Consolidated Financial Statements

December 31, 2020

ATHABASCA OIL CORPORATION

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, 2020.

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, 2020. 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 3, 2021

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 Company), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, 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 Company as at December 31, 2020 and 2019, 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 Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment and impairment reversal of property, plant and equipment.

The Company's balance sheet includes $976 million in property, plant and equipment. For the year-ended December 31, 2020, an impairment charge of $472 million was recorded with respect to the Light Oil and Hangingstone cash-generating units ("CGU"). Note 3 of the consolidated financial statements describes the Company's accounting policy for impairment. Note 13 of the consolidated financial statements includes the Company's impairment disclosures. The Company performs an assessment of each CGU for indicators of impairment or impairment reversal at each reporting date. Where indicators of impairment or reversal are identified, the CGU's recoverable amount is quantified to determine the impairment loss or impairment reversal required. The recoverable amount of the CGUs was determined by using the value-in-use method, whereby the net cash flows from the Company's Proved plus Probable Reserves and/or Contingent Resources adjusted for taxes and general and administrative expenses as well as estimated land value for acreages which do not, at present, have proved plus probable reserves or contingent resources assigned.

Auditing the Company's estimated recoverable amount was complex due to the subjective nature of the various management inputs and assumptions and the significant effect changes in these would have on the recoverable amount. Additionally, the evaluation of this estimate required specialized skills and knowledge. The primary inputs noted in value in use were the discount rate, and cash flows from the Company's Proved plus Probable Reserves and/or Contingent Resources.

To test the Company's estimated recoverable amount, we performed the following procedures, among others:

- As the work of management's experts was used in performing our procedures to evaluate the reasonableness of oil and gas reserves used in determining the recoverable amount of each of the Company's CGUs, we evaluated management's experts' competence, capability and objectivity as well as obtained an understanding of the work they performed. The appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the methods and assumptions.
- Involved our internal valuation specialists to assess the methodology applied and the various inputs utilized in determining the discount rate by referencing current industry, economic, and comparable company information, as well as company and cash-flow specific risk premiums.
- Compared forward price estimates of crude oil, natural gas and liquids against historically realized prices and to other reputable third-party forecasts.
- Assessed forecasted production, royalties, operating cost, and capital cost data by comparing it to historical performance of the Company.
- We assessed the undeveloped land by agreeing to reserve estimates and market transactions.
- We assessed the completeness and accuracy of the Company's impairment disclosures in note 13 of the consolidated financial statements.

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 Company 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Ernst & Young LLP

Calgary, Canada
March 3, 2021

CONSOLIDATED BALANCE SHEETS

As at ($ Thousands)	December 31, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	$ 165,201	$ 254,389
Accounts receivable (Note 5)	62,528	97,633
Capital-carry receivable (Note 6)	—	22,602
Prepaid expenses and deposits (Note 28)	11,649	45,013
Inventory (Note 7)	30,350	42,432
	269,728	462,069
Restricted cash (Notes 9 and 28)	135,624	110,609
Long-term deposits (Notes 25 and 28)	44,407	12,577
Property, plant and equipment (Note 11)	975,987	1,505,720
Exploration and evaluation assets (Note 12)	238	2,490
	$ 1,425,984	$ 2,093,465
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 103,999	$ 154,795
Risk management contracts (Note 8)	811	14,140
Current portion of provisions and other liabilities (Note 15)	5,054	8,809
	109,864	177,744
Long-term debt (Note 14)	559,498	559,687
Provisions and other liabilities (Note 15)	189,597	135,972
	858,959	873,403
SHAREHOLDERS' EQUITY		
Common shares (Note 16)	2,241,880	2,233,396
Contributed surplus	125,483	129,479
Accumulated deficit	(1,800,338)	(1,142,813)
	567,025	1,220,062
	$ 1,425,984	$ 2,093,465

Commitments and contingencies (Note 28).

See accompanying notes to the consolidated financial statements.

Approved by the Board:

(Signed) *(Signed)*

Ronald Eckhardt
Chairman

Carlos Fierro
Director

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

($ Thousands, except per share amounts)	Year ended December 31, 2020	2019
REVENUE		
Petroleum and natural gas sales (Note 20)	$ 464,648	$ 836,933
Interest income	2,965	8,152
Royalties	(6,090)	(16,183)
	461,523	828,902
Unrealized gain (loss) on commodity risk management contracts (Note 8)	13,329	(2,437)
Realized gain (loss) on commodity risk management contracts (Note 8)	29,149	(43,981)
	504,001	782,484
EXPENSES		
Cost of diluent	185,508	268,793
Operating expenses	137,357	173,601
Transportation and marketing	83,831	101,156
General and administrative	19,431	22,645
Restructuring expenses (Note 21)	5,703	—
Stock-based compensation (Note 17)	2,821	6,755
Financing and interest (Note 23)	86,402	83,839
Depletion and depreciation (Note 11)	113,165	132,850
Impairment loss (Note 13)	471,839	—
Exploration and non-producing asset expenses (Note 22)	22,410	2,330
Total expenses	1,128,467	791,969
Revenue less expenses	(624,466)	(9,485)
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss), net (Note 27)	6,724	29,999
Gain (loss) on foreign exchange risk management contracts, net (Note 8)	—	(762)
Gain (loss) on revaluation of provisions and other (Note 24)	(61,072)	4,460
Gain (loss) on sale of assets (Note 10)	21,289	222,653
Net income (loss) and comprehensive income (loss)	$ (657,525)	$ 246,865
BASIC NET INCOME (LOSS) PER SHARE (Note 18)	$ (1.24)	$ 0.47
DILUTED NET INCOME (LOSS) PER SHARE (Note 18)	$ (1.24)	$ 0.47

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

($ Thousands)	Year ended December 31, 2020	2019
OPERATING ACTIVITIES		
Net income (loss)	$ (657,525)	$ 246,865
Items not affecting cash		
Stock-based compensation (Note 17)	3,281	6,755
Net non-cash financing and interest	22,810	20,791
Depletion and depreciation (Note 11)	113,165	132,850
Impairment loss (Note 13)	471,839	—
Non-cash foreign exchange (gain) loss (Note 27)	(4,454)	(30,320)
Non-cash (gain) loss on risk management contracts (Note 8)	(13,329)	4,932
Non-cash (gain) loss on revaluation of provisions and other (Note 24)	61,072	(4,460)
(Gain) loss on sale of assets (Note 10)	(21,289)	(222,653)
Settlement of provisions (Note 15)	(10,150)	(3,675)
Changes in non-cash working capital and other liabilities (Note 30)	11,670	(58,453)
	(22,910)	92,632
FINANCING ACTIVITIES		
Payments of lease liabilities (Note 15)	(2,592)	(2,346)
Proceeds from exercised equity incentives (Note 17)	16	103
	(2,576)	(2,243)
INVESTING ACTIVITIES		
Additions to property, plant and equipment (Note 11)	(111,322)	(198,820)
Additions to exploration and evaluation assets (Note 12)	(318)	(321)
Recovery of capital-carry proceeds (Note 6)	22,740	58,934
Proceeds from sale of assets (Note 10)	70,289	263,288
(Increase) decrease in restricted cash (Note 9)	(27,931)	447
Changes in non-cash working capital and other liabilities (Note 30)	(14,448)	(33,426)
	(60,990)	90,102
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	(2,712)	—
CHANGE IN CASH AND CASH EQUIVALENTS	(89,188)	180,491
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	254,389	73,898
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 165,201	$ 254,389

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

($ Thousands)	Year ended December 31, 2020	2019
COMMON SHARES (Note 16)		
Balance, beginning of period	$ 2,233,396	$ 2,217,963
Exercise of stock options, RSUs and PSUs (Note 17)	8,484	15,433
Balance, end of period	2,241,880	2,233,396
CONTRIBUTED SURPLUS		
Balance, beginning of period	129,479	134,704
Stock-based compensation (Note 17)	4,472	10,105
Exercise of stock options, RSUs and PSUs (Note 17)	(8,468)	(15,330)
Balance, end of period	125,483	129,479
ACCUMULATED DEFICIT		
Balance, beginning of period	(1,142,813)	(1,386,718)
Net income (loss)	(657,525)	246,865
Impact of change in accounting policy (Note 15)	—	(2,960)
Balance, end of period	(1,800,338)	(1,142,813)
TOTAL SHAREHOLDERS' EQUITY	$ 567,025	$ 1,220,062

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended December 31, 2020.

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

1. NATURE OF BUSINESS

Athabasca Oil Corporation ("Athabasca" or the "Company") is an exploration and production company developing 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 3, 2021.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") 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, 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.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Global commodity prices declined significantly due to a reduction in oil demand as countries around the world, including Canada, enacted emergency measures to combat the spread of the virus. Throughout the second half of 2020, economies have started to reopen along with positive developments on the vaccine front leading to a strong recovery in oil prices. The significant impacts of the COVID-19 pandemic on Athabasca include:

- declines in revenue and cash flows as a result of the collapse in commodity prices and resulting in production curtailments;
- reduced capital program for 2020 which did not impact production capability levels in 2020 however continued reduced capital programs could have negative effects on future production levels;
- declines in commodity prices, revenue and cash flows leading to impairment charges (Note 13) and increased risk of onerous contracts related to committed fixed cost contracts;
- increased risk of non-payment of accounts receivable and customer defaults; and
- non-producing asset expenses and restructuring charges related to the suspension of the Hangingstone operations (Notes 21 and 22).

Estimates and judgements made by management in the preparation of the consolidated financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

3. 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).

Judgment was applied in determining the recording of the Provision for the Keystone XL pipeline project (Note 15) and the current/non-current classification.

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 bitumen, light crude oil and medium crude oil, tight oil, conventional natural gas, shale gas and NGLs, 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, tax pools, quantity of reserves and resources, discount rates, recovery rates, timing of anticipated ramp-up of production, and future development, regulatory, carbon 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 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 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, 2020 and as at December 31, 2019, Athabasca did not recognize deductible temporary differences in respect of income tax assets (Note 25).

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).

Accounting Policies

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 light crude oil and medium crude oil, tight oil, conventional natural gas, shale gas and NGLs 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 consists of cash held in restricted accounts used to secure letters of credit issued as security in respect of transportation commitments and is reported as 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 in 2019 the capital-carry receivable. The capital-carry receivable was discounted due to the longer-term nature of the instrument in order to reflect its fair value. Time value of money accretion income was recognized in the period as the capital-carry receivable was 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 heavy crude oil (i.e. dilbit), NGLs (i.e. diluent) 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 developed producing reserves.

Depreciation of corporate assets is calculated using the straight-line method over the estimated useful life of the asset, ranging from three 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 unless the balance is fully de-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.

Leases

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 right-of-use asset ("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 sales of heavy crude oil (i.e. blended bitumen), sales from light crude oil (i.e. light/medium crude oil, tight oil and NGL condensate), sales from natural gas (i.e. conventional natural gas and shale gas), and sales from other NGLs.

Revenue 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"), deferred share units ("DSUs") and phantom share units ("PUPs"). Other than the DSUs and PUPs, 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 and PUPs are a cash-settled share-based compensation plans. DSUs are expensed immediately upon grant and a liability is recognized. PUPs fair value is expensed over the vesting period with a corresponding liability recognized. The liability under both plans 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).

Government Grants

Government grants are recognized when there is reasonable assurance that the Company will comply with the conditions attaching to it, and that the grant will be received. Grants related to income are recorded in the consolidated statement of income (loss) in the period that the income is earned, or the eligible expense is incurred. Grants related to assets are deducted from the carrying value of the asset and recognized in the consolidated statement of income (loss) over the useful life of the depreciable asset.

4. CASH AND CASH EQUIVALENTS

As at December 31, 2020 and December 31, 2019, 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, 2020		December 31, 2019
Petroleum and natural gas receivables	$	55,951	$	63,820
Joint interest billings		3,135		30,858
Risk management (realized), government and other receivables		3,442		2,955
TOTAL	$	62,528	$	97,633

Management has concluded that collection risk of the outstanding accounts receivable as at December 31, 2020 is low given the high credit quality of the Company's material counterparties. No material amounts were past due as at December 31, 2020.

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 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		December 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

The Company had calculated the net present value of its capital-carry receivable using a credit-adjusted discount rate of 5.0% per annum (December 31, 2019 - 5.0% per annum). The capital-carry receivable was classified as Level 3 on the fair value hierarchy.

7. INVENTORY

As at		December 31, 2020		December 31, 2019
Product inventory	$	19,724	$	32,524
Warehouse inventory		10,626		9,908
TOTAL	$	30,350	$	42,432

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 (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 December 31, 2020 and 2019, no foreign exchange risk management contracts were in place.

Financial commodity risk management contracts

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

Instrument	Period	Volume		C$ Average Price(1)		US$ Average Price(1)
Sales contracts				*C$/bbl*		*US$/bbl*
WTI collar	January - March 2021	11,000 bbl/d	$	50.80 - 58.10	$	39.90 - 45.63
WTI three way collar	January - June 2021	7,000 bbl/d	$	50.93|57.29|72.64	$	40.00|45.00|57.05
WTI sold call options(2)	April - June 2021	8,900 bbl/d	$	70.03	$	55.00
WTI sold call options(2)	July - December 2021	15,900 bbl/d	$	71.18	$	55.90
WTI/WCS differential swaps	January - March 2021	18,000 bbl/d	$	(18.38)	$	(14.44)
WTI/WCS differential swaps	April - September 2021	7,500 bbl/d	$	(15.26)	$	(11.98)
Purchase contracts				*C$/GJ*		*US$/GJ*
AECO fixed price swaps	January - December 2021	10,000 GJ/d	$	2.73	$	2.14

(1) The implied C$ or US$ Average Price/bbl, as applicable, was calculated using the December 31, 2020 exchange rate of US$1.00 = C$1.2732.
(2) These WTI call options were sold to a counterparty to enhance the October 2020 to March 2021 WTI collars at the price detailed in the above table.

As at December 31, 2020, Athabasca's commodity risk management contracts were held with a single counterparty, which is a large reputable financial institution. The Company concluded that credit risk associated with commodity risk management contracts is low. Commodity risk management contracts have been classified as Level 2 on the fair value hierarchy.

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, 2020						As at December 31, 2019					
		Asset		Liability		Net		Asset		Liability		Net
RISK MANAGEMENT CONTRACTS, GROSS	$	4,623	$	(5,434)	$	(811)	$	1,348	$	(15,488)	$	(14,140)
Individual counterparty offsets		(4,623)		4,623		—		(1,348)		1,348		—
RISK MANAGEMENT CONTRACTS, NET	$	—	$	(811)	$	(811)	$	—	$	(14,140)	$	(14,140)

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

As at December 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	$	(6,266)	$	5,996	$	3,773	$	(3,773)

Additional financial commodity risk management activity related to 2021 has taken place subsequent to December 31, 2020, as noted in the table below:

Instrument	Period	Volume		C$ Average Price/bbl(1)		US$ Average Price/bbl(1)
Sales contracts						
WTI/WCS differential swaps	July - September 2021	5,000 bbl/d	$	15.60	$	12.25
WTI/WCS differential swaps	October - December 2021	5,000 bbl/d	$	16.49	$	12.95

(1) The implied C$ or US$ Average Price/bbl, as applicable, was calculated using the December 31, 2020 exchange rate of US$1.00 = C$C$1.2732.

9. RESTRICTED CASH

Restricted cash consists of restricted, interest-bearing, cash-collateral accounts (the "Cash-Collateral Accounts") 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 $120.0 million cash-collateralized letter of credit facility (the "Letter of Credit Facility") and the Company's $38.0 million senior extendible revolving term credit facility (the "Credit Facility") (Note 14). As at December 31, 2020, $135.6 million was held in the Cash-Collateral Accounts (December 31, 2019 - $110.6 million), of which $30.1 million relates to the pipeline provision (Note 15).

10. SALE OF ASSETS

Thermal Oil Contingent Bitumen Royalty Transaction

In 2016 and 2017, Athabasca granted a Contingent Bitumen Royalty (the "Royalty") on its Thermal Oil assets to Burgess Energy Holdings L.L.C. ("Burgess") for gross cash proceeds of $397.0 million. On April 28, 2020, Athabasca upsized the Royalty for cash consideration of $70.0 million, bringing the total gross proceeds received by the Company from the sale of the Royalty to $467.0 million.

The upsized Royalty included amending the royalty rate scale and oil price thresholds at Leismer, Hangingstone and Corner ("Amended Royalty") with the royalty scale and oil price thresholds for the other Thermal Oil assets remaining the same. The Amended Royalty at Leismer, Hangingstone and Corner follows the same structure as the existing contingent bitumen royalties and ensures the Thermal Oil assets are not encumbered at low commodity prices. The Amended Royalty is based on a scale from 0% – 15% with a Western Canadian Select ("WCS") heavy benchmark. At prices below US$60 WCS the rate is 0% (US$75 implied WTI assuming a US$15 WCS differential), the minimum 2.5% rate is triggered at US$60 WCS with a sliding scale up to 15% at US$100 WCS (previously US$140 WCS). The Royalty is applied to Athabasca's realized bitumen price (C$), which is determined net of diluent, transportation and storage costs. The Royalty has no associated commitments to develop future expansions or projects. No amounts have been paid or are currently payable in respect of the Royalty to Burgess.

The upsizing of the Royalty resulted in the derecognition of $46.4 million of property, plant and equipment ("PP&E") and $2.6 million of exploration and evaluation ("E&E") assets related to the Leismer/Corner CGU, and a gain of $21.0 million for the other Thermal Oil CGUs.

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, 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 10)		(41,083)
BALANCE, DECEMBER 31, 2019	$	1,505,720
PP&E expenditures		111,322
Non-cash capitalized costs and other(1)		(9,639)
Depletion and depreciation(2)		(113,165)
Impairment loss (Note 13)		(471,839)
Disposals (Note 10)		(46,412)
BALANCE, DECEMBER 31, 2020	$	975,987

(1) Non-cash capitalized costs relate to capitalized stock-based compensation and decommissioning obligation assets.
(2) Depletion and depreciation for the year ended December 31, 2020 includes $2.1 million of depreciation relating to the Leased Asset (year ended December 31, 2019 - $2.1 million).

PP&E consists of the following:

Net book value (As at)		December 31, 2020		December 31, 2019
PP&E at cost(1)	$	3,062,510	$	3,007,239
Accumulated depletion and depreciation(1)		(703,310)		(590,145)
Accumulated impairment losses		(1,383,213)		(911,374)
TOTAL PP&E	$	975,987	$	1,505,720

(1) As at December 31, 2020, the PP&E cost includes $12.6 million of Leased Asset cost and accumulated depletion and depreciation includes $4.2 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 December 31, 2020, $74.5 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.

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

BALANCE, DECEMBER 31, 2018	$	2,147
E&E expenditures		321
Non-cash capitalized costs(1)		22
BALANCE, DECEMBER 31, 2019	$	2,490
E&E expenditures		318
Non-cash capitalized costs(1)		18
Disposals (Note 10)		(2,588)
BALANCE, DECEMBER 31, 2020	$	238

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

The Dover West, Grosmont and Birch CGUs were fully impaired as at December 31, 2018. For the year ended December 31, 2020, the Company expensed $2.1 million of related cash costs (year ended December 31, 2019 - $2.3 million) and a gain of $4.9 million related to changes in non-cash decommissioning obligation assets (year ended December 31, 2019 – gain of $2.1 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. The Light Oil Division consists of the Greater Kaybob and Greater Placid areas (collectively the "Light Oil CGU"). The Thermal Oil Division consisted of the Leismer/Corner, Hangingstone, Dover West, Birch and Grosmont 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 2019 no indicators of impairment or reversal of previous impairment were identified.

In the first quarter of 2020, Athabasca identified indicators of impairment for all its CGUs due to the significant global commodity price declines during the initial stages of the COVID-19 pandemic. As a result, 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 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 at March 31, 2020. 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.

As at December 31, 2020, Athabasca identified further indicators of impairment within the Light Oil CGU due to changes in timing of development plans, and indicators of impairment reversal within the Hangingstone CGU due to the restart of operations. Accordingly, impairment tests were completed on those respective CGUs, resulting in no impairment or impairment reversals. There were no indicators of impairment or impairment reversals identified in the Company’s remaining CGUs.

Impairment Test Assumptions – March 31, 2020

The recoverable amount used in all impairment tests was based on VIU. Future cash flows utilized within the March 31, 2020 impairment tests were estimated using after-tax discount rates ranging from 11% - 15%. 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

Impairment Test Assumptions – December 31, 2020

The recoverable amount of the Light Oil CGU was based on its VIU. Future cash flows utilized within the December 31, 2020 impairment test were estimated using an after-tax discount rate of 10.5%. The following demonstrates the sensitivities of the estimated recoverable amount of the Light Oil CGU to reasonably possible changes in the key assumptions:

- If the discount rate was increased 1% to 11.5%, the PP&E assets would decrease $34 million.
- If the price forecasts decreased 5%, the PP&E assets would decrease $80 million.

The recoverable amount used in the Hangingstone impairment reversal test was based on VIU. Future cash flows utilized within the December 31, 2020 impairment reversal test were estimated using an after-tax discount rate of 14.5%. If the price forecasts increased 5%, the PP&E assets would increase $34 million. Discount rate changes have a negligible impact at current price forecasts.

The following table summarizes the price forecasts used in the Company’s impairment tests as at December 31, 2020:

	2021	2022	2023	2024	2025	2026	2027	2028	Thereafter
WTI (US$/bbl)	$ 47.17	$ 50.17	$ 53.17	$ 54.97	$ 56.07	$ 57.19	$ 58.34	$ 59.50	+2.0%/yr
WCS (C$/bbl)	$ 44.63	$ 48.18	$ 52.10	$ 54.10	$ 55.19	$ 56.29	$ 57.42	$ 58.57	+2.0%/yr
Edm Par (C$/bbl)	$ 55.76	$ 59.89	$ 63.48	$ 65.76	$ 67.13	$ 68.53	$ 69.95	$ 71.40	+2.0%/yr
AECO (C$/Mcf)	$ 2.78	$ 2.70	$ 2.61	$ 2.65	$ 2.70	$ 2.76	$ 2.81	$ 2.87	+2.0%/yr
FX (CAD:USD)	0.77	0.77	0.76	0.76	0.76	0.76	0.76	0.76	0.76

14. INDEBTEDNESS

As at	December 31, 2020	December 31, 2019
Senior Secured Second Lien Notes ("2022 Notes")(1)	$ 572,940	$ 583,425
Debt issuance costs	(47,081)	(47,081)
Amortization of debt issuance costs	33,639	23,343
TOTAL LONG-TERM DEBT	$ 559,498	$ 559,687

(1) As at December 31, 2020, the 2022 Notes (as defined below) were translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.2732 (December 31, 2019 – 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, 2020, the Company is in compliance with all covenants.

Athabasca may redeem the 2022 Notes at 100% of the principal from February 24, 2021 to maturity.

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, 2020, the fair value of the 2022 Notes was $212.6 million (US$167.0 million), based on observable market quoted prices (Level 1).

Senior Extendible Revolving Term Credit Facility

In the fourth quarter of 2020, the Company's banking syndicate renewed the reserve-based credit facility (the "Credit Facility") until May 31, 2021, at which time it may be extended at the lender's option. The credit facility is $38.0 million and reflects the outstanding letters of credit for transportation commitments. The Credit Facility is collateralized by the Company's restricted cash balances. If the revolving period is not extended any outstanding letters of credit would be cancelled. The borrowing base is determined based on the lender's evaluation of the Company's reserves and their commodity price outlook at the time of each renewal.

As at December 31, 2020, the Company had no amounts drawn and had $38.0 million letters of credit issued under the Credit Facility which bear interest at 0.7%. As at December 31, 2019, the Company had no amounts drawn and had $39.4 million of letters of credit issued under the Credit Facility.

Under the terms of the Credit Facility, Athabasca is required to contribute cash to a cash-collateral account equivalent to 101% of the value of all letters of credit issued under the Credit Facility. As at December 31, 2020, $38.5 million of restricted cash was held in the cash-collateral account (December 31, 2019 - $nil). 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.

Cash-Collateralized Letter of Credit Facility

Athabasca maintains a $120.0 million cash-collateralized letter of credit facility (the "Letter of Credit Facility") with a Canadian bank for issuing letters of credit to counterparties. The facility is available on a demand basis and letters of credit issued under the Letter of Credit Facility incur an issuance fee of 0.25%. As at December 31, 2020, Athabasca had $96.0 million (December 31, 2019 - $109.5 million) in letters of credit issued under the Letter of Credit Facility.

Under the terms of the Letter of Credit Facility, Athabasca is required to contribute cash to a cash-collateral account equivalent to 101% of the value of all letters of credit issued under the facility. As at December 31, 2020, $97.1 million of restricted cash was held in the cash-collateral account (December 31, 2019 - $110.6 million).

Unsecured Letter of Credit Facility

Athabasca increased its unsecured letter of credit facility (the “Unsecured Letter of Credit Facility”) to $40.0 million in the fourth quarter of 2020 (December 31, 2019 - $30.0 million). The Unsecured Letter of Credit Facility is held with a Canadian bank and is supported by a performance security guarantee from Export Development Canada. The facility is available on a demand basis and letters of credit issued under this facility incur an issuance and performance guarantee fee of 3.5%. As at December 31, 2020, the Company had $39.7 million of letters of credit issued under the Unsecured Letter of Credit Facility (December 31, 2019 - $24.8 million).

15. PROVISIONS AND OTHER LIABILITIES

As at		December 31, 2020		December 31, 2019
Decommissioning obligations	$	116,363	$	121,832
Provision for pipeline project		61,590		—
Lease liability		13,719		16,311
Cash settled PUPs and DSUs liability (Note 17)		1,737		2,110
Contingent payment obligation		—		1,028
Other obligations		1,242		3,500
TOTAL PROVISIONS AND OTHER LIABILITIES	$	194,651	$	144,781
Presented as:				
Current portion of provisions and other liabilities	$	5,054	$	8,809
Provisions and other liabilities	$	189,597	$	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		December 31, 2020		December 31, 2019
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	$	121,832	$	118,468
Liabilities incurred		615		1,071
Liabilities settled		(2,242)		(3,675)
Liabilities disposed (Note 10)		—		(448)
Change in discount rate		(15,452)		—
Change in estimates		(903)		(5,192)
Accretion expense		12,513		11,608
DECOMMISSIONING OBLIGATIONS, END OF PERIOD	$	116,363	$	121,832

At December 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 $426.6 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 $6.7 million with a corresponding adjustment to PP&E, E&E or net income (loss) if the adjustment is related to fully impaired assets. As at December 31, 2020, $0.6 million was included within the current portion of provisions (December 31, 2019 - $2.7 million).

Provision for pipeline project

As disclosed previously, during the third quarter of 2019 Athabasca participated in TC Energy’s (“TCE”) 50,000 bbl/d open season on the existing Keystone system with service from Hardisty to the US Gulf Coast. Athabasca entered into a 20 year firm service transportation agreement with TCE for 7,200 bbl/d of service that was anticipated to be made available in 2020. The ultimate in-service date remains uncertain. In consideration for the Keystone service, Athabasca concurrently entered into a development cost agreement in relation to the Keystone XL pipeline. This agreement provides for a US$48.4 million ($61.6 million) conditional payment, which is only payable if shipper agreements on the Keystone XL pipeline were terminated on or before January 31, 2020. The Keystone XL shipper agreements were subsequently extended to March 31, 2021. The Company has recorded a provision related to the development cost agreement following the US Administration revoking the Presidential Permit on January 20, 2021. The provision is included within the long term portion of provisions and other liabilities.

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		December 31, 2020		December 31, 2019
LEASE LIABILITY, BEGINNING OF PERIOD	$	16,311	$	—
Initial recognition of lease liability		—		18,657
Interest expense		1,480		1,726
Liability settled[1]		(4,072)		(4,072)
LEASE LIABILITY, END OF PERIOD	$	13,719	$	16,311

(1) In the consolidated statements of cash flows, the liability settled is reported as $2.6 million of financing activities and $1.5 million of operating activities for the year ended December 31, 2020 (year ended December 31, 2019 - $2.3 million of financing activities and $1.7 million of operating activities).

The following table summarizes Athabasca's estimated future minimum payments associated with the lease liability as at December 31, 2020:

As at		December 31, 2020
Within one year	$	4,072
Later than one year but not later than five years		12,556
After five years		—
Minimum lease payments		16,628
Amounts representing finance charges		(2,909)
Present value of net minimum lease payments	$	13,719

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, 2020, Athabasca incurred $0.5 million of variable lease expense which has been included within general and administrative expenses in the consolidated statements of income (loss) (year ended December 31, 2019 - $1.0 million). 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, 2020, Athabasca incurred $5.6 million of expenditures related to short-term and low value leases which have been recognized as incurred (year ended December 31, 2019 - $7.8 million).

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 which ended in 2020 and would have been triggered at oil prices above US$65/bbl WTI, adjusted for inflation annually. The payments were capped at $75.0 million annually. No amounts were paid by Athabasca with respect to the annual contingent payment obligation during its four-year term which ended in 2020.

The contingent payment obligation was remeasured at each reporting period to management's best estimate of the expenditure required to settle the obligation using an option pricing model with any gains or losses recognized as a revaluation gain or loss in net income (loss). The option pricing model included estimates regarding future WTI prices, foreign exchange rates, inflation rates and Leismer production volumes and was therefore subject to significant measurement uncertainty. The obligation was classified as a Level 3 financial instrument.

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

As at	December 31, 2020	December 31, 2019
CONTINGENT PAYMENT OBLIGATION, BEGINNING OF PERIOD	$ 1,028	$ 4,470
Changes in estimates	(1,028)	(3,442)
CONTINGENT PAYMENT OBLIGATION, END OF PERIOD	$ —	$ 1,028

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:

	Year ended December 31, 2020		Year ended December 31, 2019	
As at	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 17)	7,223,114	8,484	7,562,590	15,433
BALANCE, END OF PERIOD	530,675,391	$ 2,241,880	523,452,277	$ 2,233,396

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"), phantom share units ("PUPs") and deferred share units ("DSUs"). The following table summarizes the Company's outstanding stock-based compensation units:

As at	December 31, 2020	December 31, 2019
Stock options	7,045,233	8,432,067
RSUs (2010 RSU Plan)	—	156,667
RSUs (2015 RSU Plan)	11,198,843	14,956,090
PSUs	8,340,300	5,134,200
Share or cash settled units	26,584,376	28,679,024
PUPs	8,442,900	—
DSUs	6,697,979	3,577,464
Cash settled units	15,140,879	3,577,464
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	41,725,255	32,256,488

The stock options, RSUs and PSUs 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. Those plans have been accounted for as equity-settled share-based compensation plans. The PUPs and DSUs plans have been accounted for as cash-settled share-based compensation plans and are recognized as liabilities on the consolidated balance sheet.

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

Year ended	December 31, 2020	December 31, 2019
Stock-based compensation - equity settled	$ 4,472	$ 10,105
Stock-based compensation (recovery) - cash settled	(302)	(209)
TOTAL STOCK-BASED COMPENSATION	4,170	9,896
Stock-based compensation capitalized to PP&E and E&E assets	(1,349)	(3,141)
TOTAL STOCK-BASED COMPENSATION EXPENSE	$ 2,821	$ 6,755

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.

As at	December 31, 2020 Number of options		Exercise price(1)	December 31, 2019 Number of options		Exercise price(1)
Outstanding stock options, beginning of period	8,432,067	$	1.84	9,659,800	$	2.44
Granted	24,500		0.41	1,397,300		0.85
Forfeited	(1,411,334)		1.49	(1,828,033)		1.85
Expired	—		—	(797,000)		7.42
OUTSTANDING STOCK OPTIONS, END OF PERIOD	7,045,233	$	1.90	8,432,067	$	1.84
EXERCISABLE STOCK OPTIONS, END OF PERIOD	6,401,201	$	2.01	4,530,234	$	2.31

(1) Weighted average.

The average estimated fair value per stock option granted during the year ended December 31, 2020 was $0.19 (year ended December 31, 2019 - $0.40). The exercise prices of the Company's outstanding stock options as at December 31, 2020 range from $0.41 - $7.31 as follows:

Range of exercise prices ($)	Options outstanding Number of options		Exercise price(1)	Years to Expiry(1)	Options exercisable Number of options		Exercise price(1)
0.41 - 0.84	24,500	$	0.41	6.09	—	$	—
0.85 - 1.07	1,258,233		0.91	4.46	638,701		0.96
1.08 - 1.43	909,300		1.43	2.24	909,300		1.43
1.43 - 1.50	3,345,400		1.50	3.25	3,345,400		1.50
1.51 - 2.07	966,200		2.07	1.25	966,200		2.07
2.08 - 7.31	541,600		7.23	0.64	541,600		7.23
	7,045,233	$	1.90	2.63	6,401,201	$	2.01

(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, 2020	December 31, 2019
Outstanding 2010 Plan RSUs, beginning of period	156,667	1,227,918
Forfeited	—	(22,000)
Expired	—	(11,822)
Exercised	(156,667)	(1,037,429)
OUTSTANDING 2010 PLAN RSUs, END OF PERIOD	—	156,667
EXERCISABLE 2010 PLAN RSUs, END OF PERIOD	—	156,667

During 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, have no exercise price and 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, 2020	December 31, 2019
Outstanding 2015 Plan RSUs, beginning of period	14,956,090	12,777,210
Granted	4,517,600	9,898,000
Forfeited	(2,134,806)	(2,485,927)
Exercised	(6,140,041)	(5,233,193)
OUTSTANDING 2015 PLAN RSUs, END OF PERIOD	11,198,843	14,956,090

The average estimated fair value per 2015 Plan RSUs granted during the year ended December 31, 2020 was $0.14 (year ended December 31, 2019 - $0.85).

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, 2020	December 31, 2019
Outstanding PSUs, beginning of period	5,134,200	4,774,600
Granted	5,002,506	2,800,426
Forfeited	(870,000)	(1,148,858)
Exercised	(926,406)	(1,291,968)
OUTSTANDING PSUs, END OF PERIOD	8,340,300	5,134,200

The average estimated fair value per PSUs granted during the year ended December 31, 2020 was $0.14 (year ended December 31, 2019 - $0.85).

Phantom Share Units

In 2020, 8.8 million units were granted under a new "Phantom Share Unit" plan. The units granted 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 stock-based compensation plan. As at December 31, 2020, Athabasca recognized a liability for this plan within Provisions and other liabilities of $0.6 million which has a current portion of $0.3 million (Note 15).

As at	December 31, 2020
Outstanding PUPs, beginning of period	—
Granted	8,814,600
Forfeited	(371,700)
OUTSTANDING PUPs, END OF PERIOD	8,442,900

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, 2020	December 31, 2019
Outstanding DSUs, beginning of period	3,577,464	2,343,489
Granted	3,669,822	1,233,975
Exercised	(549,307)	—
OUTSTANDING DSUs, END OF PERIOD	6,697,979	3,577,464

As at December 31, 2020, Athabasca recognized a DSUs liability within Provisions and other liabilities of $1.1 million (December 31, 2019 - $2.1 million) which has no current portion (December 31, 2019 - $nil) (Note 15).

18. PER SHARE AMOUNTS

Year ended	Year ended December 31, 2020	2019
Weighted average shares outstanding - basic	528,837,646	521,316,320
Dilutive effect of stock options, RSUs and PSUs	—	4,974,369
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	528,837,646	526,290,689

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, 2020, anti-dilutive securities of 26,584,376 were excluded from the diluted net income (loss) per share calculation as their effect is anti-dilutive (year ended December 31, 2019 – 19,530,431).

19. SEGMENTED INFORMATION

Segmented operating results

Year ended December 31,	Light Oil 2020	Light Oil 2019	Thermal Oil 2020	Thermal Oil 2019	Eliminations[1] 2020	Eliminations[1] 2019	Consolidated 2020	Consolidated 2019
SEGMENT REVENUES								
Petroleum & natural gas sales	$ 107,600	$ 146,980	$ 383,940	$ 708,117	$ (26,892)	$ (18,164)	$ 464,648	$ 836,933
Royalties	(3,940)	(4,638)	(2,150)	(11,545)	—	—	(6,090)	(16,183)
	103,660	142,342	381,790	696,572	(26,892)	(18,164)	458,558	820,750
SEGMENT EXPENSES & OTHER								
Cost of diluent	—	—	212,400	286,957	(26,892)	(18,164)	185,508	268,793
Operating expenses	27,883	26,234	109,474	147,367	—	—	137,357	173,601
Transportation and marketing	13,775	21,104	70,056	80,052	—	—	83,831	101,156
Depletion and depreciation	63,166	71,322	46,912	57,532	—	—	110,078	128,854
Impairment loss	263,955	—	207,884	—	—	—	471,839	—
Exploration and non-producing asset expenses	—	—	22,410	2,330	—	—	22,410	2,330
(Gain) loss on sale of assets	—	1,205	(21,289)	(223,858)	—	—	(21,289)	(222,653)
	368,779	119,865	647,847	350,380	(26,892)	(18,164)	989,734	452,081
Gain (loss) on commodity risk management contracts, net							42,478	(46,418)
Segment income (loss)	$(265,119)	$ 22,477	$(266,057)	$ 346,192	$ —	$ —	$(488,698)	$ 322,251
CORPORATE								
Interest income							2,965	8,152
Financing and interest							(86,402)	(83,839)
General and administrative							(19,431)	(22,645)
Restructuring expenses							(5,703)	—
Stock-based compensation							(2,821)	(6,755)
Depreciation							(3,087)	(3,996)
Foreign exchange gain (loss), net							6,724	29,999
Gain (loss) on foreign exchange risk management contracts, net							—	(762)
Gain (loss) on revaluation of provisions and other							(61,072)	4,460
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)							$(657,525)	$ 246,865

(1) Eliminations include adjustments for NGL's (i.e. condensate) produced by the Light Oil segment used for internal consumption (i.e. diluent) by the Thermal Oil segment. Sales between segments are made at prices that approximate market prices.

Segmented capital expenditures

Year ended		Year ended December 31, 2020		2019
LIGHT OIL[1]				
Property, plant and equipment	$	61,651	$	109,687
THERMAL OIL				
Property, plant and equipment		49,469		89,022
Exploration and evaluation (Note 12)		318		321
		49,787		89,343
CORPORATE				
Corporate assets		202		111
TOTAL CAPITAL SPENDING[1][2][3]	$	111,640	$	199,141

(1) Including the recovery of the capital-carry, Athabasca's net cash outflow from capital expenditures during the year ended December 31, 2020 was $88.9 million (year ended December 31, 2019 - $140.2 million) and in the Light Oil Division were $38.9 million (year ended December 31, 2019 - $50.8 million).
(2) Excludes non-cash capitalized stock-based compensation and non-cash capitalized decommissioning obligation asset costs.
(3) For the year ended December 31, 2020, expenditures include cash capitalized staff costs of $5.6 million (year ended December 31, 2019 - $8.5 million) and cash capitalized PUPs costs of $0.2 million (year ended December 31, 2019 - $nil).

Segmented assets

Net book value (As at)		December 31, 2020		December 31, 2019
LIGHT OIL				
Capital-carry receivable (Note 6)	$	—	$	22,602
Property, plant and equipment		468,640		734,448
		468,640		757,050
THERMAL OIL				
Inventory (Note 7)		30,350		42,432
Property, plant and equipment		496,017		756,901
Exploration and evaluation (Note 12)		238		2,490
		526,605		801,823
CORPORATE				
Current assets[1]		239,378		397,035
Restricted cash (Note 9)		135,624		110,609
Long-term deposits (Notes 25 and 28)		44,407		12,577
Property, plant and equipment		11,330		14,371
		430,739		534,592
TOTAL ASSETS	$	1,425,984	$	2,093,465

(1) Current assets under Corporate exclude the capital-carry receivable and inventory 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		Year ended December 31, 2020		2019
Heavy oil (blended bitumen)	$	383,940	$	708,117
Oil and condensate		81,492		110,551
Natural gas		19,898		26,282
Other natural gas liquids		6,210		10,147
Eliminations - inter-segment sales		(26,892)		(18,164)
TOTAL REVENUE	$	464,648	$	836,933

21. RESTRUCTURING EXPENSES

On April 2, 2020, the Company decided to suspend its Hangingstone operations due to the significant decline in oil prices combined with the economic uncertainty associated with the ongoing COVID-19 crisis. This suspension involved reducing staff levels, 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. As a result, the Company incurred $5.7 million of restructuring expenses comprised of shut-in costs and severances.

22. EXPLORATION AND NON-PRODUCING ASSET EXPENSES

Exploration expenses relate to Athabasca's fully impaired Dover West, Birch and Grosmont CGUs. Non-producing asset expenses relate to Hangingstone costs incurred during the suspension from April 2020 up to September 1, 2020 when Hangingstone recommenced production. These costs are mainly comprised of committed transportation and utilities distribution costs excluding costs directly associated with the suspension which are recognized in restructuring expenses (Note 21).

The following table provides a breakdown of exploration and non-producing asset expenses:

Year ended		Year ended December 31, 2020		2019
Exploration expenses	$	2,111	$	2,330
Non-producing asset expenses		20,299		—
TOTAL EXPLORATION AND NON-PRODUCING ASSET EXPENSES	$	22,410	$	2,330

23. FINANCING AND INTEREST

Year ended		Year ended December 31, 2020		2019
Financing and interest expense on indebtedness (Note 14)	$	61,709	$	61,118
Amortization of debt issuance costs (Note 14)		10,700		9,387
Accretion of provisions (Note 15)		12,513		11,608
Interest expense on lease liability (Note 15)		1,480		1,726
TOTAL FINANCING AND INTEREST	$	86,402	$	83,839

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

Year ended		Year ended December 31, 2020		2019
Contingent payment obligation (Note 15)	$	1,028	$	3,442
Capital-carry receivable (Note 6)		138		2,420
Provision for pipeline project (Note 15)		(61,590)		—
Other		(648)		(1,402)
TOTAL GAIN (LOSS) ON REVALUATION OF PROVISIONS AND OTHER	$	(61,072)	$	4,460

25. INCOME TAXES

As at December 31, 2020, Athabasca did not recognize deductible temporary differences of $2.5 billion (December 31, 2019 - $2.0 billion) primarily consisting of approximately $1.8 billion (December 31, 2019 - $1.6 billion) in non-capital losses and $0.7 billion (December 31, 2019 - $0.4 billion) in CCA and resource pools in excess of capital assets. The Company has approximately $3.3 billion in tax pools, including approximately $2.4 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") and Alberta Finance. While the final outcome of such reassessments cannot be predicted with certainty, Athabasca has received legal advice that confirms its position as filed and believes it is likely to be successful in appealing the reassessments. As such, the Company has not recognized any provision in its consolidated financial statements with respect to the reassessments and has posted a $12.6 million deposit with the CRA while objecting the reassessments.

The following table reconciles the expected income tax (recovery) expense calculated at the Canadian statutory rate of 24.0% (2019 – 26.5%) to the actual income tax (recovery) expense:

Year ended	December 31, 2020	December 31, 2019
INCOME (LOSS) BEFORE INCOME TAXES	$ (657,525)	$ 246,865
Statutory tax rate	24.0%	26.5%
Expected income tax (recovery) expense	(157,806)	65,419
ADJUSTMENTS RELATED TO THE FOLLOWING:		
Non-taxable portion on foreign exchange (gains) losses, net	(1,258)	(4,060)
Non-taxable portion on PP&E impairments	18,018	—
Stock-based compensation	4,570	1,098
Non-taxable portion of (gains) losses on sale of assets and other	(626)	(33,573)
Impact of tax rate change	5,674	67,250
Unrecognized deferred income tax asset	131,428	(96,134)
DEFERRED INCOME TAX (RECOVERY) EXPENSE	$ —	$ —

26. 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 was as follows:

As at	December 31, 2020	December 31, 2019
2022 Notes (Note 14)	$ 572,940	$ 583,425
Shareholders' Equity	567,025	1,220,062
TOTAL CAPITAL STRUCTURE	$ 1,139,965	$ 1,803,487

As at December 31, 2020, Athabasca's capital resources included $159.9 million of working capital and undrawn credit facilities of $0.3 million. Working capital included cash and cash equivalents of $165.2 million.

27. FINANCIAL INSTRUMENTS RISK

As at December 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 and long-term debt. The risk management contracts have been classified as Level 2 on the fair value hierarchy.

Credit risk

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

Athabasca's cash, cash equivalents and restricted cash are held with five counterparties, all of which are large reputable financial institutions, and management concluded that credit risk associated with these investments is low. Management concluded that collection risk of the outstanding accounts receivables is low given the high credit quality of the Company's material counterparties. No material receivables were past due as at December 31, 2020. Athabasca's risk management contracts are held with a single counterparty, which is a large reputable financial institution, and management concluded that credit risk associated with these risk management contracts is low.

For the year ended December 31, 2020, the Company had sales to four customers which each ranged from 17% to 31% of total sales. Sales to such customers totaled $416 million, or 90%, of total 2020 sales.

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 liquidity to manage periods of volatility within its cash, cash equivalent and short-term investment accounts, as well as through available credit facilities.

In 2021, it is anticipated that Athabasca's Light Oil and Thermal Oil capital and operating activities will be funded through cash flow from operating activities and existing cash and cash equivalents. Beyond 2021, depending on the Company's level of capital spend and the commodity price environment, the Company will need to re-finance its 2022 Notes and may require additional funding which could include debt, equity, joint ventures, asset sales or other external financing. The availability of any additional future funding will depend on, among other things, the current commodity price environment, operating performance, the Company's credit rating and its ability to access the equity and debt capital markets.

The Company's significant outstanding financial liabilities consist of the 2022 Notes which mature on February 24, 2022. All other material financial liabilities mature within one year. In addition, the Company has lease liabilities and decommissioning liabilities as disclosed in Note 15. The Company's future unrecognized commitments are disclosed in Note 28.

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 deposits related to the firm service transportation agreement entered into during the third quarter of 2019 (Note 28), US dollar denominated cash, cash equivalents, receivables and payables. As at December 31, 2020, Athabasca's net foreign exchange risk exposure was a US$374.4 million liability (December 31, 2019 - US$385.0 million), and a 5.0% change in the foreign exchange rate (USD:CAD) would result in a $23.8 million change in the foreign exchange gain/loss (December 31, 2019 - $25.0 million).

The following table provides a breakdown of the unrealized foreign exchange gain (loss) for the year ended December 31, 2020:

	Year ended December 31, 2020	2019
Unrealized foreign exchange gain (loss)	$ 4,454	$ 30,320
Realized foreign exchange gain (loss)	2,270	(321)
FOREIGN EXCHANGE GAIN (LOSS), NET	$ 6,724	$ 29,999

The Company is also exposed to foreign currency risk on heavy oil sales based on US dollar benchmark prices.

Commodity price risk

Athabasca is exposed to commodity price risk on its petroleum and natural gas sales due to fluctuations in market commodity prices. Athabasca manages this exposure through an active commodity risk management program as well as managing capital programs and production levels to maximize the value of recoverable resources. Refer to Note 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 at December 31, 2020 of $300.8 million (December 31, 2019 - $365.0 million), from a 1.0% change in interest rates, would have an annualized impact of approximately $3.0 million (year ended December 31, 2019 - $3.7 million). The 2022 Notes and letters of credit issued are subject to fixed interest rates and are not exposed to changes in interest rates.

28. COMMITMENTS AND CONTINGENCIES

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

	2021	2022	2023	2024	2025	Thereafter	Total
Transportation and processing(1)	$ 121,491	$127,145	$181,986	$191,727	$188,904	$2,974,032	$3,785,285
Interest expense on long-term debt (Note 14)(1)	36,776	28,289	—	—	—	—	65,065
Purchase commitments	17,544	376	—	—	—	—	17,920
TOTAL COMMITMENTS	$ 175,811	$155,810	$181,986	$191,727	$188,904	$2,974,032	$3,868,270

(1) Commitments which are denominated in US dollars were converted into Canadian dollars at the December 31, 2020 exchange rate of US$1.00 = C$1.2732.

In April 2020, Athabasca reassigned 15,000 bbl/d of its Keystone XL pipeline transportation commitment to a third party and accordingly $849.5 million of total related transportation commitments were removed from the above disclosure. The Company retains 10,000 bbl/d of capacity commitments on Keystone XL.

As disclosed previously, during the third quarter of 2019 Athabasca participated in TC Energy's ("TCE") 50,000 bbl/d open season on the existing Keystone system with service from Hardisty to the US Gulf Coast. Athabasca entered into a 20 year firm service transportation agreement with TCE for 7,200 bbl/d of service that was anticipated to be made available in 2020. The ultimate in-service date remains uncertain. In consideration for the Keystone service, Athabasca concurrently entered into a development cost agreement in relation to the Keystone XL pipeline. This agreement provides for a US$48.4 million ($61.6 million) conditional payment, which is only payable if shipper agreements on the Keystone XL pipeline were terminated on or before January 31, 2020. The Keystone XL shipper agreements were subsequently extended to March 31, 2021. In connection with such agreements, Athabasca provided $82.4 million in financial assurances, consisting of a $31.9 million (US$25 million) cash deposit and $50.5 million of letters of credit which are secured by the Company's restricted cash balances.

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.

29. 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, 2020		December 31, 2019
Salaries, fees and short-term employee benefits	$	4,611	$	4,186
Stock-based compensation		377		2,343
TOTAL EXECUTIVE COMPENSATION	$	4,988	$	6,529

30. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital and other liabilities

The following table reconciles the net changes in non-cash working capital and other liabilities from the consolidated balance sheet to the consolidated statement of cash flows:

Year ended		Year ended December 31, 2020		2019
Change in accounts receivable	$	35,105	$	(58,514)
Change in prepaid expenses and deposits		33,364		(34,808)
Change in inventory		12,082		(14,566)
Change in accounts payable and accrued liabilities		(50,796)		16,333
		29,755		(91,555)
Other items impacting changes in non-cash working capital:				
Deposit reclassified to long-term		(31,830)		—
Change in other liabilities		(373)		—
Unrealized foreign exchange gain (loss) related to working capital		(330)		(324)
	$	(2,778)	$	(91,879)
RELATED TO:				
Operating activities	$	11,670	$	(58,453)
Investing activities		(14,448)		(33,426)
NET CHANGE IN NON-CASH WORKING CAPITAL	$	(2,778)	$	(91,879)
Cash interest paid	$	61,963	$	62,076
Cash interest received	$	3,332	$	7,901

CORPORATE INFORMATION

MANAGEMENT

Robert Broen
President & Chief Executive Officer

Matthew Taylor
Chief Financial Officer

Karla Ingoldsby
Vice President, Thermal Oil

Mike Wojcichowsky
Vice President, Light Oil

DIRECTORS

Ronald Eckhardt(2)
Chair

Bryan Begley(1)(3)

Robert Broen

Anne Downey(2)

Thomas Ebbern(1)(3)

John Festival(2)

Carlos Fierro(1)(3)

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

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ATB Financial

AUDITORS

Ernst & Young 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