



ATHABASCA

OIL CORPORATION

**Condensed Interim Consolidated
Financial Statements
(unaudited)
Q1 2016**

FOCUSED | EXECUTING | DELIVERING

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at (\$ Thousands)	March 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 493,510	\$ 559,487
Accounts receivable (Note 13)	30,098	25,601
Income tax receivable	2,215	2,215
Prepaid expenses and other	10,187	11,164
Inventory	10,053	8,910
Current portion of derivative asset (Note 13)	41,724	5,382
Promissory Note (Note 4)	133,892	133,892
Assets held for sale (Note 5)	466,159	—
	1,187,838	746,651
Long-term portion of derivative asset (Note 13)	—	57,202
Long-term deposits	3,092	3,044
Property, plant and equipment (Note 6, 8)	1,403,033	1,856,136
Exploration and evaluation assets (Note 7, 8)	800,404	799,409
	\$ 3,394,367	\$ 3,462,442
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 12)	\$ 66,418	\$ 54,707
Current portion of long-term debt (Note 10)	2,868	3,068
Provisions held for sale (Note 5)	6,108	—
	75,394	57,775
Long-term debt (Note 10)	820,478	838,205
Provisions (Note 12)	78,844	84,322
	974,716	980,302
SHAREHOLDERS' EQUITY		
Common shares (Note 14)	2,009,584	2,005,770
Contributed surplus	146,116	147,290
Retained earnings	263,951	329,080
	2,419,651	2,482,140
	\$ 3,394,367	\$ 3,462,442

Commitments and contingencies (Note 20)

Subsequent event (Note 22)

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(unaudited)

Three months ended (\$ Thousands, except per share amounts)	March 31, 2016	March 31, 2015
REVENUE		
Petroleum and natural gas sales	\$ 33,593	\$ 15,511
Interest income and other	1,999	4,281
Midstream revenue	497	331
Royalties	(574)	(1,861)
Total revenue	35,515	18,262
EXPENSES		
Cost of diluent	16,356	—
Operating expenses	26,941	7,197
Transportation and marketing	8,385	206
General and administrative (Note 17)	6,934	8,370
Restructuring and other charges (Note 18)	—	16,988
Stock-based compensation (Note 15)	1,647	992
Financing and interest (Note 19)	21,999	1,578
Depletion and depreciation (Note 6)	18,123	18,782
Exploration expense	88	271
Total expenses	100,473	54,384
Revenue less Expenses	(64,958)	(36,122)
OTHER INCOME (EXPENSES)		
Foreign exchange gain (loss), net	19,185	(23,620)
Derivative gain (loss), net (Note 13)	(19,949)	25,911
Gain on Provisions (Note 12)	634	—
Gain (Loss) on sale of assets	(41)	912
Loss before income taxes	(65,129)	(32,919)
INCOME TAXES		
Deferred income tax recovery (Note 11)	—	(7,807)
Net loss and comprehensive loss	\$ (65,129)	\$ (25,112)
BASIC LOSS PER SHARE (Note 16)	\$ (0.16)	\$ (0.06)
DILUTED LOSS PER SHARE (Note 16)	\$ (0.16)	\$ (0.06)

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

Three months ended (\$ Thousands)	March 31, 2016	March 31, 2015
COMMON SHARES (Note 14)		
Balance, beginning of period	\$ 2,005,770	\$ 1,984,134
Exercise of stock options and RSUs	3,814	5,787
Balance, end of period	2,009,584	1,989,921
CONTRIBUTED SURPLUS		
Balance, beginning of period	147,290	154,201
Stock-based compensation (Note 15)	2,599	2,324
Exercise of stock options and RSUs	(3,773)	(5,732)
Balance, end of period	146,116	150,793
RETAINED EARNINGS		
Balance, beginning of period	329,080	1,025,851
Net loss	(65,129)	(25,112)
Balance, end of period	263,951	1,000,739
TOTAL SHAREHOLDERS' EQUITY	\$ 2,419,651	\$ 3,141,453

See accompanying notes to the condensed interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Three months ended (\$ Thousands)	March 31, 2016	March 31, 2015
OPERATING ACTIVITIES		
Net loss	\$ (65,129)	\$ (25,112)
Items not affecting cash		
Stock-based compensation	1,647	992
Net non-cash financing and interest	3,434	1,708
Depletion and depreciation (Note 6)	18,123	18,782
Deferred income tax recovery (Note 11)	—	(7,807)
Unrealized foreign exchange (gain) loss	(18,683)	23,672
Unrealized (gain) loss on Derivative (Note 13)	20,860	(25,149)
Non-cash (gain) loss on provision (Note 12)	(634)	3,468
(Gain) Loss on sale of assets	41	(912)
Settlement of provisions (Note 12)	(1,448)	(2,107)
Changes in non-cash working capital (Note 21)	3,772	9,855
	(38,017)	(2,610)
FINANCING ACTIVITIES		
Repayment of long-term debt (Note 10)	(719)	(710)
Proceeds from exercised equity incentives (Note 14)	40	54
	(679)	(656)
INVESTING ACTIVITIES		
Promissory Note proceeds (Note 4)	—	300,000
Proceeds on sale of assets	163	—
Additions to property, plant and equipment (Note 6)	(22,140)	(143,623)
Additions to exploration and evaluation assets (Note 7)	(719)	(5,830)
Contributions to assets held for sale (Note 5, 6)	(8,715)	—
(Increase) decrease in short-term investments	—	(45,255)
Changes in non-cash working capital (Note 21)	4,130	(63,211)
	(27,281)	42,081
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(65,977)	38,815
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	559,487	531,475
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 493,510	\$ 570,290

See accompanying notes to the condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

As at and for the three months ended March 31, 2016.

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

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1. NATURE OF BUSINESS

Athabasca Oil Corporation ("Athabasca" or the "Company") is an exploration and production company developing Light and Thermal Oil resource plays in the Western Canadian Sedimentary Basin in Alberta, Canada. Athabasca was incorporated on August 23, 2006, under the laws governing the Province of Alberta. The domicile of the Company is 1200, 215 - 9th Avenue SW, Calgary, Alberta. The Company is publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "ATH". These unaudited interim condensed consolidated financial statements ("consolidated financial statements") were authorized for issue by the Board of Directors on May 6, 2016.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34: *Interim Financial Reporting*. They do not contain all disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2015. 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. Assets held for sale are measured at the lower of carrying value and fair value less cost to sell. These consolidated financial statements have been prepared using the same accounting policies and methods as the consolidated financial statements for the year ended December 31, 2015. There were no changes to the Company's operating segments during the period. General and administrative expenses for the three months ended March 31, 2015, have been reduced by \$0.3 million from those presented in prior periods to reflect Athabasca's decision to separately present exploration expenses incurred.

3. CASH AND CASH EQUIVALENTS

	Initial Term (Days)	Interest Rates (%)	Amount (\$)
AS AT MARCH 31, 2016			
Cash	—	0.20 - 1.10	\$ 414,431
Cash equivalents	63	1.09 - 1.12	79,079
TOTAL			\$ 493,510
AS AT DECEMBER 31, 2015			
Cash	—	0.50 - 1.50	\$ 480,619
Cash equivalents	54 - 56	1.44 - 1.45	78,868
TOTAL			\$ 559,487

4. PROMISSORY NOTE

On August 29, 2014, Athabasca closed the sale of its wholly owned subsidiary, AOC (Dover) Energy Inc., which held the Company's 40% interest in the Dover oil sands project, to Phoenix Energy Holdings Limited, a wholly owned subsidiary of PetroChina International Investment Company Limited ("Phoenix") for a net purchase price of \$1,183.9 million, excluding working capital adjustments of \$2.3 million of which \$1.0 million was recognized in the first quarter of 2015. At closing, Athabasca received a cash payment of \$600.0 million, as well as three interest bearing Promissory Notes (the "Promissory Notes") issued by Phoenix for the remaining \$583.9 million of the net purchase price.

On March 2, 2015, the first Promissory Note matured and Athabasca received cash proceeds of \$302.5 million, comprised of \$300.0 million principal and accrued interest of \$2.5 million. On August 28, 2015, the second Promissory Note matured and Athabasca received cash proceeds of \$152.6 million, comprised of \$150.0 million principal and accrued interest of \$2.6 million.

The remaining Promissory Note of \$133.9 million is unconditional, secured by irrevocable, standby letter of credit issued by HSBC Bank Canada and bears interest at a rate of 1.72%. The remaining Promissory Note matures August 29, 2016 and has been classified as held-to-maturity.

5. ASSETS HELD FOR SALE

On January 27, 2016, Athabasca entered into a purchase and sale agreement to form a strategic joint venture with Murphy Oil Company Ltd. (Canadian subsidiary to Murphy Oil Corporation, "Murphy") to develop the Montney and Duvernay in the Greater Kaybob and Greater Placid areas. As part of the transaction, Athabasca is selling 70% of its interest in its Greater Kaybob area assets and 30% of its interest in its Greater Placid area assets for gross proceeds of approximately \$475.0 million (the "Murphy Transaction").

Murphy will pay approximately \$250.0 million in cash consideration to Athabasca on the transaction closing date, excluding purchase price adjustments from the January 1, 2016 effective date. Additional consideration of approximately \$225.0 million will be in the form of a capital carry in the Greater Kaybob area whereby Murphy will fund 75% of Athabasca's share of development capital up to a maximum five year period. The Murphy Transaction is anticipated to close in the second quarter of 2016, subject to the parties meeting certain conditions.

Under the purchase and sale agreement, Murphy will assume operatorship under a Joint Development Agreement ("JDA") of the Greater Kaybob area. Under a separate JDA, Athabasca will be operator of the Greater Placid area. Athabasca will also retain operatorship of the regional midstream infrastructure in the near term.

As at March 31, 2016, Athabasca classified \$466.2 million as assets held for sale in connection with the Murphy Transaction. The Company also recognized \$6.1 million in provision held for sale relating to decommissioning obligations associated with the assets being sold.

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

BALANCE, DECEMBER 31, 2014	\$ 2,103,334
PP&E expenditures	278,754
Transfers from E&E to PP&E	3,110
Non-cash capitalized costs ⁽¹⁾	3,298
Depletion and depreciation	(72,629)
Impairment loss (Note 8)	(456,100)
Disposals	(3,631)
BALANCE, DECEMBER 31, 2015	\$ 1,856,136
PP&E expenditures ⁽²⁾	30,855
Non-cash capitalized costs ⁽¹⁾	534
Depletion and depreciation	(18,123)
Disposals	(210)
BALANCE, MARCH 31, 2016	\$ 1,869,192
Presented as:	
Property, plant and equipment	\$ 1,403,033
Assets held for sale (Note 5)	\$ 466,159

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

(2) During the three months ended March 31, 2016, \$8.7 million of Light Oil PP&E expenditures were classified as assets held for sale (Note 5).

PP&E consists of the following:

Net book value (As at)	March 31, 2016	December 31, 2015
PP&E at cost	\$ 2,718,176	\$ 2,686,787
Accumulated depletion and depreciation	(301,367)	(283,244)
Accumulated impairment losses (Note 8)	(456,100)	(456,100)
Accumulated disposals	(91,517)	(91,307)
TOTAL PP&E	\$ 1,869,192	\$ 1,856,136
Presented as:		
Property, plant and equipment	\$ 1,403,033	\$ 1,856,136
Assets held for sale (Note 5)	\$ 466,159	\$ —

As at March 31, 2016, \$164.9 million (December 31, 2015, \$218.6 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.

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

BALANCE, DECEMBER 31, 2014	\$ 962,821
E&E expenditures	13,431
Transfer from E&E to PP&E	(3,110)
Non-cash capitalized costs ⁽¹⁾	7,417
Recognition of SR&ED tax credits	(518)
Impairment loss (Note 8)	(180,632)
BALANCE, DECEMBER 31, 2015	\$ 799,409
E&E expenditures	719
Non-cash capitalized costs ⁽¹⁾	276
BALANCE, MARCH 31, 2016	\$ 800,404

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

8. IMPAIRMENT

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

For the year ended December 31, 2015, Athabasca identified indicators of impairment and performed an impairment test on all of the Company's CGUs. As a result, Athabasca recognized an impairment loss of \$456.7 million for its Light Oil Development CGU and \$180.0 million for its Dover West Exploration CGU.

As at March 31, 2016, Athabasca did not identify new indicators of impairment for any of its Light Oil or Thermal Oil CGUs.

9. SEGMENTED INFORMATION

Segmented capital expenditures

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

Three months ended	March 31, 2016	March 31, 2015
LIGHT OIL		
Property, plant and equipment	\$ 21,943	\$ 79,241
Assets held for sale (Note 5)	8,715	—
	30,658	79,241
THERMAL OIL		
Property, plant and equipment	197	62,674
Exploration and evaluation	719	5,830
	916	68,504
CORPORATE		
Corporate assets and other PP&E	—	1,708
TOTAL CAPITAL SPENDING⁽¹⁾⁽²⁾	\$ 31,574	\$ 149,453

(1) Excludes non-cash capitalized costs consisting of capitalized stock-based compensation, decommissioning obligation assets, and non-cash interest and financing.

(2) For the three months ended March 31, 2016, expenditures include capitalized staff costs of \$2.0 million (March 31, 2015 - \$7.7 million) and cash capitalized interest of \$nil (March 31, 2015 - \$15.5 million).

Segmented assets

Athabasca's total assets by segment are as follows:

Net book value (As at)	March 31, 2016	December 31, 2015
LIGHT OIL		
Property, plant and equipment	\$ 333,452	\$ 779,457
Exploration and evaluation	1,084	1,084
Assets held for sale (Note 5)	466,159	—
	800,695	780,541
THERMAL OIL		
Property, plant and equipment	1,061,499	1,067,991
Exploration and evaluation	799,320	798,325
	1,860,819	1,866,316
CORPORATE		
Current assets (excluding assets held for sale)	721,679	746,651
Long-term portion of derivative asset	—	57,202
Long-term deposits	3,092	3,044
Property, plant and equipment	8,082	8,688
	732,853	815,585
TOTAL ASSETS	\$ 3,394,367	\$ 3,462,442

Segmented operating results

Athabasca's operating results by segment are as follows:

Three months ended March 31,	Light Oil		Thermal Oil		Consolidated	
	2016	2015	2016	2015	2016	2015
SEGMENT REVENUES						
Petroleum and natural gas sales	\$ 12,492	\$ 15,511	\$ 21,101	\$ —	\$ 33,593	\$ 15,511
Midstream revenue	497	331	—	—	497	331
Royalties	(549)	(1,861)	(25)	—	(574)	(1,861)
	12,440	13,981	21,076	—	33,516	13,981
SEGMENT EXPENSES & OTHER						
Cost of diluent	—	—	16,356	—	16,356	—
Operating expense	7,458	7,197	19,483	—	26,941	7,197
Transportation and marketing expense	74	206	8,311	—	8,385	206
Depletion and depreciation	10,829	17,387	6,695	—	17,524	17,387
Exploration expense	(59)	38	147	233	88	271
(Gain) Loss on sale of assets	41	45	—	(957)	41	(912)
	18,343	24,873	50,992	(724)	69,335	24,149
Segment income (loss)	\$ (5,903)	\$ (10,892)	\$ (29,916)	\$ 724	\$ (35,819)	\$ (10,168)
CORPORATE						
Interest income and other					1,999	4,281
Financing and interest					(21,999)	(1,578)
General and administrative					(6,934)	(8,370)
Restructuring and other charges					—	(16,988)
Stock-based compensation					(1,647)	(992)
Depreciation					(599)	(1,395)
Foreign exchange gain (loss), net					19,185	(23,620)
Derivative gain (loss), net					(19,949)	25,911
Gain on Provisions					634	—
Deferred income tax recovery					—	7,807
NET LOSS AND COMPREHENSIVE LOSS					\$ (65,129)	\$ (25,112)

10. INDEBTEDNESS

As at	March 31, 2016	December 31, 2015
Senior Secured Second Lien Notes (a)	\$ 550,000	\$ 550,000
Senior Secured Term Loans (b) ⁽¹⁾	286,778	306,759
Debt issuance costs	(31,065)	(31,644)
Amortization of debt issuance costs	17,633	16,158
TOTAL LONG-TERM DEBT	\$ 823,346	\$ 841,273
Presented as:		
Current portion of long-term debt	\$ 2,868	\$ 3,068
Long-term debt	\$ 820,478	\$ 838,205

(1) As at March 31, 2016, the US dollar denominated Senior Secured Term Loan of US\$221.1 million and associated deferred borrowing costs were translated into Canadian dollars at the period end exchange rate of US\$1.00 = C\$1.2971. As at December 31, 2015, the US dollar denominated Senior Secured Term Loan of US\$221.6 million and associated deferred borrowing costs were translated into Canadian dollars at the period end exchange rate of US\$1.00 = C\$1.3840.

a) Senior Secured Second Lien Notes

On November 19, 2012, Athabasca issued Senior Secured Second Lien Notes (the "Notes") in an aggregate principal amount of \$550 million. The Notes bear interest at a rate of 7.50% per annum and have a term of five years maturing on November 19, 2017. Interest payments are required semi-annually on May 19 and November 19 of each year. These notes are secured by a second priority security interest on all present and after acquired property of the Company. Subject to certain exceptions and qualifications the Notes contain

certain covenants that limit the Company's ability to, among other things: incur additional indebtedness; create or permit liens to exist and make certain restricted payments, dispositions and transfers of assets. The Notes do not include any financial covenants.

Athabasca has the option to redeem the Notes at a price of 103.75% and 100.00% in the 12-month periods beginning November 19, 2015 and 2016, respectively. Debt issuance costs associated with the transaction were initially capitalized and are amortized to net income (loss) over the life of the Notes using the effective interest rate method.

As at March 31, 2016, Athabasca was in compliance with all of the Notes covenants.

b) Senior Secured Term Loans

On May 7, 2014, Athabasca entered into a credit agreement providing for a US\$225 million term loan (the "Term Loan"), which was fully funded at closing, plus an additional US\$50 million committed delayed draw term loan, which is available to the Company up until May 20, 2016, subject to compliance with certain conditions precedent and covenants (collectively the "Term Loans"). Borrowings on drawn amounts under the Term Loans bear interest at a floating rate based on LIBOR plus 7.25%, subject to a LIBOR floor of 1.00%. The Company incurs standby fees on the undrawn portion of the US\$50 million delayed draw term loan equal to 1.00% per annum. The Term Loan amortizes in equal quarterly installments in an aggregate annual amount equal to 1.00% of the original principal amount with the balance payable on May 7, 2019, or on May 19, 2017 if the Company has not redeemed or refinanced the Notes prior to that date. The Term Loans are secured by a first priority security interest on all present and after acquired property of the Company.

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

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

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

As at March 31, 2016, Athabasca's ACNTA to total debt ratio was 4.6 times and the Company had a net first lien cash position of \$206.7 million. As at March 31, 2016, the Company was in compliance with all of the covenants related to the Term Loan.

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

c) Revolving Senior Secured Credit Facility

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

Amounts borrowed under the Credit Facility bear interest at a floating rate based on the applicable Canadian prime rate, US base rate, LIBOR or bankers' acceptance rate, plus a margin of between 1.00% and 4.00% depending on the type of borrowing and the Company's indebtedness to consolidated cash flow ratio. Athabasca pays issuance fees for letters of credit between 1.33% and 4.00% depending on the type of borrowing and the Company's indebtedness to consolidated cash flow ratio. The Company incurs a standby fee on the undrawn portion of the Credit Facility of between 0.50% and 1.00% based on the Company's indebtedness to consolidated cash flow ratio. For the three months ended March 31, 2016, the Company paid a rate of between 2.67% and 4.00% for letters of credit and a rate of 1.00% on the undrawn portion of the Credit Facility (December 31, 2015 - 1.00%).

As of March 31, 2016, Athabasca had \$100.5 million in letters of credit secured against the Credit Facility (December 31, 2015 - \$7.3 million) and no amounts had been drawn under the Credit Facility (December 31, 2015 - \$ nil). If drawn, the credit facility is collateralized

by a first priority security interest on all present and after acquired property of the Company and is effectively senior in priority to the Term Loans and the Senior Secured Second Lien Notes.

The Credit Facility is subject to substantially the same covenants as the Notes and Term Loans plus, among others, the requirement to maintain a minimum tangible net worth based on the Company's shareholders' equity of \$1,700 million. As at March 31, 2016, the Company's shareholders' equity was \$2,420 million (December 31, 2015 - \$2,482 million). As at March 31, 2016, Athabasca was in compliance with all of the Credit Facility covenants.

11. INCOME TAXES

As at March 31, 2016, Athabasca has deductible temporary differences in respect of income tax assets from non-capital losses of \$410.9 million (December 31, 2015 - \$347.6 million). Athabasca has elected not to recognize these losses and as a result no deferred tax recovery was recognized for the three months ended March 31, 2016 (March 31, 2015 - \$7.8 million).

12. PROVISIONS

As at	March 31, 2016	December 31, 2015
Decommissioning obligations (a)	\$ 77,306	\$ 75,537
Office lease provision (b)	10,626	12,338
Other long-term obligations (c)	3,834	4,113
TOTAL PROVISIONS	\$ 91,766	\$ 91,988
Presented as:		
Accounts payable and accrued liabilities	\$ 6,814	\$ 7,666
Provisions held for sale	\$ 6,108	\$ —
Provisions	\$ 78,844	\$ 84,322

a) 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 reclaim and abandon the wells and facilities and the estimated timing of the costs to be incurred in future periods. The following table reconciles the change in decommissioning obligations:

As at	March 31, 2016	December 31, 2015
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	\$ 75,537	\$ 72,054
Liabilities incurred	—	1,324
Liabilities settled	(105)	(3,481)
Liabilities disposed	—	—
Change in discount rate	—	(4,943)
Changes in estimates	178	4,449
Accretion expense	1,696	6,134
DECOMMISSIONING OBLIGATIONS, END OF PERIOD	\$ 77,306	\$ 75,537
Presented as:		
Accounts payable and accrued liabilities	\$ 2,382	\$ 2,208
Provisions held for sale	\$ 6,108	\$ —
Provisions	\$ 68,816	\$ 73,329

The Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2% (December 31, 2015 - 2%) and a credit-adjusted risk free discount rate of 9.00% per annum (December 31, 2015 - 9.00%). The payments to settle these obligations are expected to occur during a period of up to 50 years due to the long-term nature of the Company's oil and gas assets. The total undiscounted amount of estimated cash flows required to settle the obligations as at March 31, 2016 is \$276.9 million (December 31, 2015 - \$275.9 million).

A 1% increase in the credit-adjusted risk free discount rate would decrease the provision by \$5.7 million, with a corresponding adjustment to E&E and PP&E. A 1% decrease in the credit-adjusted risk free discount rate would increase the provision by \$6.8 million, with a corresponding adjustment to E&E and PP&E.

b) Office lease provision

The office lease provision represents the present value of the minimum future lease payments that the Company is obligated to make under the Company's non-cancellable under-utilized operating lease contracts, less revenue expected to be earned through existing and potential future sub-lease agreements. As at December 31, 2015, Athabasca had recognized a liability for the office lease provision of \$12.3 million. During the three months ended March 31, 2016, the liability declined to \$10.6 million primarily due to cash settlements and refined estimates of the timing and amount of expected cash inflows associated with the liability.

The total undiscounted amount of estimated future cash flows to settle the obligations is \$13.6 million (December 31, 2015 - \$15.4 million). These cash flows have been discounted using Athabasca's credit-adjusted risk free discount rate of 9.00% (December 31, 2015 - 9.00%). This estimate may vary as a result of changes in the estimated utilization of the leased premises or the terms of existing and potential sub-lease arrangements. Any subsequent changes in estimates will be recognized as a (Gain) Loss on Provisions.

As at March 31, 2016, \$4.1 million of the provision has been presented as current and included in accounts payable and accrued liabilities (December 31, 2015 - \$5.5 million). A 1% increase in the credit-adjusted risk free discount rate would decrease the provision by \$0.2 million, with a corresponding adjustment against income. A 1% decrease in the credit-adjusted risk free discount rate would increase the provision by \$0.3 million, with a corresponding adjustment against income.

c) Other long-term obligations

In December 2013, Athabasca assigned an office lease to a third party. Under the terms of the reassignment, Athabasca continues to be liable for any default under the lease that is caused by the assignee. Under the terms of the lease reassignment, Athabasca received a deposit of \$3.1 million which will be held as security over the lease term and is refundable once the lease expires. The remainder of the long-term obligation relates to the Company's cash-settled deferred share unit plan (Note 15).

13. FINANCIAL INSTRUMENTS

The Company's consolidated financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, income tax receivable, derivative financial assets, the Promissory Note, other long-term assets, accounts payable and long-term debt.

a) Fair Value

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

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

The Company's cash and cash equivalents have been assessed on the fair value hierarchy described above and have been classified as Level 1. The fair value of Athabasca's derivative financial asset of \$41.7 million has been classified as Level 2. The fair value was determined using a third party model which was verified by external market data. The fair value of the Promissory Note of \$133.9 million and the Notes of \$517.0 million have been classified as Level 2. The fair values were based on observable quoted prices from financial institutions. The Term Loan has a fair value of C\$275.3 million and has been classified as Level 3. Since the Term Loan is not actively traded, the value of the Notes was used as a proxy to calculate the fair value of the Term Loan.

b) Financial Risk Management

Credit Risk

The maximum exposure to credit risk is represented by the carrying amounts of cash and cash equivalents, accounts receivable, income tax receivable, derivative assets and the Promissory Note on the consolidated balance sheets. Cash and cash equivalents held by the Company are invested with counterparties meeting credit quality requirements and concentration limits pursuant to an investment policy that is periodically reviewed by the Audit Committee. The policy emphasizes security of assets over investment yield.

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

As at	March 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 493,510	\$ 559,487
Accounts receivable	30,098	25,601
Income tax receivable	2,215	2,215
Derivative asset	41,724	62,584
Promissory Notes	133,892	133,892
MAXIMUM CREDIT RISK	\$ 701,439	\$ 783,779

As at March 31, 2016 and December 31, 2015 Athabasca's cash and cash equivalents were held with four counterparties. The Company holds investments in term deposits with large reputable financial institutions. The Company's management believes that credit risk associated with these investments is low. At March 31, 2016, the largest institution held 33% of the balances (December 31, 2015 - 32%).

As at March 31, 2016, 54% of the accounts receivable balance relates to the sale of petroleum and natural gas and was substantially collected within 30 days after the end of the period (December 31, 2015 - 40%). Joint interest billings and equipment disposals with partners account for 23% of accounts receivable (December 31, 2015 - 18%). 12% relates to accrued interest on the Promissory Note (December 31, 2015 - 12%). Additionally, 11% of the accounts receivable balance relates to GST, a cash call receivable and other receivables (December 31, 2015 - 30%). Management believes collection risk on the outstanding accounts receivable as at March 31, 2016 is low given the high credit quality of the Company's material counterparties. No material amounts were past due at March 31, 2016.

As at March 31, 2016, Athabasca holds \$137.5 million in a remaining Promissory Note including the note principal and accrued interest. The Promissory Note is unconditional and secured by an irrevocable, standby letter of credit issued by HSBC Bank Canada ("HSBC"). Management believes that credit risk associated with this receivable is low as the issuer, Phoenix is a wholly owned subsidiary of PetroChina, is an investment grade rated corporation, and HSBC is a large reputable financial institution. The first and second Promissory Notes, which matured on March 2, 2015 and August 28, 2015 respectively, were fully collected on maturity.

Liquidity Risk

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

It is anticipated that Athabasca's 2016 capital and operating budgets, including continued appraisal and development activities in the Light Oil Division and the ramp-up of Project 1, and any debt repayments will be funded with existing cash and cash equivalents, the remaining Promissory Note, operating income from the Light Oil and Thermal Oil divisions, proceeds from the Murphy Transaction, the Duvernay capital carry from the Murphy Transaction (Note 5) and available credit. Beyond 2016, the Company may require additional capital to develop its assets and Athabasca believes it will fund its capital programs through some combination of cash and cash equivalents, the Duvernay capital carry from the Murphy Transaction (Note 5), a reasonable level of debt and other external financing. The Company cannot guarantee the availability of these sources of additional funding and the availability of future funding will depend on, among other things, the current commodity price environment, performance in both the Light Oil Division and Hangingstone, the Company's credit rating at the time and the current state of the equity and debt capital markets.

The Company's significant outstanding financial liabilities mature as follows: the Notes mature on November 19, 2017; the Term Loan matures on May 7, 2019 or on May 19, 2017 if the Company has not redeemed or refinanced the Notes prior to that date; and the long-term deposit, described in Note 12, will be held until December 31, 2026. The delayed draw term loan expires on May 20, 2016 and the Credit Facility matures on April 30, 2017. All other financial liabilities mature within one year.

Interest Rate Risk

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

As at	March 31, 2016	December 31, 2015
Cash and cash equivalents ⁽¹⁾	\$ 414,431	\$ 480,619
Long-term debt ⁽²⁾⁽³⁾	(286,778)	(306,759)
NET INTEREST RATE EXPOSURE	\$ 127,653	\$ 173,860

(1) As at March 31, 2016, \$79.1 million was held as cash equivalents (December 31, 2015 - \$78.9 million). All cash equivalents were fixed rate financial instruments and were not exposed to changes in interest rates as at the balance sheet date.

(2) The outstanding Term Loan which has a face value of US \$221.1 million as at March 31, 2016 (December 31, 2015 - US \$221.6 million) is subject to a floating interest rate based on the LIBOR, plus a credit spread of 7.25%, with a LIBOR floor of 1.00%.

(3) The Notes have a face value of \$550.0 million as at March 31, 2016 (December 31, 2015 - \$550 million), and are subject to a fixed interest rate of 7.50% per annum and are not exposed to changes in interest rates.

The Company's exposure to interest rate fluctuations on interest earned on its floating rate cash balance of \$414.4 million (December 31, 2015 - \$480.6 million), from a 1.00% change in interest rates, would be approximately \$4.1 million for a 12 month period (year ended December 31, 2015 - \$4.8 million).

The Company is also exposed to interest rate cash flow risk on its floating rate Term Loan. However, given that the Company has a 1.00% LIBOR floor on its Term Loan, a decrease in the rate would have no impact. A 1.00% increase in LIBOR above the existing rate would result in a US\$1.4 million (\$1.8 million) increase in interest expense for a 12 month period (year ended December 31, 2015 - US\$1.4 million (\$1.9 million)).

Foreign Exchange Risk

The Company is exposed to foreign exchange risk on its US dollar denominated Term Loan and US dollar forward contract as described below. If the Canadian dollar strengthened by 5% relative to the US dollar, holding all other variables constant, the derivative asset of \$41.7 million would decrease by \$15.4 million. Long-term debt would decrease by \$14.2 million resulting in a net \$1.2 million loss. A 5% decrease in the Canadian dollar relative to the US dollar, holding all other variables constant, would increase the derivative asset by \$15.4 million and increase long-term debt by \$14.2 million resulting in a net \$1.2 million gain.

c) Derivative Contract

Athabasca is exposed to foreign currency risk on its US dollar denominated Term Loan. In May 2014, Athabasca entered into a US dollar forward contract for US\$270.8 million relating to the interest payments and principal repayments on the Term Loan at a rate of US\$1.00 = C\$1.1211 expiring on March 31, 2017. This contract is accounted for as a derivative instrument and changes in the valuation are recognized in net income (loss) and the associated liability or asset is recognized on the balance sheet.

Three months ended	March 31, 2016	March 31, 2015
Unrealized derivative gain (loss)	\$ (20,860)	\$ 25,149
Realized derivative gain	911	762
DERIVATIVE GAIN (LOSS), NET	\$ (19,949)	\$ 25,911

As at	March 31, 2016	December 31, 2015
OPENING DERIVATIVE ASSET	\$ 62,584	\$ 12,638
Unrealized derivative gain (loss)	(20,860)	49,946
CLOSING DERIVATIVE ASSET	\$ 41,724	\$ 62,584
Presented as:		
Current portion of derivative asset	\$ 41,724	\$ 5,382
Long-term portion of derivative asset	\$ —	\$ 57,202

14. 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:

	Three months ended March 31, 2016		Year ended December 31, 2015	
	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of period	404,299,592	\$ 2,005,770	402,119,473	\$ 1,984,134
Exercise of stock options and RSUs (Note 15)	402,316	3,814	2,180,119	21,636
BALANCE AT END OF PERIOD	404,701,908	\$ 2,009,584	404,299,592	\$ 2,005,770

15. STOCK-BASED COMPENSATION

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

	March 31, 2016	December 31, 2015
Stock options ⁽¹⁾	8,020,619	9,942,905
Restricted share units (2010 RSU Plan)	5,480,125	6,035,950
Restricted share units (2015 RSU Plan)	2,240,839	2,329,550
Performance share units	1,237,300	1,260,500
Deferred share units	694,785	663,082
TOTAL OUTSTANDING EQUITY COMPENSATION UNITS	17,673,668	20,231,987

(1) The weighted average exercise prices of the Company's outstanding stock options as at March 31, 2016 range from \$1.48 - \$17.22.

As at March 31, 2016, total outstanding equity compensation units declined by 2.6 million units, compared to December 31, 2015, primarily due to forfeitures and expiries of 2.2 million units and 0.4 million units that were exercised. There were minimal awards granted during the first quarter of 2016 and no changes to the stock-based compensation plans since December 31, 2015. Refer to the December 31, 2015 audited consolidated financial statements of the Company for further information on the Company's stock-based compensation plans.

16. PER SHARE COMPUTATIONS

Three months ended	March 31, 2016	March 31, 2015
Weighted average shares outstanding - basic	404,511,104	402,393,806
Dilutive effect of stock options and RSUs	—	—
WEIGHTED AVERAGE SHARES OUTSTANDING - diluted	404,511,104	402,393,806

Dilutive securities will have a dilutive effect under the treasury stock method only when the average market price of the common shares during the period exceeds the sum of the exercise price of the securities and unamortized stock-based compensation. For the three months ended March 31, 2016, 16,978,883 in anti-dilutive securities were excluded from the calculation of diluted loss per share (December 31, 2015 - 19,568,905).

17. GENERAL AND ADMINISTRATIVE EXPENSES

For the three months ended March 31, 2016 and 2015, the Company's general and administrative expenses consisted of the following:

Three months ended	March 31, 2016	March 31, 2015
Salaries and benefits	\$ 5,506	\$ 10,466
Office costs	2,185	4,133
Legal, accounting and consulting	958	1,082
Stakeholder relations and other	332	391
Capitalized staff costs	(2,047)	(7,702)
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	\$ 6,934	\$ 8,370

18. RESTRUCTURING AND OTHER CHARGES

For the three months ended March 31, 2015, Athabasca incurred restructuring and other charges of \$17.0 million including staff restructuring charges of \$6.0 million relating to the Company's cost reduction activities, \$7.0 million relating to lease commitments on vacated office space primarily as a result of staff reductions and recognized net cancellation charges of \$4.0 million relating to Thermal Oil rig commitments associated with the 2014/15 drilling season.

19. FINANCING AND INTEREST

For the three months ended March 31, 2016 and 2015, the Company's financing and interest expense consisted of the following:

Three months ended	March 31, 2016	March 31, 2015
Interest expense on indebtedness (Note 10)	\$ 18,185	\$ 15,094
Accretion of provisions (Note 12)	1,959	1,839
Amortization of debt issuance costs	1,855	1,818
Capitalized financing and interest	—	(17,173)
TOTAL FINANCING AND INTEREST	\$ 21,999	\$ 1,578

In August of 2015, Athabasca discontinued the capitalization of interest and financing costs associated with Hangingstone Project 1 when the project became ready for use in the manner intended by management.

20. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future minimum commitments as at March 31, 2016 for the following five years and thereafter:

	2016	2017	2018	2019	2020	Thereafter	Total
Transportation	\$ 39,268	\$ 53,922	\$ 49,015	\$ 51,749	\$ 51,463	\$ 856,200	\$ 1,101,617
Repayment of long-term debt (Note 10) ⁽¹⁾⁽²⁾	2,145	552,836	2,807	278,990	—	—	836,778
Interest expense on long-term debt (Note 10) ⁽²⁾	48,900	59,878	23,418	8,178	—	—	140,374
Office leases	1,839	2,452	2,452	2,452	2,452	11,808	23,455
Purchase commitments	9,181	—	—	—	—	—	9,181
Drilling rigs	2,082	2,915	—	—	—	—	4,997
TOTAL COMMITMENTS	\$ 103,415	\$ 672,003	\$ 77,692	\$ 341,369	\$ 53,915	\$ 868,008	\$ 2,116,402

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

(2) Estimated future interest and principal repayments relating to the Term Loan have been translated at a rate of US\$1.00 = C\$1.2971 in the table above which is based on the current spot rate as at March 31, 2016.

Excluded from the table above is a commitment for \$128.2 million of office leases which were assigned to a third party in December 2013 (Note 12).

Athabasca is responsible for the retirement of its resource assets at the end of their useful lives (Note 12).

The Company is currently undergoing income tax related audits in the normal course of business. While the final outcome of such audits cannot be predicted with certainty, it is the opinion of management that the resolution of these audits will not have a material impact on the Company's consolidated financial position or results of operations.

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

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

The following table reconciles the net changes in non-cash working capital from the balance sheet to the cash flow statement as at March 31, 2016 and 2015:

Three months ended	March 31, 2016	March 31, 2015
Change in accounts receivable	\$ (4,497)	\$ (6,752)
Change in current income tax receivable	—	(1,275)
Change in prepaid expenses and other	977	1,381
Change in inventory	(1,143)	—
Change in accounts payable and accrued liabilities	11,711	(41,998)
	7,048	(48,644)
Other items impacting changes in non-cash working capital:		
Change in current portion of long-term provisions (Note 12)	854	(4,712)
	\$ 7,902	\$ (53,356)
RELATED TO:		
Operating activities	\$ 3,772	\$ 9,855
Investing activities	4,130	(63,211)
NET CHANGE IN NON-CASH WORKING CAPITAL	\$ 7,902	\$ (53,356)

22. SUBSEQUENT EVENT

On May 5, 2016, Project 1 was shut down due to the regional Fort McMurray wildfires. The decision to shut down the well sites and central facility was due to elevated safety risks from the fire's proximity to Project 1. At this time, there is no damage to the facility, field pipelines or well sites. Timing for a restart of operations will be contingent on containment of the regional fires and ensuring safe operating conditions. Athabasca maintains property and business insurance that is customary for companies of similar size and with similar types of business and operations. The Company cannot predict the amount of any financial loss that may result from this event at this time, nor can it provide assurances that the full amount of any financial loss will be recovered by insurance.

Operating results of the Thermal Oil division are comprised solely of Project 1. For details of the operating results refer to Note 9 - Segmented Information.

CORPORATE INFORMATION

MANAGEMENT

Rob Broen
President & Chief Executive Officer

Kim Anderson
Chief Financial Officer

Blair Hockley
Vice President, Thermal Oil

Anne Schenkenberger
Vice President, General Counsel & Corporate Secretary

Kevin Smith
Vice President, Light Oil

Rod Sousa
Vice President, Corporate Development

Matthew Taylor
Vice President, Capital Markets & Communications

DIRECTORS

Ronald Eckhardt⁽²⁾⁽³⁾
Chair

Bryan Begley

Rob Broen⁽²⁾

Carlos Fierro⁽¹⁾

Paul Haggis⁽³⁾

Marshall McRae⁽¹⁾⁽³⁾

Bob Rooney

Peter Sametz⁽¹⁾⁽²⁾

Member of:

(1) Audit Committee

(2) Reserves and Health, Safety & Environment Committee

(3) Compensation and Governance Committee

CORPORATE OFFICE

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

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BANK

TD Canada Trust

AUDITORS

Ernst & Young LLP

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

INDEPENDENT EVALUATORS

GLJ Petroleum Consultants Ltd.
DeGolyer and MacNaughton Canada Limited

STOCK SYMBOL

ATH
Toronto Stock Exchange

