Condensed Interim Consolidated Financial Statements (unaudited)

Q3 2023

ATHABASCA OIL CORPORATION

FOCUSED | EXECUTING | DELIVERING

CONSOLIDATED BALANCE SHEETS
(unaudited)

As at ($ Thousands)	September 30, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 337,125	$ 197,525
Accounts receivable	130,902	89,485
Prepaid expenses and deposits (Note 3)	12,056	11,899
Inventory (Note 4)	53,842	56,900
Risk management contracts (Note 7)	1,179	799
	535,104	356,608
Prepaid expenses and deposits (Note 3)	36,157	50,406
Property, plant and equipment (Note 6)	1,095,820	1,408,891
Exploration and evaluation assets	1,847	1,161
Deferred income tax (Note 18)	433,410	413,288
	$ 2,102,338	$ 2,230,354
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 131,410	$ 126,087
Risk management contracts (Note 7)	3,857	8,432
Warrant liability (Note 9)	69,685	53,813
Current portion of term debt (Note 8)	—	58,302
Current portion of provisions and other liabilities (Note 10)	35,678	27,835
	240,630	274,469
Term debt (Note 8)	182,398	147,831
Provisions and other liabilities (Note 10)	98,998	97,557
	522,026	519,857
SHAREHOLDERS' EQUITY		
Common shares (Note 11)	2,298,502	2,352,894
Contributed surplus	130,995	128,062
Accumulated deficit	(849,185)	(770,459)
	1,580,312	1,710,497
	$ 2,102,338	$ 2,230,354

Commitments and contingencies (Note 20).

See accompanying notes to the consolidated financial statements.

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

(unaudited)

($ Thousands, except per share amounts)	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
REVENUE				
Petroleum, natural gas and midstream sales (Note 15)	$ 379,241	$ 397,059	$ 952,596	$ 1,222,161
Interest income	2,132	927	7,007	1,465
Royalties	(31,123)	(38,899)	(55,573)	(138,785)
	350,250	359,087	904,030	1,084,841
Unrealized gain (loss) on commodity risk mgmt contracts (Note 7)	5,737	83,635	4,955	31,436
Realized gain (loss) on commodity risk mgmt contracts (Note 7)	(3,767)	(30,060)	(30,418)	(143,412)
	352,220	412,662	878,567	972,865
EXPENSES				
Cost of diluent	111,390	128,509	359,807	376,200
Operating expenses	46,057	64,203	147,455	175,863
Transportation and marketing	22,818	25,924	71,370	73,009
General and administrative	3,944	5,382	14,361	14,744
Stock-based compensation (Note 12)	17,230	(590)	52,461	21,171
Financing and interest (Note 16)	11,938	13,644	28,736	69,972
Depletion and depreciation (Note 6)	28,635	31,086	86,326	89,328
Exploration expenses	487	2,003	880	2,487
Total expenses	242,499	270,161	761,396	822,774
Revenue less expenses	109,721	142,501	117,171	150,091
OTHER INCOME (EXPENSES)				
Foreign exchange gain (loss), net (Note 19)	(678)	(3,414)	1,986	(4,798)
Gain (loss) on revaluation of provisions and other (Note 17)	(30,188)	15,996	(37,526)	(63,079)
Gain (loss) on sale of assets (Note 5)	(174,572)	14	(174,572)	403
Net income (loss) and comprehensive income (loss) before tax	(95,717)	155,097	(92,941)	82,617
INCOME TAX EXPENSE (RECOVERY)				
Deferred (Note 18)	(16,505)	—	(14,215)	—
Net income (loss) and comprehensive income (loss)	$ (79,212)	$ 155,097	$ (78,726)	$ 82,617
BASIC NET INCOME (LOSS) PER SHARE (Note 13)	$ (0.14)	$ 0.27	$ (0.13)	$ 0.15
DILUTED NET INCOME (LOSS) PER SHARE (Note 13)	$ (0.14)	$ 0.22	$ (0.13)	$ 0.14

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ Thousands)	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
OPERATING ACTIVITIES				
Net income (loss)	$ (79,212)	$ 155,097	$ (78,726)	$ 82,617
Items not affecting cash:				
Non-cash transportation and marketing	557	557	1,672	1,672
Net non-cash stock-based compensation (Note 12)	115	1,767	1,824	4,493
Net non-cash financing and interest (Note 16)	5,625	5,528	9,075	40,880
Depletion and depreciation (Note 6)	28,635	31,086	86,326	89,328
Unrealized non-cash foreign exchange (gain) loss (Note 19)	2,296	6,156	(2,126)	4,423
Realized foreign exchange (gain) loss on redemption of US dollar debt	604	1,824	2,433	7,277
Unrealized (gain) loss on risk management contracts (Note 7)	(5,737)	(83,635)	(4,955)	(31,436)
Non-cash (gain) loss on revaluation of provisions & other (Note 17)	30,188	(15,996)	37,526	63,079
(Gain) loss on sale of assets (Note 5)	174,572	(14)	174,572	(403)
Deferred income tax (recovery) expense (Note 18)	(16,505)	—	(14,215)	—
Settlement of provisions (Note 10)	(361)	(837)	(1,155)	(1,294)
Decrease in long-term deposit (Note 18)	—	—	12,577	—
Changes in non-cash working capital and other liabilities (Note 21)	(5,898)	16,320	(22,498)	(14,386)
	134,879	117,853	202,330	246,250
FINANCING ACTIVITIES				
Repurchased shares for cancellation (Note 11)	(41,244)	—	(88,166)	—
Redemption of term debt	(6,576)	(28,960)	(24,868)	(187,009)
Term debt redemption premium	(648)	(1,824)	(1,376)	(11,353)
Payments of lease liabilities	(450)	(799)	(2,161)	(2,342)
Proceeds from exercised warrants (Note 9)	2,840	—	2,840	36,432
Proceeds from exercised equity incentives (Note 12)	—	—	2,201	3,354
	(46,078)	(31,583)	(111,530)	(160,918)
INVESTING ACTIVITIES				
Capital expenditures (Note 6)	(33,286)	(52,300)	(101,080)	(134,420)
Proceeds from sale of assets (Note 5)	149,865	14	149,865	403
Changes in non-cash working capital and other liabilities (Note 21)	(2,468)	2,850	2,094	15,343
	114,111	(49,436)	50,879	(118,674)
Effect of exchange rate changes on cash and cash equivalents held in foreign currency	1,722	9,094	(2,079)	10,386
CHANGE IN CASH AND CASH EQUIVALENTS	204,634	45,928	139,600	(22,956)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	132,491	154,172	197,525	223,056
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 337,125	$ 200,100	$ 337,125	$ 200,100

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(unaudited)

($ Thousands)	Nine months ended September 30, 2023	2022
COMMON SHARES (Note 11)		
Balance, beginning of period	$ 2,352,894	$ 2,242,047
Exercise of warrants (Note 9)	25,092	100,389
Exercise of stock options, RSUs and PSUs (Note 11)	8,682	10,272
Repurchased shares for cancellation (Note 11)	(88,166)	—
Balance, end of period	2,298,502	2,352,708
CONTRIBUTED SURPLUS		
Balance, beginning of period	128,062	126,642
Stock-based compensation, net of tax expense of $5.9 million (Note 12)	9,414	5,855
Exercise of stock options, RSUs and PSUs (Note 12)	(6,481)	(6,918)
Balance, end of period	130,995	125,579
ACCUMULATED DEFICIT		
Balance, beginning of period	(770,459)	(1,342,730)
Net income (loss)	(78,726)	82,617
Balance, end of period	(849,185)	(1,260,113)
TOTAL SHAREHOLDERS' EQUITY	$ 1,580,312	$ 1,218,174

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As at and for the three and nine months ended September 30, 2023.

(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 Thermal Oil and Light Oil resource plays in the Western Canadian Sedimentary Basin in Alberta, Canada. Athabasca was incorporated on August 23, 2006, under the laws governing the Province of Alberta. The domicile of the Company is 1200, 215 - 9th Avenue SW, Calgary, Alberta. The Company is publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "ATH". These unaudited condensed interim Consolidated Financial Statements ("Consolidated Financial Statements") were authorized for issue by the Board of Directors on October 31, 2023.

2. BASIS OF PRESENTATION

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using International Accounting Standard ("IAS") 34: Interim Financial Reporting. These Consolidated Financial Statements have been prepared on a historical cost basis, except for financial instruments which are measured at their estimated fair value. They do not contain all disclosures required by IFRS for annual financial statements and, accordingly, should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2022. The Consolidated Financial Statements have been prepared using the same accounting policies and methods as the audited consolidated financial statements for the year ended December 31, 2022, except as disclosed in Note 12. There were no changes to the Company's operating segments during the period.

3. PREPAID EXPENSES AND DEPOSITS

As at	September 30, 2023	December 31, 2022
Hangingstone transportation prepayment	$ 38,465	$ 40,137
Prepaid expenses and deposits	9,748	9,591
Canada Revenue Agency deposit (Note 18)	—	12,577
TOTAL PREPAID EXPENSES AND DEPOSITS	$ 48,213	$ 62,305
Presented as:		
Current portion of prepaid expenses and deposits	$ 12,056	$ 11,899
Long term portion of prepaid expenses and deposits	$ 36,157	$ 50,406

4. INVENTORY

As at	September 30, 2023	December 31, 2022
Product inventory	$ 41,980	$ 44,085
Warehouse inventory	11,862	12,815
TOTAL	$ 53,842	$ 56,900

5. SALE OF ASSETS

Light Oil Non-Core Asset Sale

Athabasca completed the sale of its 70% operated working interest in Placid targeting the Montney, its 30% non-operated working interest in Saxon and Simonette targeting the Duvernay and other associated non-core Placid Montney assets to a private company for $160 million in cash before closing adjustments and transaction costs ($149.9 million net). The deal closed on September 14, 2023 with an effective date of March 1, 2023. Athabasca de-recognized $330.5 million of PP&E and $6.0 million in decommissioning obligations resulting in a loss of $174.6 million on the asset sale.

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

BALANCE, DECEMBER 31, 2021	$	1,318,825
PP&E capital expenditures		146,992
Non-cash capitalized costs and other[1]		(17,347)
Depletion and depreciation[2]		(119,579)
Impairment reversal		80,000
BALANCE, DECEMBER 31, 2022	$	1,408,891
PP&E capital expenditures		100,596
Non-cash capitalized costs and other[1]		3,174
Depletion and depreciation[2]		(86,326)
Disposals (Note 5)		(330,515)
BALANCE, SEPTEMBER 30, 2023	$	1,095,820

(1) Non-cash capitalized costs relate to capitalized stock-based compensation, decommissioning obligation assets and leased asset modifications.
(2) Depletion and depreciation for the nine months ended September 30, 2023 includes $0.8 million of depreciation relating to the Leased Asset (year ended December 31, 2022 - $2.1 million).

PP&E consists of the following:

Net book value (As at)		September 30, 2023		December 31, 2022
PP&E at cost[1]	$	2,695,885	$	3,287,933
Accumulated depletion and depreciation[1]		(700,545)		(921,529)
Accumulated impairment losses		(899,520)		(957,513)
TOTAL PP&E	$	1,095,820	$	1,408,891

(1) As at September 30, 2023, the PP&E cost includes $13.3 million of Leased Asset cost and accumulated depletion and depreciation includes $9.1 million of accumulated depreciation relating to the Leased Asset (as at December 31, 2022 – Leased Asset cost of $12.6 million and accumulated depreciation relating to the Leased Asset of $8.3 million).

As at September 30, 2023, $147.9 million (December 31, 2022 - $131.5 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. 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.

Financial commodity risk management contracts

As at September 30, 2023, 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	October - December 2023	23,300 bbl/d	$	67.60 - 150.03	$	50.00 - 110.97
Purchase contracts				*C$/GJ/bbl*		*US$/GJ/bbl*
AECO fixed price swaps	October - December 2023	20,000 GJ/d	$	4.90	$	3.63
WTI/C5+ differential swap	October - December 2023	1,000 bbl/d	$	(4.12)	$	(3.05)

(1) The implied C$ or US$ Average Price per bbl or GJ, as applicable, was calculated using the September 30, 2023 exchange rate of US$1.00 = C$1.3520.

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

In 2021, Athabasca entered into a seven-year marketing agreement for 15,000 bbl/d with an industry counterparty that diversifies the Company's sales to the US Gulf Coast through the Keystone pipeline system. The marketing agreement has a pricing derivative that provides exposure to WCS Gulf Coast pricing. As at September 30, 2023, the pricing derivative had an asset value of $1.2 million (December 31, 2022 - $0.8 million).

At September 30, 2023, a US$5 increase/decrease in the price of WTI has a nil impact on the WTI collar contracts. The following table summarizes the sensitivity to price changes for Athabasca's other commodity risk management contracts:

As at September 30, 2023		Change in AECO Increase of C$1.00/GJ		Decrease of C$1.00/GJ
Increase (decrease) to fair value of commodity risk management contracts	$	2,454	$	(2,454)

Additional financial commodity risk management has taken place subsequent to September 30, 2023 as noted in the table below:

Instrument	Period	Volume		C$ Average Price[(1)]		US$ Average Price[(1)]
Sales contracts				*C$/bbl*		*US$/bbl*
WTI collar	January - March 2024	9,040 bbl/d	$	67.60 - 170.24	$	50.00 - 125.92

(1) The implied C$ or US$ Average Price per bbl or GJ, as applicable, was calculated using the September 30, 2023 exchange rate of US$1.00 = C$1.3520.

8. INDEBTEDNESS

Senior Secured Second Lien Notes

On October 22, 2021, Athabasca issued US$350.0 million of Senior Secured Second Lien Notes (the "2026 Notes"). The 2026 Notes, which were issued along with warrants (see Note 9), bear interest at 9.75% per annum, payable semi-annually, and have a term of 5 years maturing on November 1, 2026. As at September 30, 2023, the principal balance on the 2026 Notes was $212.3 million (US$157 million).

As at		September 30, 2023		December 31, 2022
Senior Secured Second Lien Notes ("2026 Notes")[(1)]	$	212,264	$	237,231
Discount on debt		(62,798)		(62,798)
Accretion of discount on debt		32,932		31,700
TOTAL TERM DEBT	$	182,398	$	206,133
Presented as:				
Current term debt	$	—	$	58,302
Long term debt	$	182,398	$	147,831

(1) As at September 30, 2023, the Notes were translated into Canadian dollars at the period end exchange rate of US$1.00 = C$1.3520 (As at December 31, 2022 - US$1.00 = C$1.3544).

The 2026 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 2026 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. In addition, the Company is subject to certain minimum hedging requirements that are consistent with the Company's risk management policy. As at September 30, 2023, the Company is in compliance with all covenants.

Athabasca may redeem all or part of the 2026 Notes at any time prior to November 1, 2024 at 100% of the principal amount plus an applicable premium, as set out in the 2026 Note indenture. On or after November 1, 2024, Athabasca may redeem all or part of the 2026 Notes at 104.875% from November 1, 2024 to November 1, 2025 and at 100% from November 1, 2025 to November 1, 2026. During the first quarter of 2023 the Excess Cash Flow ("ECF") feature was terminated within the indenture as the principal balance was below US$175 million.

As at September 30, 2023, the fair value of the 2026 Notes was $220.3 million (US$163 million) based on observable market quoted prices (Level 1).

Senior Extendible Revolving Term Credit Facility

Athabasca has a $110.0 million reserve-based credit facility (the “Credit Facility”). The Credit Facility is a committed facility available on a revolving basis until May 31, 2024, at which point in time it may be extended at the lenders' option. If the revolving period is not extended, the undrawn portion of the facility will be cancelled and any amounts outstanding would be repayable at the end of the non-revolving term, being May 31, 2025. The Credit Facility is subject to a semi-annual borrowing base review, occurring by May 31 and November 30 of each year. Subsequent to September 30, 2023, the semi-annual borrowing base review was completed and the borrowing base was confirmed at $110.0 million. The borrowing base is determined based on the lenders' evaluation of the Company’s petroleum and natural gas reserves and their commodity price outlook at the time of each renewal.

The Credit Facility is secured by a first priority security interest on all present and after acquired property of the Company and is senior in priority to the 2026 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. As at September 30, 2023, the Company is in compliance with all covenants.

As at September 30, 2023, amounts borrowed under the Credit Facility bear interest at a floating rate based on the applicable Canadian prime rate, US base rate, secured overnight financing rate or bankers’ acceptance rate, plus a margin of 2.00% to 3.00%. The Company incurs an issuance and fronting fee for letters of credit of 3.25% and a standby fee on the undrawn portion of the Credit Facility of 0.75%.

As at September 30, 2023, the Company had no amounts drawn and $27.1 million of letters of credit outstanding under the Credit Facility. As at December 31, 2022, the Company had no amounts drawn and $34.4 million of letters of credit outstanding under the Credit Facility.

Unsecured Letter of Credit Facility

Athabasca maintains a $60.0 million unsecured letter of credit facility (the “Unsecured Letter of Credit Facility”) with a Canadian bank that is supported by a performance security guarantee from Export Development Canada (December 31, 2022 - $60 million). The facility is available on a demand basis and letters of credit issued under this facility incur an issuance and performance guarantee fee of 3.0%. As at September 30, 2023, the Company had $55.1 million of letters of credit outstanding under the Unsecured Letter of Credit Facility (December 31, 2022 - $47.8 million).

9. WARRANT LIABILITY

In conjunction with the issuance of the 2026 Notes, Athabasca issued 350,000 warrants at an exercise price of $0.9441 per share that expire on November 1, 2026. Each warrant is exercisable into 227 common shares.

The warrants are classified as a financial liability due to a cashless exercise provision. They are measured at fair value upon issuance and at each subsequent reporting period, and presented net of a deferred loss, with the changes in fair value and amortization of the deferred loss recorded in the consolidated statement of income (loss). The fair value of the warrants is determined using the Black-Scholes option valuation model. The warrants can be exercised at any time and are therefore presented as a current liability on the consolidated balance sheet. The following table reconciles the warrant liability:

	Nine months ended September 30, 2023		Year ended December 31, 2022	
As at	Number of Warrants	Amount	Number of Warrants	Amount
Balance, beginning of period	139,217	$ 53,813	350,000	$ 46,406
Change in fair value	—	37,526	—	68,930
Amortization of deferred loss	—	598	—	2,605
Exercise of warrants	(52,469)	(22,252)	(210,783)	(64,128)
BALANCE, END OF PERIOD	86,748	$ 69,685	139,217	$ 53,813

The fair value as at September 30, 2023 of each common share issuable under the warrant agreement was estimated at $3.57 using a risk-free interest rate of 4.7%, an expected life of 3.0 years, expected volatility of 59.4% and a stock price of $4.35 per share. The fair value as at December 31, 2022 of each common share issuable under the warrant agreement was estimated at $1.74 using a risk-free interest rate of 3.6%, an expected life of 3.8 years, expected volatility of 61.9% and a stock price of $2.41 per share. The change in fair value as at September 30, 2023 of $37.5 million (December 31, 2022 - $68.9 million) was expensed within gain (loss) on revaluation of provisions and other in the Consolidated Statements of Income (Loss). In the first nine months of 2023, 13,251 cash warrants were exercised for $2.8 million in cash proceeds, resulting in 3,007,977 common shares being issued and 39,218 cashless warrants were exercised, resulting in 6,236,653 common shares being issued. For the year ended December 31, 2022, 170,001 cash warrants were exercised for $36.4 million in cash proceeds, resulting in 38,590,227 common shares being issued and 40,782 cashless warrants were exercised, resulting in 5,612,075 common shares being issued. The total value of common shares issued in the first nine months of 2023 from warrant exercises was $25.1 million (year ended December 31, 2022 - $100.6 million). As at September 30, 2023 75% of the original 350,000 warrants have been exercised.

10. PROVISIONS AND OTHER LIABILITIES

As at		September 30, 2023		December 31, 2022
Decommissioning obligations	$	92,702	$	93,132
TOTAL PROVISIONS		92,702		93,132
Lease liability		6,291		7,693
Cash settled stock-based compensation liability (Note 12)		35,683		24,567
TOTAL PROVISIONS AND OTHER LIABILITIES	$	134,676	$	125,392
Presented as:				
Current portion of provisions and other liabilities	$	35,678	$	27,835
Provisions and other liabilities	$	98,998	$	97,557

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		September 30, 2023		December 31, 2022
DECOMMISSIONING OBLIGATIONS, BEGINNING OF PERIOD	$	93,132	$	111,419
Liabilities incurred		934		976
Liabilities settled		(1,155)		(1,356)
Liabilities settled - funded by Site Rehabilitation Program		—		(1,742)
Liabilities disposed (Note 5)		(6,078)		—
Change in discount rate		—		15,755
Change in estimates		—		(42,439)
Accretion expense		5,869		10,519
DECOMMISSIONING OBLIGATIONS, END OF PERIOD	$	92,702	$	93,132

At September 30, 2023, the Company has calculated the net present value of its decommissioning obligations using an inflation rate of 2.0% (December 31, 2022 - 2.0%) and a credit-adjusted discount rate of 8.5% per annum (December 31, 2022 - 8.5%). 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 $383.2 million (December 31, 2022 - $409.7 million). A 1.0% change in the credit-adjusted discount rate would impact the discounted value of the decommissioning obligations by approximately $11 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 September 30, 2023, $1.7 million was included within the current portion of provisions (December 31, 2022 - $1.7 million).

11. SHAREHOLDERS' EQUITY

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

As at	Nine months ended September 30, 2023 Number of Shares			Year ended December 31, 2022 Number of Shares		
	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of period	586,489,001	$	2,352,894	530,844,591	$	2,242,047
Exercise of warrants (Note 9)	9,244,630		25,092	44,202,302		100,561
Exercise of stock options, RSUs and PSUs (Note 12)	8,611,020		8,682	11,442,108		10,286
Repurchased shares for cancellation	(27,257,900)		(88,166)	—		—
BALANCE, END OF PERIOD	577,086,751	$	2,298,502	586,489,001	$	2,352,894

Subsequent to September 30, 2023, the Company repurchased for cancellation 5.9 million common shares under its Normal Course Issuer Bid ("NCIB") program, for total consideration of $25.2 million.

12. STOCK-BASED COMPENSATION

In May 2021, Athabasca adopted an omnibus incentive plan (the "Omnibus Incentive Plan"). The Omnibus Incentive Plan is a long-term incentive plan that permits the grant of options, RSUs and PSUs and other security based rewards to eligible individuals. In respect of future rewards, the Omnibus Incentive Plan replaces the Performance Plan, the 2015 RSU Plan and the Option Plan (collectively the "Prior Plans"). The Company also has PUPs and DSUs stock-based compensation plans. The following table summarizes the Company's outstanding stock-based compensation units:

As at	September 30, 2023	December 31, 2022
Stock options	3,613,600	7,159,800
RSUs	9,023,337	14,181,514
PSUs	—	6,483,300
Equity based	12,636,937	27,824,614
PSUs	2,575,700	—
PUPs	1,458,427	5,522,391
DSUs	6,225,375	5,911,434
Cash based	10,259,502	11,433,825
TOTAL OUTSTANDING STOCK-BASED COMPENSATION UNITS	22,896,439	39,258,439

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. The stock options and RSUs plans have been accounted for as equity-settled stock-based compensation plans. In the first quarter of 2023, the Company elected for the 2020 PSUs vesting April 1, 2023 to be settled in cash to reduce share dilution in advance of its proposed share buyback program which commenced in the second quarter of 2023. The PSUs plan was historically accounted for as an equity-settled stock-based compensation plan and has now been accounted for with the PUPs and DSUs as cash-settled stock-based compensation plans and are recognized as liabilities on the Consolidated Balance Sheet. The liabilities under the cash settled plans are revalued at each reporting date based on the Company's closing share price.

The following table summarizes the Company's stock-based compensation expense (recovery):

	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
Stock-based compensation expense (recovery) - equity based	$ 637	$ 2,266	$ 3,507	$ 5,855
Capitalized to PP&E and E&E assets	(522)	(499)	(1,683)	(1,362)
Net stock-based compensation expense (recovery) - equity based	115	1,767	1,824	4,493
Stock-based compensation expense (recovery) - cash based	17,636	(2,353)	52,186	19,190
Capitalized to PP&E and E&E assets	(521)	(4)	(1,549)	(2,512)
Net stock-based compensation expense (recovery) - cash based	17,115	(2,357)	50,637	16,678
NET STOCK-BASED COMPENSATION EXPENSE (RECOVERY)	$ 17,230	$ (590)	$ 52,461	$ 21,171

The following table reconciles the Company's cash settled stock-based compensation liability:

As at	September 30, 2023	December 31, 2022
CASH SETTLED STOCK-BASED COMPENSATION LIABILITY, BEGINNING OF PERIOD	$ 24,567	$ 16,327
Stock-based compensation expense (recovery) - cash based	52,186	23,960
Liabilities settled	(41,070)	(15,720)
CASH SETTLED STOCK-BASED COMPENSATION LIABILITY, END OF PERIOD	$ 35,683	$ 24,567

13. PER SHARE AMOUNTS

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. The following table calculates the basic and diluted net income (loss) per share:

	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
Net income (loss) and comprehensive income (loss)	$ (79,212)	$ 155,097	$ (78,726)	$ 82,617
Dilutive effect of warrants and PSUs	—	(16,442)	—	—
DILUTED NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ (79,212)	$ 138,655	$ (78,726)	$ 82,617
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	581,917,255	585,058,807	586,906,810	561,823,801
Dilutive effect of stock options, RSUs, PSUs and warrants	—	35,504,466	—	18,756,641
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	581,917,255	620,563,273	586,906,810	580,580,442
BASIC NET INCOME (LOSS) PER SHARE	$ (0.14)	$ 0.27	$ (0.13)	$ 0.15
DILUTED NET INCOME (LOSS) PER SHARE	$ (0.14)	$ 0.22	$ (0.13)	$ 0.14

For the three and nine months ended September 30, 2023, securities of 34,904,433 were excluded from the diluted net income (loss) per share calculation as their effect is anti-dilutive (three and nine months ended September 30, 2022 – 2,838,800 and 34,682,000, respectively).

14. SEGMENTED INFORMATION

Segmented operating results

Three months ended September 30,	Thermal Oil 2023	Thermal Oil 2022	Light Oil 2023	Light Oil 2022	Eliminations[1] 2023	Eliminations[1] 2022	Consolidated 2023	Consolidated 2022
SEGMENT REVENUES								
Petroleum, natural gas & midstream sales	$ 360,761	$ 366,804	$ 24,508	$ 39,990	$ (6,028)	$ (9,735)	$ 379,241	$ 397,059
Royalties	(27,613)	(31,471)	(3,510)	(7,428)	—	—	(31,123)	(38,899)
	333,148	335,333	20,998	32,562	(6,028)	(9,735)	348,118	358,160
SEGMENT EXPENSES & OTHER								
Cost of diluent	117,418	138,244	—	—	(6,028)	(9,735)	111,390	128,509
Operating expenses	40,093	56,027	5,964	8,176	—	—	46,057	64,203
Transportation and marketing	20,779	23,703	2,039	2,221	—	—	22,818	25,924
Depletion and depreciation	19,847	20,234	8,424	10,119	—	—	28,271	30,353
Exploration expenses	487	2,003	—	—	—	—	487	2,003
(Gain) loss on sale of assets	—	(14)	174,572	—	—	—	174,572	(14)
	198,624	240,197	190,999	20,516	(6,028)	(9,735)	383,595	250,978
Gain (loss) on commodity risk management contracts, net							1,970	53,575
Segment income (loss)	$ 134,524	$ 95,136	$ (170,001)	$ 12,046	$ —	$ —	(33,507)	160,757
CORPORATE								
Interest income							2,132	927
Financing and interest							(11,938)	(13,644)
General and administrative							(3,944)	(5,382)
Stock-based compensation							(17,230)	590
Depreciation							(364)	(733)
Foreign exchange gain (loss), net							(678)	(3,414)
Gain (loss) on revaluation of provisions and other							(30,188)	15,996
Deferred income tax recovery (expense)							16,505	—
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)							$ (79,212)	$ 155,097

(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.

Nine months ended September 30,	Thermal Oil 2023	Thermal Oil 2022	Light Oil 2023	Light Oil 2022	Eliminations[1] 2023	Eliminations[1] 2022	Consolidated 2023	Consolidated 2022
SEGMENT REVENUES								
Petroleum, natural gas & midstream sales	$ 895,167	$ 1,126,878	$ 78,403	$ 138,923	$ (20,974)	$ (43,640)	$ 952,596	$ 1,222,161
Royalties	(45,170)	(119,878)	(10,403)	(18,907)	—	—	(55,573)	(138,785)
	849,997	1,007,000	68,000	120,016	(20,974)	(43,640)	897,023	1,083,376
SEGMENT EXPENSES & OTHER								
Cost of diluent	380,781	419,840	—	—	(20,974)	(43,640)	359,807	376,200
Operating expenses	127,467	152,965	19,988	22,898	—	—	147,455	175,863
Transportation and marketing	64,888	66,047	6,482	6,962	—	—	71,370	73,009
Depletion and depreciation	57,234	55,835	27,630	31,294	—	—	84,864	87,129
Exploration expenses	880	2,487	—	—	—	—	880	2,487
(Gain) loss on sale of assets	—	(403)	174,572	—	—	—	174,572	(403)
	631,250	696,771	228,672	61,154	(20,974)	(43,640)	838,948	714,285
Gain (loss) on commodity risk management contracts, net							(25,463)	(111,976)
Segment income (loss)	$ 218,747	$ 310,229	$ (160,672)	$ 58,862	$ —	$ —	32,612	257,115
CORPORATE								
Interest income							7,007	1,465
Financing and interest							(28,736)	(69,972)
General and administrative							(14,361)	(14,744)
Stock-based compensation							(52,461)	(21,171)
Depreciation							(1,462)	(2,199)
Foreign exchange gain (loss), net							1,986	(4,798)
Gain (loss) on revaluation of provisions and other							(37,526)	(63,079)
Deferred income tax recovery (expense)							14,215	—
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)							$ (78,726)	$ 82,617

(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.

Seasonality can have an impact on Operating Income (Loss) generated by the Thermal Oil business. In the first and fourth quarters of a given year, dilution costs will generally increase as more diluent is required to meet pipeline specifications.

Segmented capital expenditures

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
THERMAL OIL				
Property, plant and equipment	$ 30,921	$ 35,226	$ 83,333	$ 99,365
Exploration and evaluation	148	186	484	322
	31,069	35,412	83,817	99,687
LIGHT OIL				
Property, plant and equipment	(1,153)	860	11,476	10,068
CORPORATE				
Corporate assets[1]	3,370	16,028	5,787	24,665
TOTAL CAPITAL EXPENDITURES[1][2][3]	$ 33,286	$ 52,300	$ 101,080	$ 134,420

(1) For the three and nine months ended September 30, 2023, expenditures include cash capitalized stock-based compensation costs of $0.5 million and $1.5 million (three and nine months ended September 30, 2022 - $nil million and $2.5 million).

(2) For the three and nine months ended September 30, 2023, expenditures include cash capitalized staff costs of $1.9 million and $5.7 million (three and nine months ended September 30, 2022 - $1.7 million and $5.4 million).

(3) Excludes non-cash capitalized costs related to stock-based compensation, decommissioning obligation assets and leased asset modifications.

Segmented assets

Net book value (As at)	September 30, 2023	December 31, 2022
THERMAL OIL		
Prepaid expense (Note 3)	$ 38,465	$ 40,137
Inventory (Note 4)	53,842	56,900
Property, plant and equipment	857,301	827,934
Exploration and evaluation	1,847	1,161
	951,455	926,132
LIGHT OIL		
Property, plant and equipment	209,471	553,336
CORPORATE		
Current assets[1]	478,954	297,400
Long-term deposit (Note 18)	—	12,577
Deferred income tax (Note 18)	433,410	413,288
Property, plant and equipment	29,048	27,621
	941,412	750,886
TOTAL ASSETS	$ 2,102,338	$ 2,230,354

(1) Current assets under Corporate exclude inventory and the current portion of the Hangingstone transportation prepayment which have been included under the Thermal Oil segment.

15. REVENUE

The following table summarizes Athabasca's revenue by product:

	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
Heavy oil (blended bitumen)	$ 357,865	$ 364,357	$ 886,088	$ 1,119,492
Oil and condensate	18,949	28,715	58,450	97,535
Natural gas	3,123	6,306	11,277	26,332
Other natural gas liquids	2,436	4,969	8,676	15,056
Eliminations - inter-segment sales	(6,028)	(9,735)	(20,974)	(43,640)
Petroleum and natural gas sales	376,345	394,612	943,517	1,214,775
Midstream sales	2,896	2,447	9,079	7,386
TOTAL REVENUE	$ 379,241	$ 397,059	$ 952,596	$ 1,222,161

16. FINANCING AND INTEREST

	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
Financing and interest expense on indebtedness (Note 8)	$ 6,825	$ 9,719	$ 20,576	$ 39,732
Accretion of 2026 Notes (Note 8)	2,824	826	1,232	19,133
Accretion of warrants (Note 9)	149	275	598	2,520
Accretion of provisions (Note 10)	2,004	2,606	5,869	7,875
Interest expense on lease liability	136	218	461	712
TOTAL FINANCING AND INTEREST	$ 11,938	$ 13,644	$ 28,736	$ 69,972

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

	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
Change in fair value of warrant liability (Note 9)	$ (30,188)	$ 15,136	$ (37,526)	$ (61,233)
Change in estimated decommissioning obligations related to fully impaired E&E assets	—	—	—	(3,073)
Other	—	860	—	1,227
TOTAL GAIN (LOSS) ON REVALUATION OF PROVISIONS AND OTHER	$ (30,188)	$ 15,996	$ (37,526)	$ (63,079)

18. INCOME TAXES

The following table reconciles the expected income tax (recovery) expense calculated at the Canadian statutory rate of 23.0% (2022 – 23.0%) to the actual income tax (recovery) expense:

	Three months ended September 30, 2023	2022	Nine months ended September 30, 2023	2022
INCOME (LOSS) BEFORE INCOME TAXES	$ (95,717)	$ 155,097	$ (92,941)	$ 82,617
Effective Canadian statutory income tax rate	23%	23%	23%	23%
Expected income tax (recovery) expense	(22,015)	35,672	(21,376)	19,002
ADJUSTMENTS RELATED TO THE FOLLOWING:				
Non-taxable portion on foreign exchange (gains) losses, net	525	130	(11)	843
Stock-based compensation	76	(1,025)	—	1,959
Warrants	6,979	(32,212)	8,769	(14,131)
Other	(2,070)	18	(1,597)	—
Unrecognized deferred income tax asset	—	(2,583)	—	(7,673)
DEFERRED INCOME TAX (RECOVERY) EXPENSE	$ (16,505)	$ —	$ (14,215)	$ —

From time to time, Athabasca undergoes income tax audits in the normal course of business. In 2018, the Company received a notice of reassessment from the Canada Revenue Agency ("CRA") and Alberta Finance with regards to its 2012 taxation year resulting in a $12.6 million deposit posted with the CRA. In the second quarter of 2023, Athabasca successfully appealed the reassessment and the $12.6 million was refunded.

As at September 30, 2023, the Company has approximately $2.8 billion in tax pools, including approximately $2.3 billion in non-capital losses and exploration tax pools available for immediate deduction against future income.

19. FINANCIAL INSTRUMENTS RISK

As at September 30, 2023, the Company's consolidated financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, deposits, risk management contracts, accounts payable, warrant liability and term debt. The risk management contracts have been classified as Level 2 on the fair value hierarchy and the warrant liability has been classified as Level 3 on the fair value hierarchy.

Credit risk

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

Athabasca's cash and cash equivalents are held with two counterparties, which are large reputable financial institutions, and management has therefore concluded that credit risk associated with the 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 September 30, 2023. Athabasca's risk management contracts are held with three counterparties, all of which are large reputable financial institutions, and management has therefore concluded that credit risk associated with these risk management contracts is low.

Liquidity risk

The Company’s objective in managing liquidity risk is to maintain sufficient available reserves to meet its liquidity requirements at any point in time. The Company expects to achieve this objective through prudent capital spending, an active commodity risk management program (Note 7) and by maintaining sufficient liquidity to manage periods of volatility within its cash, cash equivalents and available credit facilities.

For the balance of 2023, 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 2023, depending on the Company's level of capital spend and the commodity price environment, the Company may require additional funding which could include debt, equity, joint ventures, asset sales or other external financing. The availability of any additional future funding will depend on, among other things, the current commodity price environment, operating performance, the Company's credit rating and its ability to access the equity and debt capital markets.

As at September 30, 2023 all material financial liabilities are current except for the 2026 Notes. In addition, the Company has provisions and other liabilities as disclosed in Note 10. The Company’s future unrecognized commitments are disclosed in Note 20.

Foreign exchange risk

Athabasca is exposed to foreign currency risk on the principal and interest components of its US dollar denominated 2026 Notes (Note 8) and US dollar denominated cash, cash equivalents, receivables and payables. As at September 30, 2023, Athabasca’s net foreign exchange risk exposure was a US$37.6 million asset (December 31, 2022 - US$19.1 million liability), and a 5.0% change in the foreign exchange rate (USD:CAD) would result in a $2.5 million change in the foreign exchange gain/loss (December 31, 2022 - $1.3 million).

The following table provides a breakdown of the foreign exchange gain (loss):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Unrealized foreign exchange gain (loss)	$ (2,296)	$ (6,156)	$ 2,126	$ (4,423)
Realized foreign exchange gain (loss)	1,618	2,742	(140)	(375)
FOREIGN EXCHANGE GAIN (LOSS), NET	$ (678)	$ (3,414)	$ 1,986	$ (4,798)

The unrealized foreign exchange gain (loss) primarily relates to the principal and interest components of the Company’s US dollar denominated term debt.

The Company is also exposed to foreign currency risk on 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 7 for further details.

Interest rate risk

The Company’s exposure to interest rate fluctuations on interest earned on its floating rate cash and cash equivalents balance at September 30, 2023 of $337.1 million (December 31, 2022 - $197.5 million), from a 1.0% change in interest rates, would have an annualized impact of approximately $3.4 million (year ended December 31, 2022 - $2.0 million). The 2026 Notes and letters of credit issued are subject to fixed interest rates and are not exposed to changes in interest rates.

20. COMMITMENTS AND CONTINGENCIES

The following table summarizes Athabasca's estimated future unrecognized minimum commitments as at September 30, 2023 for the following five years and thereafter:

	Remaining 2023	2024	2025	2026	2027	Thereafter	Total
Transportation and processing[1]	$ 27,929	$ 110,012	$ 107,697	$ 107,472	$ 105,455	$ 1,053,318	$ 1,511,883
Interest expense on term debt (Note 8)[1]	5,174	20,696	20,696	17,246	—	—	63,812
Purchase commitments and other[1]	8,959	8,913	—	—	—	—	17,872
TOTAL COMMITMENTS	$ 42,062	$ 139,621	$ 128,393	$ 124,718	$ 105,455	$ 1,053,318	$ 1,593,567

(1) Commitments which are denominated in US dollars were converted into Canadian dollars at the September 30, 2023 exchange rate of US$1.00 = C$1.3520.

21. 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:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Change in accounts receivable	$ (30,735)	$ 53,541	$ (41,417)	$ (40,405)
Change in prepaid expenses and deposits	1,659	2,312	(157)	2,178
Change in inventory	(8,788)	21,770	3,058	3,390
Change in accounts payable and accrued liabilities	16,439	(56,484)	5,323	28,119
	(21,425)	21,139	(33,193)	(6,718)
Other items impacting changes in non-cash working capital:				
Change in cash stock-based compensation liability (Note 12)	13,108	(2,353)	11,116	6,104
Unrealized foreign exchange gain (loss) related to working capital	(49)	384	1,673	1,571
	$ (8,366)	$ 19,170	$ (20,404)	$ 957
RELATED TO:				
Operating activities	$ (5,898)	$ 16,320	$ (22,498)	$ (14,386)
Investing activities	(2,468)	2,850	2,094	15,343
NET CHANGE IN NON-CASH WORKING CAPITAL	$ (8,366)	$ 19,170	$ (20,404)	$ 957
Cash interest paid	$ 9,121	$ 14,467	$ 23,893	$ 28,844
Cash interest received	$ 2,126	$ 883	$ 6,991	$ 1,325

CORPORATE INFORMATION

MANAGEMENT

Robert Broen
President & Chief Executive Officer

Matthew Taylor
Chief Financial Officer

Cam Danyluk
General Counsel & Vice President, Business Development

Karla Ingoldsby
Vice President, Thermal Oil

Mike Wojcichowsky
Vice President, Light Oil

DIRECTORS

Ronald Eckhardt(1)(2)
Chair

Angela Avery(3)

Bryan Begley(1)(3)

Robert Broen

John Festival(2)(3)

Marty Proctor(2)

Marnie Smith(1)

Member of:

(1) Audit Committee
(2) Reserves Committee
(3) Compensation and Governance Committee

CORPORATE OFFICE

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

WEBSITE

www.atha.com

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

TRANSFER AGENT

Computershare Trust Company of Canada
Suite 800, 324 - 8th Avenue SW
Calgary, Alberta, T2P 2Z2
Telephone: (403) 267-6800
Fax: (403) 267-6529

BANK

ATB Financial

AUDITORS

Ernst & Young LLP

INDEPENDENT EVALUATORS

McDaniel & Associates Consultants Ltd.

STOCK SYMBOL

ATH
Toronto Stock Exchange