626
(Gain) loss on sale of assets	—	1,205	(194)	(222,811)	—	—	(194)	(221,606)
	289,861	31,724	384,872	(72,415)	(7,346)	—	667,387	(40,691)
Gain (loss) on commodity risk management contracts, net							89,537	(41,791)
Segment income (loss)	\$(266,498)	\$ 10,159	\$(271,654)	\$ 252,754	\$ —	\$ —	\$(448,615)	\$ 221,122
CORPORATE								
Interest income							1,623	1,984
Financing and interest							(21,553)	(20,734)
General and administrative							(5,397)	(4,949)
Stock-based compensation							559	(1,751)
Depreciation							(847)	(932)
Foreign exchange gain (loss), net							(45,789)	13,610
Gain (loss) on foreign exchange risk management contracts, net							—	(725)
Gain (loss) on revaluation of provisions and other							3,538	(829)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)							\$(516,481)	\$ 206,796

(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

	Three months ended March 31,	
	2020	2019
LIGHT OIL⁽¹⁾		
Property, plant and equipment	\$ 58,527	\$ 29,855
THERMAL OIL		
Property, plant and equipment	17,600	23,036
Exploration and evaluation	96	73
	17,696	23,109
CORPORATE		
Corporate assets	23	—
TOTAL CAPITAL SPENDING⁽¹⁾⁽²⁾⁽³⁾	\$ 76,246	\$ 52,964

(1) Including the recovery of the capital-carry, Athabasca's net cash outflow from capital expenditures during the three months ended March 31, 2020 was \$53.5 million (three months ended March 31, 2019 - \$31.8 million) and in the Light Oil Division was \$35.8 million (three months ended March 31, 2019 - \$8.6 million).

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

(3) For the three months ended March 31, 2020, expenditures include cash capitalized staff costs of \$2.3 million (three months ended March 31, 2019 - \$2.2 million).

Segmented assets

Net book value (As at)	March 31, 2020	December 31, 2019
LIGHT OIL		
Capital-carry receivable (current and long-term) (Note 3)	\$ —	\$ 22,602
Property, plant and equipment	511,426	734,448
	511,426	757,050
THERMAL OIL		
Inventory	20,164	42,432
Property, plant and equipment	542,184	756,901
Exploration and evaluation	2,588	2,490
	564,936	801,823
CORPORATE		
Current assets ⁽¹⁾	386,740	397,035
Restricted cash	110,634	110,609
Long-term deposit (Note 16)	12,577	12,577
Property, plant and equipment	13,547	14,371
	523,498	534,592
TOTAL ASSETS	\$ 1,599,860	\$ 2,093,465

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

14. REVENUE

The following table summarizes Athabasca's revenue by product:

	Three months ended March 31,	
	2020	2019
Blended bitumen	\$ 114,153	\$ 182,349
Oil and condensate	19,768	29,971
Natural gas	3,724	9,955
Natural gas liquids	855	3,852
Eliminations - inter-segment sales	(7,346)	—
TOTAL REVENUE	\$ 131,154	\$ 226,127

15. FINANCING AND INTEREST

	Three months ended March 31,	
	2020	2019
Financing and interest expense on indebtedness (Note 8)	\$ 15,739	\$ 15,195
Amortization of debt issuance costs (Note 8)	2,482	2,240
Accretion of provisions (Note 9)	2,938	2,846
Interest expense on lease liability (Note 9)	394	453
TOTAL FINANCING AND INTEREST	\$ 21,553	\$ 20,734

16. INCOME TAXES

From time to time, Athabasca undergoes income tax audits in the normal course of business. The Company has received notice of reassessments from the Canada Revenue Agency ("CRA"). While the final outcome of such reassessments cannot be predicted with certainty, Athabasca has received legal advice that confirms its position as filed and believes it is likely to be successful in appealing the reassessments. As such, the Company has not recognized any provision in its consolidated financial statements with respect to the reassessments and has posted a \$12.6 million deposit with the CRA while objecting the reassessments.

As at March 31, 2020, the Company has approximately \$3.3 billion in tax pools, including approximately \$2.2 billion in non-capital losses and exploration tax pools available for immediate deduction against future income.

17. FINANCIAL INSTRUMENTS RISK

As at March 31, 2020, the Company's consolidated financial assets and liabilities are comprised of cash and cash equivalents, restricted cash, accounts 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 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 is low given the high credit quality of the Company's material counterparties. No material receivables were past due as at March 31, 2020. 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 5) and by maintaining sufficient liquidity to manage periods of volatility within its cash, cash equivalent and short-term investment accounts as well as through available credit facilities.

For the balance of 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, 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 its ability to access the equity and debt capital markets.

The Company's significant outstanding financial liabilities consist of the 2022 Notes which mature on February 24, 2022, 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. The Company's future unrecognized commitments are disclosed in Note 18.

Foreign exchange risk

Athabasca is exposed to foreign currency risk on the principal and interest components of its US dollar denominated 2022 Notes (Note 8), the financial assurance amount in Prepaid expenses and deposits related to the firm service transportation agreement entered into during the third quarter of 2019, US dollar denominated cash, cash equivalents, receivables and payables. During the three months ended March 31, 2020, Athabasca recognized a \$45.8 million foreign exchange loss (three months ended March 31, 2019 - \$13.6 million gain). As at March 31, 2020, Athabasca's net foreign exchange risk exposure was US\$357.8 million and a 5.0% change in the foreign exchange rate (USD:CAD) would result in a \$25.4 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 as well as managing capital programs and production levels to maximize the value of recoverable resources. Refer to Note 5 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 \$310.2 million (December 31, 2019 - \$365.0 million), from a 1.0% change in interest rates, would be approximately \$3.1 million for a 12 month period (year ended December 31, 2019 - \$3.7 million). The Company is also exposed to interest rate fluctuations on its Credit Facility which is undrawn as at March 31, 2020. The 2022 Notes and letters of credit issued are subject to fixed interest rates and are not exposed to changes in interest rates.

18. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future unrecognized minimum commitments as at March 31, 2020 for the following five years and thereafter:

	Remaining						Total
	2020	2021	2022	2023	2024	Thereafter	
Transportation and processing ⁽¹⁾	\$ 95,136	\$132,234	\$128,743	\$207,529	\$241,538	\$4,063,335	\$4,868,515
Interest expense on long-term debt (Note 8) ⁽¹⁾	25,217	63,043	31,523	—	—	—	119,783
Purchase commitments	14,572	4,295	—	—	—	—	18,867
TOTAL COMMITMENTS	\$ 134,925	\$199,572	\$160,266	\$207,529	\$241,538	\$4,063,335	\$5,007,165

(1) Commitments which are denominated in US dollars were converted into Canadian dollars at the March 31, 2020 exchange rate of US\$1.00 = C\$1.4187.

In April 2020, Athabasca reassigned 15,000 bbl/d of its Keystone XL pipeline transportation commitment to a third party and accordingly \$884.3 million of the total related transportation commitment included above will be removed from future disclosures. The Company retained 10,000 bbl/d of capacity commitments on Keystone XL.

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 (\$68.1 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 \$89.0 million in financial assurances, consisting of \$35.5 million (US\$25 million) of cash and \$53.5 million of letters of credit. TC Energy and the Alberta Government announced on March 31, 2020 that the Alberta Government would provide financial support in the form of a \$1.5 billion equity investment in 2020 and \$6 billion of loan guarantees in 2021, enabling completion of the Keystone XL pipeline. As a result, the project resumed construction on April 1, 2020. The Keystone XL project has clearly 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.

19. 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:

	Three months ended	
	March 31, 2020	2019
Change in accounts receivable	\$ 21,007	\$ (70,646)
Change in prepaid expenses and deposits	(1,800)	(1,384)
Change in inventory	22,268	(7,769)
Change in accounts payable and accrued liabilities	(11,103)	4,678
Unrealized foreign exchange gain (loss) related to working capital	2,579	—
	\$ 32,951	\$ (75,121)
RELATED TO:		
Operating activities	\$ 30,857	\$ (57,400)
Investing activities	2,094	(17,721)
NET CHANGE IN NON-CASH WORKING CAPITAL	\$ 32,951	\$ (75,121)
Cash interest paid	\$ 30,431	\$ 29,859
Cash interest received	\$ 1,831	\$ 1,819

20. SUBSEQUENT EVENTS

The Hangingstone CGU was fully impaired as at March 31, 2020 driven by a significant decline in commodity prices (Note 7). On April 2, 2020, the Company decided to suspend its Hangingstone CGU's operations due to the significant decline in oil prices combined with the economic uncertainty associated with the ongoing COVID-19 crisis. This suspension will involve shutting in the well pairs, halting steam injection to the reservoir, and taking measures to preserve the processing facility and pipelines in a safe manner so that it could be re-started at a future date when the economy has recovered. In addition, this decision resulted in a 15% decrease in the corporate staff count. It is estimated that the restructuring costs directly associated with the suspension of the Hangingstone SAGD operation including severances will be approximately \$5.3 million of which most will be incurred in the second quarter of 2020.

On April 28, 2020, Athabasca upsized the previously completed Contingent Bitumen Royalty with Burgess Energy Holdings L.L.C. (the "Royalty") for additional cash consideration of \$70 million.

CORPORATE INFORMATION

MANAGEMENT

Robert Broen
President & Chief Executive Officer

Matthew Taylor
Chief Financial Officer

Karla Ingoldsby
Vice President, Thermal Oil

Mike Wojcichowsky
Vice President, Light Oil

DIRECTORS

Ronald Eckhardt⁽²⁾
Chair

Bryan Begley⁽¹⁾⁽³⁾

Robert Broen

Anne Downey⁽²⁾

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

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BANKS

The Toronto-Dominion Bank
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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