*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the U.S. Securities Act) except as permitted by the Underwriting Agreement (as defined herein) and pursuant to an exemption from the registration requirements of those laws. See "Plan of Distribution". This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities.*

PROSPECTUS

Initial Public Offering — March 30, 2010

ATHABASCA OIL SANDS CORP.

$1,350,000,000

75,000,000 Common Shares

Athabasca Oil Sands Corp. (the "**Company**" or "**Athabasca**") is an Alberta corporation focused on the exploration for, and the sustainable development and production of, bitumen from oil sands in the Athabasca region of northeastern Alberta, Canada.

The Independent Evaluators have assigned approximately 114 million barrels of Probable Reserves, 26 million barrels of Possible Reserves and 7.1 billion barrels of Contingent Resources (Best Estimate) to the Company's assets as of December 31, 2009, after giving effect to the completion of the sale of all of the shares of AOSC Newco, a wholly-owned subsidiary of the Company that owned a 60% working interest in each of the Company's MacKay and Dover properties, to an indirect, wholly-owned subsidiary of PetroChina Company Limited for $1.9 billion on February 10, 2010. See "Independent Reserve and Resource Evaluations", "The PetroChina Transaction" and "Glossary". On December 10, 2009, the Company submitted a regulatory application for an initial 35,000 bbls/d (14,000 bbls/d Company Interest) bitumen recovery project at its MacKay property which the Company expects will commence production in 2014. See "Project Development" and "Glossary".

Of the Company's approximately 7.1 billion barrels of Contingent Resources (Best Estimate), approximately 1.8 billion barrels are contained in carbonate reservoirs in the Company's Dover West Leduc Carbonates and Grosmont assets. SAGD and CSS, the recovery processes proposed to develop these assets, are considered by GLJ to be "technology under development" in carbonate reservoirs. The successful development of the Company's carbonate reservoirs depends on, among other things, the successful development and application of SAGD and CSS or other recovery processes to carbonate reservoirs. Although the technology has been developed for application to non-carbonate reservoirs, there are no known successful commercial projects that use SAGD or CSS to recover bitumen from carbonate formations and there exists a large range in the expected recoverable volumes, the lower end of which may not be economically viable. Although the technical risks associated with "technology under development" have been accounted for in the GLJ Report, the timeline for verification of "technology under development" has inherent uncertainty. Development will involve significant capital expenditures and a lengthy time to project payout and project payout is not assured. If a pilot project and/or the technology under development do not demonstrate potential commerciality in carbonate reservoirs then the Company's projects on these assets may not proceed and this may occur only after significant expenditures have been incurred by the Company. With respect to the Company's Grosmont asset, the Company's strategy is to continue delineation drilling efforts in the area in order to increase the resource base. The Company has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. See "Project Development – Other Assets – Grosmont Asset". See also "Independent Reserve and Resource Evaluations" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes."

This prospectus qualifies the distribution of 75,000,000 common shares ("**Common Shares**") in the capital of the Company at a price of $18.00 per Common Share (the "**Offering**"). The offering price of the Common Shares offered under this prospectus was determined by negotiation between the Company and Morgan Stanley Canada Limited, GMP Securities L.P., FirstEnergy Capital Corp., Raymond James Ltd., TD Securities Inc., Peters & Co. Limited, Genuity Capital Markets, Barclays Capital Canada Inc., Acumen Capital Finance Partners Limited, Haywood Securities Inc. and Dundee Securities Corporation (collectively, the "**Underwriters**").

There is no market through which the Common Shares may be sold and purchasers may not be able to resell Common Shares purchased under this prospectus. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares, and the extent of issuer regulation. See "Risk Factors". The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Common Shares under the symbol "ATH", subject to the Company fulfilling all the listing requirements of the TSX on or before June 17, 2010, including distribution of the Common Shares to a minimum number of public holders.

An investment in the Common Shares involves a substantial degree of risk and is highly speculative due to the nature of the Company's business and its early stage of development. A prospective purchaser should review this prospectus in its entirety and carefully consider the risk factors described under the heading "Risk Factors" before purchasing the Common Shares.

Price: $18.00 per Common Share

	Price to the Public	Underwriters' Commission	Net Proceeds to the Company(1)
Per Common Share	$18.00	$1.08	$16.92
Total Offering(2)	$1,350,000,000	$81,000,000	$1,269,000,000

Notes:

(1) Before deducting the Company's expenses of the Offering estimated to be $6,500,000 which, together with the Underwriters' commission, will be paid by the Company out of the proceeds of the Offering.

(2) The Company has granted to the Underwriters an option (the "**Over-Allotment Option**"), exercisable at the Underwriters' sole discretion at any time, in whole or in part, for a period of 30 days after the closing of the Offering, to purchase from the Company at the Offering price up to an additional 11,250,000 Common Shares (representing 15% of the Common Shares offered hereunder) for the purpose of covering over-allotments, if any. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Commission" and "Net Proceeds to the Company" before deducting the expenses of the Offering will be $1,552,500,000, $93,150,000 and $1,459,350,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Underwriters' over-allocation position acquires those Common Shares under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

Underwriters' position	Maximum size or number of securities available	Exercise period	Exercise price
Over-Allotment Option	Option to acquire up to 11,250,000 Common Shares	Exercisable for a period of 30 days after the closing of the Offering	$18.00 per Common Share

In connection with the Offering, the Underwriters may over-allocate or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution". **The Underwriters may offer the Common Shares at a price lower than that stated above. See "Plan of Distribution – Price Stabilization, Short Positions and Passive Market Making".**

One of the directors of the Company is a principal of a member of the underwriting syndicate. Consequently, the Company may be considered to be a "connected issuer" of that Underwriter under applicable securities laws. See "Plan of Distribution – Relationship Between the Company and one of the Underwriters".

The Underwriters, as principals, conditionally offer the Common Shares qualified under this prospectus, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under the heading "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Burnet, Duckworth & Palmer LLP, and on behalf of the Underwriters by Blake, Cassels & Graydon LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that certificates representing the Common Shares to be issued or sold in the Offering will be available for delivery on the date of the closing of the Offering, which is expected to occur on or about April 8, 2010 or such later date as the Company and the Underwriters may agree, but in any event not later than April 30, 2010. The Common Shares offered under this prospectus (other than any Common Shares issuable on exercise of the Over-Allotment Option) are to be taken up by the Underwriters, if at all, on or before a date not later than 42 days after the date of the receipt for this prospectus.

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NOTICE TO INVESTORS

About This Prospectus

An investor should rely only on the information contained in this prospectus and is not entitled to rely on parts of the information contained in this prospectus to the exclusion of others. The Company has not, and the Underwriters have not, authorized anyone to provide investors with additional or different information. The Company has not, and the Underwriters are not, offering to sell these securities in any jurisdictions where the offer or sale is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the Common Shares. The Company's business, financial condition, results of operations and prospects may have changed since the date of this prospectus. References to the Company's website are for informational purposes only. Information and documents located on the Company's website are specifically not incorporated by reference into this prospectus.

For investors outside Canada, neither the Company nor any of the Underwriters have done anything that would permit the Offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about and to observe any restrictions relating to the Offering and the distribution of this prospectus.

Interpretation

PetroChina Transaction

Effective as of February 10, 2010, the Company completed the PetroChina Transaction. See "The PetroChina Transaction". Except for historical information in respect of the Company as at any date or for any period of time that is prior to February 10, 2010, and except as otherwise stated herein, information contained in this prospectus gives effect to the PetroChina Transaction.

Except as otherwise stated herein, references in this prospectus to the "**Company**" or "**Athabasca**" as at any date or for any period of time that is prior to February 10, 2010 refer to Athabasca Oil Sands Corp. and its direct and indirect subsidiaries as they existed at such times. Except as otherwise stated herein, references in this prospectus to the "**Company**" or "**Athabasca**" as at any date or for any period of time that is on or after February 10, 2010 refer to Athabasca Oil Sands Corp. and its direct and indirect subsidiaries as they exist after completion of the PetroChina Transaction.

Miscellaneous

References to "management" in this prospectus mean the executive officers of the Company. Any statements in this prospectus made by or on behalf of management are made in such persons' capacities as officers of the Company and not in their personal capacities.

Unless otherwise indicated, the information in this prospectus assumes that the Underwriters will not exercise the Over-Allotment Option.

The Company presents its financial statements in Canadian dollars. In this prospectus, references to "$", "Cdn$", "dollars" or "Canadian dollars" are to Canadian dollars and references to "US$" and "U.S. dollars" are to United States dollars. Amounts are stated in Canadian dollars unless otherwise indicated.

The Company's financial statements included in this prospectus have been prepared in accordance with Canadian generally accepted accounting principles, or Canadian GAAP, as applied to its financial statements.

Certain terms used in this prospectus are defined in the "Glossary", which begins on page 197 of this prospectus.

Exchange Rate Data

The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for one Canadian dollar, expressed in U.S. dollars, based on data published by the Bank of Canada.

	Nine Months Ended September 30,	Year ended December 31,			
	2009	2009	2008	2007	2006
	US$	US$	US$	US$	US$
Highest rate during the period	0.9422	0.9716	1.0289	1.0905	0.9099
Lowest rate during the period	0.7692	0.7692	0.7711	0.8437	0.8528
Average noon spot rate for the period(1)	0.8598	0.8792	0.9332	0.9376	0.8843
Rate at the end of the period	0.9327	0.9555	0.8166	1.0120	0.8581

Note:

(1) Determined by averaging the rates on the last business day of each month during the respective period.

On March 29, 2010, the noon rate of exchange based on data posted by the Bank of Canada for conversion of Canadian dollars into U.S. dollars was Cdn$1.00 equals US$0.9801.

Market Data

This prospectus contains statistical data, market research and industry forecasts that were obtained from government or other industry publications and reports or based on estimates derived from such publications and reports and management’s knowledge of, and experience in, the markets in which the Company operates. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. None of the authors of such publications and reports has provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the Offering. Further, certain of these organizations are advisors to participants in the oil sands industry, and they may present information in a manner that is more favourable to that industry than would be presented by an independent source. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While management believes this data to be reliable, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed. None of the Company, its affiliates or the Underwriters has independently verified any of the data from third party sources referred to in this prospectus or ascertained the underlying assumptions relied upon by such sources.

Forward-Looking Statements

Certain statements contained in this prospectus constitute forward-looking statements. These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, “predict”, “pursue” and “potential” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this prospectus should not be unduly relied upon. These statements speak only as of the date of this prospectus. In addition, this prospectus may contain forward-looking statements and forward-looking information attributed to third party industry sources.

In particular, this prospectus contains forward-looking statements pertaining to the following:

- the resource potential of the Company's assets;
- the Company's growth strategy and opportunities;
- the Company's capital expenditure programs;
- the estimated quantity of the Company's Probable and Possible Reserves and Contingent Resources;
- the Company's projections of commodity prices, costs and netbacks;
- the timing of commencement of certain of the Company's operations, including its planned bitumen development projects, and the levels of anticipated production;
- supply and demand fundamentals for crude oil, bitumen blend, natural gas, and SCO and other diluents;
- the Company's access to third-party infrastructure;
- industry conditions including with respect to project development;
- the planned construction of the Company's facilities;
- the Company's drilling plans;
- the Company's plans for, and results of, exploration and development activities;
- the use of the proceeds of the Offering;
- the timing for receipt of regulatory approvals; and
- the Company's treatment under governmental regulatory regimes and tax laws.

With respect to forward-looking statements and forward-looking information contained in this prospectus, assumptions have been made regarding, among other things:

- future crude oil, bitumen blend, natural gas, and SCO and other diluent prices;
- the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner;
- the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business;
- the Company's ability to market production of bitumen blend successfully to customers;
- the Company's future production levels;
- the applicability of technologies for the recovery and production of the Company's reserves and resources;
- the recoverability of the Company's reserves and resources;
- operating costs;
- future capital expenditures to be made by the Company;
- future sources of funding for the Company's capital programs;
- the Company's future debt levels;
- geological and engineering estimates in respect of the Company's reserves and resources;
- the geography of the areas in which the Company is conducting exploration and development activities;
- the impact that the PetroChina Transaction will have on the Company, including on the Company's financial condition and results of operations;
- the impact of increasing competition on the Company; and
- the Company's ability to obtain financing on acceptable terms.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and included elsewhere in this prospectus, including:

- fluctuations in market prices for crude oil and bitumen blend;
- general economic, market and business conditions;
- dependence on PetroChina International Subco as the joint venture participant in the MacKay and Dover Oil Sands Projects;
- variations in foreign exchange and interest rates;
- factors affecting potential profitability;
- the global financial crisis;
- uncertainties inherent in estimating quantities of reserves and resources;
- Athabasca's status and stage of development;
- uncertainties inherent in SAGD, CSS and other bitumen recovery processes;
- the potential impact of the exercise of the Put/Call Options on the Company;
- failure to meet the conditions precedent to the exercise by the Company of the Put/Call Options, including failure to receive the MacKay Oil Sands Project Approval and/or the Dover Oil Sands Project Approval when anticipated or at all;
- failure to obtain necessary regulatory approvals for completion of the Put/Call Option Transactions on the terms and conditions set forth in the Put/Call Option Agreement;
- failure to meet development schedules and potential cost overruns;
- increases in operating costs can make projects uneconomic;
- the effect of diluent and natural gas supply constraints and increases in the costs thereof;
- gas over bitumen issues affecting operational results;
- the potential for adverse consequences in the event that the Company defaults under certain of the PetroChina Transaction Agreements;
- environmental risks and hazards and the cost of compliance with environmental regulations, including greenhouse gas regulations and potential Canadian and U.S. climate change legislation;
- failure to obtain or retain key personnel;
- the substantial capital requirements of the Company's projects;
- the need to obtain regulatory approvals and maintain compliance with regulatory requirements;
- extent of, and cost of compliance with, government laws and regulations and the effect of changes in such laws and regulations from time to time;
- changes to royalty regimes;
- political risks;
- failure to accurately estimate abandonment and reclamation costs;
- risks inherent in the Company's operations, including those related to exploration, development and production of oil sands reserves and resources, including the production of oil sands reserves and resources using SAGD, CSS or other in-situ technologies;
- the potential for management estimates and assumptions to be inaccurate;
- long term reliance on third parties;
- reliance on third party infrastructure for project facilities;

- failure by counterparties (including without limitation PetroChina International and PetroChina International Subco) to make payments or perform their operational or other obligations to the Company in compliance with the terms of contractual arrangements between the Company and such counterparties and the possible consequences thereof;
- the potential lack of available drilling equipment and limitations on access to the Company's assets;
- aboriginal claims;
- seasonality;
- hedging risks;
- risks associated with establishing and maintaining systems of internal controls;
- insurance risks;
- claims made in respect of the Company's operations, properties or assets;
- the potential for adverse consequences as a result of the change of control provisions in the PetroChina Transaction Agreements;
- competition for, among other things, capital, the acquisition of reserves and resources, export pipeline capacity and skilled personnel;
- the failure of the Company or the holder of certain licenses or leases to meet specific requirements of such licenses or leases;
- risks arising from future acquisition activities;
- risks relating to the reliance on historical and pro forma financial information, including that historical financial information does not reflect the added costs that the Company expects to incur as a public entity;
- volatility in the market price of the Common Shares;
- the absence of an existing public market for the Common Shares;
- the effect that the issuance of additional securities by the Company could have on the market price of the Common Shares;
- risks relating to the Company's dividend policy; and
- the other factors discussed under "Risk Factors" in this prospectus.

In addition, information and statements in this prospectus relating to "reserves" and "resources" are deemed to be forward-looking information and statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and that the reserves and resources described can be profitably produced in the future. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive.

The forward-looking statements included in this prospectus are expressly qualified by this cautionary statement and are made as of the date of this prospectus. The Company does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. For an explanation of certain terms used in this prospectus, reference is made to the "Glossary" which begins on page 197 of this prospectus.

ATHABASCA OIL SANDS CORP.

Athabasca Oil Sands Corp. was incorporated under the ABCA on August 23, 2006. The Company is focused on the exploration for, and the sustainable development and production of, bitumen from oil sands in the Athabasca region of northeastern Alberta, Canada. Athabasca is advancing only in-situ oil sands exploration and development projects using methods such as SAGD, CSS and other emerging in-situ extraction technologies. The Company's principal oil sands assets are known as MacKay, Dover, Dover West (Clastics and Leduc Carbonates), Birch, Hangingstone and Grosmont. See "Athabasca Oil Sands Corp. – Business". There are no known successful commercial projects that use CSS or SAGD in carbonate reservoirs, the reservoirs in which the Company's bitumen resources at its Dover West Leduc Carbonates and Grosmont assets are contained. The Company currently has no development plans for the Grosmont asset. See "Project Development – Other Assets – Grosmont Asset" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes."

BUSINESS OF THE COMPANY

Strategy

In its initial years of operation, Athabasca focused on the acquisition of oil sands leases and permits in areas that either had not previously been made available by the Alberta Government or that had previously been relinquished by other industry participants and that management believed were prospective for in-situ oil sands resources. Athabasca now has the opportunity to continue its aggressive growth through the exploration, appraisal and development of its extensive asset portfolio and any additional assets that it may acquire by executing the following key strategies:

1. developing the MacKay and Dover Oil Sands Projects;
2. exploring, appraising and developing its Dover West Clastic Resources;
3. exploring, appraising and developing its Dover West Carbonate Resources; and
4. pursuing strategic acquisitions and other business development opportunities.

See "Athabasca Oil Sands Corp. – Strategy".

Athabasca's Strengths

Management believes that the following key attributes contribute to the strength of Athabasca's business.

Large In-Situ Oil Sands Reserves and Resources

The Independent Reports attribute approximately 114 million barrels of Probable Reserves, 26 million barrels of Possible Reserves and 7.1 billion barrels of Contingent Resources (Best Estimate) to the Company's assets as of December 31, 2009 (after giving effect to the PetroChina Transaction). Management believes that this gives Athabasca the opportunity to become a large, pure-play, in-situ oil sands producer. There are specific risks associated with the development of the Company's carbonate reservoirs. See "Independent Reserve and Resource Evaluations" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes".

Portfolio Comprised of Multiple Assets with High Resource Content

Management believes that, to varying degrees, each of its MacKay, Dover, Dover West, Birch, Hangingstone and Grosmont assets has the potential for multi-phase project development.

Strong and Experienced Partner at MacKay and Dover

Management anticipates that the MacKay and Dover Oil Sands Projects will benefit from the active participation of PetroChina International Subco, an indirect wholly-owned subsidiary of PetroChina, the world's largest energy company by market value.

Strong Balance Sheet

A well-funded oil sands company significantly reduces the chance of project delays, maintaining value and enabling a company to continue development during economic downturns when other sources of financing may not be available. Management believes that the Company is well-capitalized, with cash and short-term investments of approximately $719.3 million at December 31, 2009 (after giving effect to the PetroChina Transaction, the payment of the Special Dividend, the payment of income taxes, and the exercise of all of the Purchase Warrants, but before taking into account the net proceeds of the Offering).

Strong Management Team with Deep Industry Experience

The Company's senior management team and key technical personnel have extensive experience in the energy industry, including involvement in many key oil sands projects such as Firebag (Suncor), Christina Lake and Foster Creek (Cenovus), Wolf Lake and Primrose (CNRL), Surmont (ConocoPhillips Canada), Joslyn (Total Canada), Carmen Creek and Orion (Shell Canada), Tucker Lake (Husky) and Long Lake (Nexen).

Reserves and Resources to be Developed with In-Situ, Rather than Mining Processes

The Company plans to develop its oil sands reserves and resources using in-situ extraction technologies (principally SAGD) rather than mining. SAGD projects have significantly lower initial capital cost requirements than mining projects. The Company believes that in-situ oil sands projects also have significant environmental advantages over oil sands mining projects. There are no known successful commercial projects that use CSS or SAGD in carbonate reservoirs. The Company currently has no development plans for the Grosmont asset. See "Project Development – Other Assets – Grosmont Asset" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes."

Significant Potential Growth in Existing Assets

While the Company has established the existence of a large resource base by delineating certain portions of its clastic lease acreage, a substantial portion of the Company's clastic lease acreage remains relatively under explored, and may be shown to contain additional commercial resource volumes once delineation work is completed. See "Project Development". Furthermore, management believes that the Company's large carbonate lease acreage has the potential to significantly grow the Company's estimated recoverable resources. There are no known successful commercial projects that use CSS or SAGD in carbonate reservoirs. The Company currently has no development plans for the Grosmont asset. See "Project Development – Other Assets – Grosmont Asset" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes."

See "Athabasca Oil Sands Corp. – Athabasca's Strengths".

Asset Summary

As at December 31, 2009, after giving effect to the PetroChina Transaction, Athabasca held 635,748 net hectares (1,570,934 net acres) of oil sands leases and permits in the central region of the Athabasca oil sands deposit, the majority of which are west of Fort McMurray, Alberta. Athabasca's leases and permits are large and generally contiguous, which management expects will allow for scale efficiency and simpler development planning. Management believes that the large scale of the Company's assets may also attract interest from other potential joint venture partners should the Company choose to pursue that strategy. Most of the Company's leases are located in proximity to Suncor's producing MacKay River SAGD project as well as other planned oil sands projects. As a large scale leaseholder in the area, Athabasca intends to opportunistically pursue acquisitions to complement its existing portfolio.

The following table sets forth certain summary information in respect of Athabasca's oil sands assets as at December 31, 2009, after giving effect to the completion of the PetroChina Transaction.

Asset	**Working Interest**	**Net Acreage**	**Probable Reserves**[(1)]	**Possible Reserves**[(1)]	**Best Estimate Contingent Resources**[(2)]	**Anticipated First Production**[(8)]	**Estimated Gross Peak Production**
	(%)	(hectares)	(mmbbls)	(mmbbls)	(mmbbls)	(Year)	(mbbls/d)
MacKay	40	30,413	114	26	573	2014	150[(4)]
Dover	40	24,017[(6)]	—	—	1,326	2015	200 – 270[(4)]
Dover West		81,920[(6)]					
Clastics	100	—	—	—	2,012	2016	165
Leduc Carbonates[(5)]	100	—	—	—	1,420[(5)]	2019	TBD[(9)]
Birch	100	181,325	—	—	1,007	TBD[(9)]	TBD[(9)]
Hangingstone	100	34,560	—	—	412	TBD[(9)]	TBD[(9)]
Grosmont[(5)]	50	157,591	—	—	396[(5)]	TBD[(9)]	TBD[(9)]
Other	100	125,922	—	—	—	—	—
Total		635,748	114	26	7,146[(7)]		—[(3)]

Notes:

(1) Based on the GLJ Report. See "Independent Reserve and Resource Evaluations".

(2) Based on the Independent Reports. See "Independent Reserve and Resource Evaluations".

(3) It is not anticipated that peak production rates for individual projects will be reached at the same time due to the fact that Athabasca's projects will commence production at staggered intervals and will be developed in phases. Therefore, the estimated gross potential peak production rates have not been aggregated.

(4) With a 40% working interest in the MacKay and Dover Oil Sands Projects, Athabasca's share of the estimated potential peak production would be 60,000 and 80,000 to 108,000 bbls/d, respectively.

(5) The Company's resources at its Dover West Leduc Carbonates and Grosmont assets are contained in carbonate reservoirs. SAGD and CSS, the recovery processes proposed to develop these assets, are considered by GLJ to be "technology under development" in carbonate reservoirs. The successful development of the Company's carbonate reservoirs depends on, among other things, the successful development and application of SAGD and CSS or other recovery processes to carbonate reservoirs. Although the technology has been developed for application to non-carbonate reservoirs, there are no known successful commercial projects that use SAGD or CSS to recover bitumen from carbonate formations and there exists a large range in the expected recoverable volumes, the lower end of which may not be economically viable. The principal risks associated with SAGD and CSS recovery in carbonate reservoirs are (i) the possibility of unexpected steam channelling which would increase steam requirements resulting in increased costs and potentially reduced economically recoverable bitumen volumes, and (ii) potential mechanical operating problems due to production of fines which could cause wellbore plugging and reduced bitumen production rates and potential interruption of surface production operations. Although the technical risks associated with "technology under development" have been accounted for in the GLJ Report, the timeline for verification of "technology under development" has inherent uncertainty. Development will involve significant capital expenditures and a lengthy time to project payout and project payout is not assured. If a pilot project and/or the technology under development do not demonstrate potential commerciality in carbonate reservoirs then the Company's projects on these assets may not proceed and this may occur only after significant expenditures have been incurred by the Company. With respect to the Company's Grosmont asset, the Company's strategy is to continue delineation drilling efforts in the area in order to increase the resource base. The Company has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. See "Project Development – Other Assets – Grosmont Asset", "Independent Reserve And Resource Evaluations" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes".

(6) Includes 47 sections of land in respect of which the Company holds (i) at Dover West, a 100% working interest in oil sands rights below the base of the Wabiskaw-McMurray formations, and (ii) at Dover, a 40% working interest in oil sands rights from the top of the Viking Formation to the base of the Wabiskaw-McMurray formations.

(7) The total does not add due to rounding.

(8) The Independent Evaluators have prepared their respective evaluations of each of Athabasca's properties on a stand-alone basis and assumed that each property will be developed without any constraints imposed by financial or human resources. Accordingly, all six properties were assumed by the Independent Evaluators to commence production within the 2014 to 2016 period. However, Athabasca intends to develop each property in sequence commencing with MacKay, Dover and Dover West (in that order). To the extent that the Company develops its properties later than assumed by the Independent Evaluators, the associated discounted net present values of the future net revenue attributed to those properties in the Independent Evaluations will be reduced. See "Independent Reserve and Resource Evaluations".

(9) To be determined. The Company has not prepared a definitive plan or timeline for the development of these properties.

The Company's bitumen resources are contained in two distinct kinds of reservoirs. The Company's bitumen resources at MacKay, Dover, Dover West Clastics, Birch and Hangingstone, which represent approximately 75% of the Company's Best Estimate Contingent Resources and 100% of its Probable plus Possible Reserves, are contained in clastic reservoirs. Clastic reservoirs are the formations from which all current oil sands production in Alberta is derived. The

Company's bitumen resources at Dover West Leduc Carbonates and Grosmont, which represent the remaining approximately 25% of the Company's Best Estimate Contingent Resources, are contained in carbonate reservoirs. Carbonate formations are common hydrocarbon reservoir rocks, and contain more than 60% of the world's proved conventional oil reserves. However, because of unique technical challenges to the in-situ production of oil sands from carbonate reservoirs, there is currently no commercial bitumen production from carbonate bearing formations in Alberta, although there are several ongoing pilot initiatives being undertaken by other industry participants.

See "Athabasca Oil Sands Corp. – Athabasca's Assets".

Estimated MacKay Oil Sands Project Costs

Athabasca's most advanced SAGD project is the MacKay Oil Sands Project. The MacKay Joint Venture (in which Athabasca owns a 40% interest) intends to pursue a four-phase development project on this asset. Based on the GLJ Report, the Best Estimate total peak production at the MacKay Oil Sands Project is expected to reach 150,000 bbls/d by 2021. Athabasca has filed its initial application for regulatory approval with the ERCB for the Phase 1 development of the MacKay Oil Sands Project, which is planned to commence production in 2014 and result in peak production of 35,000 bbls/d (14,000 bbls/d Company Interest). Management's estimates of the future capital costs associated with the MacKay Oil Sands Project are set forth below. See "Capital Spending".

Estimated Future Capital Costs of Phase 1 of the MacKay Oil Sands Project

	Company Share	Total	Total[1]
	(MM$)	(MM$)	$/bbl/d
Drilling and Seismic[2]	101	254	—
Facilities[3]	311	777[5]	—
Infrastructure[4]	76	189[5]	—
Total	**488**	**1,220**	**34,857**

Notes:

(1) Based on planned peak production of 35,000 bbls/d for Phase 1.

(2) Includes drilling and seismic capital costs associated with delineation, production and water wells.

(3) Includes capital costs associated with the engineering, design and construction of facilities.

(4) Includes capital costs associated with building the infrastructure required to support Phase 1 of the MacKay Oil Sands Project, including capital costs associated with building roads and power lines in the amount of approximately $60 million.

(5) Excludes approximately $43 million of facilities and infrastructure costs to be spent during Phase 1 development that relate to future project phases.

Estimated Capital Requirements for Athabasca's SAGD Projects Through 2014

Athabasca's asset portfolio is comprised of a series of SAGD projects and potential projects, each of which is at a different stage of development. The capital spending associated with each asset area has varied historically and each will have distinct future capital requirements. The following table identifies the capital costs that have been incurred to date and the additional capital that management currently anticipates spending through 2014. For information regarding the current development schedules for each of Athabasca's assets, see "Project Development". See also "Capital Spending".

Historical and Management's Projected Capital Spending Through 2014[1][5]

			Projected[2]					
($millions)	**Working Interest**	**Pre-2010**	**2010**	**2011**	**2012**	**2013**	**2014**	**Total**
MacKay	40%	49.6[3]	14.4	50.6	130.2	343.4	42.4	**581.0**
Dover	40%	94.1[3]	16.6	14.3	120.2	193.2	477.5	**821.8**
Dover West	100%	68.6	28.2	60.6	38.9	348.5	381.3	**857.5**
Birch	100%	35.5	0.9	—	—	21.7	19.4	**42.0**
Hangingstone	100%	29.0	0.3	—	—	—	11.9	**12.2**
Grosmont	50%	33.9	11.6	10.2	10.4	10.6	10.8	**53.6**
Other[4]	100%	49.1	14.2	2.0	2.0	2.1	2.2	**22.5**
Total		**359.8**	**86.2**	**137.7**	**301.7**	**919.5**	**945.5**	**2,390.6**

Notes:

(1) Costs exclude non-cash amounts for asset retirement obligations, capitalized stock-based compensation and capitalized deferred borrowing costs.

(2) Anticipated capital requirements are based on management's estimates and reflect the costs associated with Athabasca's working interest. An annual inflation rate of 2% has been assumed for 2011 to 2014.

(3) Pre-2010 costs reflect Athabasca's actual costs incurred from inception of the Company to December 31, 2009. Costs are net of the indirect 60% working interest held by PetroChina International Subco on completion of the PetroChina Transaction.

(4) The 2010 capital spending figure includes approximately \$4.7 million for water treatment engineering, \$2.6 million for general stakeholder relations, \$2.4 million for corporate capital, and the balance for miscellaneous studies not specific to any one asset area.

(5) The capital spending estimates in the table have been prepared by management and are not the capital spending estimates made by the Independent Evaluators in the Independent Reports. Over the five year period of the projected capital spending estimates for the projects identified in the table, management's capital spending estimates are \$3.04 billion lower in aggregate than the capital spending estimates made by the Independent Evaluators in the Independent Reports. The difference between the Independent Evaluators' estimates and management's estimates can be attributed principally to the following factors: (i) the Independent Evaluators' evaluations assume in some instances that first production from future phases will commence earlier than management's current estimates; (ii) the Independent Evaluators' evaluations assume a limited amount of type well forecasts for Athabasca's project areas, whereas management's forecast includes more type wells ("type well" refers to the production profile of a well, that is the initial rate of production and subsequent rate of decline as measured over time, which is affected by the reservoir quality and thickness and its distribution throughout the reservoir. Due to the variation in forecasting type well curves, management's wells have a higher peak production rate and recovery factor, which means that fewer well-pairs would be drilled in management's estimates); and (iii) the Independent Evaluators' evaluations are generally more conservative than management's forecast in regards to the amount and cost of infrastructure required. In the case of the MacKay Oil Sands Project, for which more detailed cost estimates exist, management's estimates are within 10% of GLJ's estimates. See Appendix "G" for a reconciliation of management's capital spending estimates to those of the Independent Evaluators in the Independent Reports over the 2010 through 2014 period.

Sources and Uses of Funds

Athabasca intends to develop its projects in phases with staggered start dates for each project, which management expects will allow Athabasca to maximize the efficiency of its available capital. Athabasca's intention is that cash flows from the development of more mature projects will help to finance the capital requirements of subsequent project development work, thereby reducing Athabasca's requirement for additional external financing. Management believes that it is reasonable to assume the availability of external financing in the future, which financing could include one or more of the following: the exercise of the Put/Call Options; the replacement of the PetroChina Loans with alternative debt financing; project financing; asset dispositions; securing one or more joint venture partners to participate in the development of certain of the Company's assets; and additional equity financing. The following chart summarizes Athabasca's anticipated capital requirements and cash flows from its various projects for the periods indicated. See "Capital Spending".

($ millions)	2010	2011	2012	2013	2014	Total 2010-2014
Uses of Capital[1]						
Capital Expenditures[2]	86.2	137.7	301.7	919.5	945.5	2,390.6
General and Administrative[2]	19.2	21.1	23.2	25.6	28.1	117.2
Interest Expense[3]	31.6	29.7	44.0	60.0	60.0	225.3
Total Uses	137.0	188.5	368.9	1,005.1	1,033.6	2,733.1
Sources of Capital[1]						
Net Offering Proceeds[4]	1,262.5	—	—	—	—	1,262.5
PetroChina Loans #2 and #3[5]	38.1	72.7	259.0	290.2	—	660.0
Interest Income	4.8	4.6	4.3	3.3	1.1	18.1
Future External Financing[6]	—	—	—	—	73.2	73.2
Total Sources	1,305.4	77.3	263.3	293.5	74.3	2,013.8
Pro Forma Cash at Beginning of period[7]	719.3	1,887.7	1,776.5	1,670.9	959.3	719.3
Cash at end of year	1,887.7	1,776.5	1,670.9	959.3	—	—

Notes:

(1) Assumes the Put/Call Options are not exercised.

(2) Anticipated capital and general and administrative requirements are based on management's estimates as at the date of this prospectus and reflect the costs associated with Athabasca's working interests. An annual inflation rate of 2% has been assumed for 2011-2014.

(3) Includes interest expense to be incurred in respect of the PetroChina Loans based on the assumption that the full principal amount of each loan is eventually drawn down. Interest expense for 2010 also includes approximately \$8 million in respect of interest paid on the Senior Secured Notes prior to their redemption.

(4) Excludes cash received from exercise of the Over-Allotment Option, if any. If the Over-Allotment Option is exercised in full, Net Offering Proceeds would increase by $190.4 million, Future External Financing in 2014 and in Total 2010-2014 would be nil, and Cash at end of year in 2014 and in Total 2010-2014 would be $117.2 million.
(5) PetroChina Loan #1 is not included as a source of capital because the proceeds of the loan were used to repay the principal amount of the Senior Secured Notes and related costs.
(6) This five year sources and uses table assumes that the Put/Call Options are not exercised prior to the end of 2014. The exercise of the Put/Call Options would result in an additional source of cash of up to $2 billion, less any amounts due on the PetroChina Loans as of the date of exercise. Further capital spending on MacKay and Dover Oil Sands Projects would cease as of the date of exercise of the MacKay Put/Call Option or the Dover Call Option or the Dover Put Option, respectively. As a result, Athabasca's requirements for future external financing, if any, in the period from 2010 through 2014 would be reduced or eliminated if the Put/Call Options were exercised. Management believes this provides the Company with significant optionality in its future strategic choices.
(7) Includes cash and short term investments at December 31, 2009 of $141.0 million, plus the net proceeds received from the PetroChina Transaction in the amount of approximately $1.879 billion, plus the proceeds received from the exercise of all the Purchase Warrants of $121.6 million, less the payment of the Special Dividend in the amount of $1.332 billion, less the payment of income taxes in the estimated amount of $90 million.

The following table sets forth additional detail regarding Athabasca's anticipated $2,390.6 million in capital spending on its various projects, broken down by expenditure type, through 2014. For information regarding the aggregate capital expenditures that Athabasca anticipates making by project area, see the table "Historical and Management's Projected Capital Spending Through 2014" under "Capital Spending – Estimated Capital Requirements for Athabasca's SAGD Projects Through 2014".

($ millions)	2010	2011	2012	2013	2014	Total 2010-2014
MacKay and Dover						
Delineation drilling	13.1	3.2	23.0	11.9	22.2	73.4
Production drilling	5.3	3.7	—	98.8	85.2	193.0
Central processing facility	10.3	47.6	172.2	291.7	242.2	764.0
Other(1)	2.3	10.4	55.2	134.2	170.3	372.4
	31.0	64.9	250.4	536.6	519.9	1,402.8
Dover West						
Delineation drilling	25.2	56.1	—	—	26.5	107.8
Production drilling	2.7	4.5	—	—	—	7.2
Central processing facility	—	—	23.3	318.9	354.8	697.0
Other(1)	0.3	—	15.6	29.7	—	45.6
	28.2	60.6	38.9	348.5	381.3	857.5
Other Areas(2)						
Delineation drilling	11.9	10.2	10.4	32.3	42.0	106.9
Production drilling	—	—	—	—	—	—
Central processing facility	—	—	—	—	—	—
Other(1)	15.1	2.0	2.0	2.1	2.2	23.4
	27.0	12.2	12.4	34.4	44.2	130.3
Total All Areas						
Delineation drilling	50.2	69.5	33.4	44.3	90.7	288.0
Production drilling	8.0	8.2	—	98.8	85.2	200.2
Central processing facility	10.3	47.6	195.5	610.5	597.1	1,461.0
Other(1)	17.6	12.4	72.8	166.0	172.5	441.4
	86.2	137.7	301.7	919.5	945.5	2,390.6

Notes:
(1) Includes lease rental costs, costs to build and maintain roads and power and other infrastructure, well pad construction costs, and flow line construction costs.
(2) Includes the Birch, Hangingstone and Grosmont areas.
(3) Totals may not add due to rounding.

Sources and Uses of Funds beyond 2014

Assuming that the Put/Call Options are not exercised, Athabasca's development schedule anticipates the Company achieving commercial production from the first phase of the MacKay Oil Sands Project in 2014 and from the first phase of the Dover Oil Sands Project in 2015. However, the terms of the PetroChina Loans require that 90% of the cash flow derived from commercial production of the MacKay and Dover Oil Sands Projects be used for repayment of outstanding balances under the PetroChina Loans. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The PetroChina Loan Agreements".

During the five year period from 2015 through 2019, the Company plans to undertake substantial capital expenditures to continue the development of its projects. The focus of these expenditures will be on: the development of additional phases of the MacKay and Dover Oil Sands Projects; the development of the first two commercial phases of the Dover West Clastics Oil Sands Project; and, provided that Athabasca has achieved a successful pilot project, the development of the first commercial phase of the Dover West Leduc Carbonates Oil Sands Project.

Accordingly, the Company expects to require significant additional sources of financing during the five years ended 2019. Although the sources of this financing cannot be determined at this time, management believes that it is reasonable to assume the availability of external financing in the future, which financing could include one or more of the following: the replacement of the PetroChina Loans with alternative debt financing; project financing; asset dispositions; securing one or more joint venture partners to participate in the development of certain of the Company's assets; and additional equity financing.

The exercise of the Put/Call Options would result in an additional source of cash of up to $2 billion, less any amounts due on the PetroChina Loans as of the date of exercise. Further capital spending on the MacKay and Dover Oil Sands Projects would cease as of the date of exercise of the MacKay Put/Call Option or the Dover Call Option or the Dover Put Option, respectively. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement". As a result, Athabasca's requirements for future external financing for the five years ended 2019 would be expected to be reduced and delayed, although they would not be eliminated entirely.

MacKay Asset

The MacKay asset consists of a large contiguous land base with a gross acreage of 76,032 hectares (187,875 acres) and a net working interest (40%) of 30,413 hectares (75,150 acres). Almost all of the leases in the MacKay asset area are new Alberta crown mineral leases purchased at crown auction sales between 2006 and 2009.

The MacKay area reservoir is contained within the McMurray Formation of the Mannville Group and is of Cretaceous age. The reservoir is suitable for in-situ recovery with a depth in the range of 130 metres to 200 metres, averaging approximately 180 metres. Continuous reservoir thickness in the SAGD interval varies between 8 metres and 30 metres, averaging approximately 18 metres.

Since 2006, Athabasca has drilled 132 delineation wells on the MacKay property in order to define the resources in the McMurray Formation. The MacKay Oil Sands Project will be developed using SAGD with a phased development strategy. The MacKay River Central Plant will be constructed in four phases. Phase 1 of the project will include clearing, site preparation and construction of the facilities and infrastructure required to reach a bitumen production rate of 35,000 bbls/d. Management expects that subsequent phases will be in the range of 35,000 to 40,000 bbls/d, with an ultimate planned production capacity of 150,000 bbls/d.

Management expects to receive regulatory approval for the MacKay Oil Sands Project in late 2011 or early 2012 and production from the initial 35,000 bbls/d development phase is targeted by management to commence in late 2014. In order to begin production in 2014, the Company must complete the key project activities summarized below:

- 2010 – continue water exploration activities and commence front-end engineering of the central facilities, field facilities and wells.

- 2011-2012 – receive ERCB/Alberta Environment approval, commence detailed engineering, procure long-lead time equipment, construct the main access road, complete site preparation and fabricate major equipment.
- 2013 – continue with facility construction and drilling.
- 2014 – complete construction, complete drilling, commission facilities and start-up.

See "Project Development – MacKay Asset".

Upon receipt of MacKay Oil Sands Project Approval, Athabasca may, but is not required to, exercise the MacKay Put/Call Option. Similarly, upon receipt of MacKay Oil Sands Project Approval, or sooner in certain circumstances, PetroChina International Subco may, but is not required to, exercise the MacKay Put/Call Option. If the MacKay Put/Call Option is exercised by either the Company or PetroChina International Subco, the Company will not have any ongoing interest in the MacKay Joint Venture or the MacKay Oil Sands Project. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

Dover Asset

The Dover asset consists of a large contiguous land base with a gross acreage of 60,043 hectares (148,365 acres) and a net working interest (40%) of 24,017 hectares (59,346 acres). All of the leases in the Dover asset area are new Alberta crown mineral leases purchased at crown auction sales between 2006 and 2009.

The Dover area reservoir is contained within the McMurray Formation of the Mannville Group and is of Cretaceous age. The reservoir is suitable for in-situ recovery with a depth in the range of 160 metres to 500 metres, averaging approximately 240 metres. Continuous reservoir thickness in the SAGD interval varies between 8 metres and 30 metres, averaging approximately 20 metres.

Since 2006, Athabasca has drilled 176 delineation wells on the Dover property in order to define the resources in the McMurray Formation. A total of 52 of these wells were drilled during Athabasca's 2009-2010 winter program. Drilling results from 2009 in the northern part of the Dover asset have led Athabasca to select this area as the site for its second commercial development project. In order to further a commercial development regulatory application, Athabasca also acquired approximately 18 square kilometres of 3-D seismic data during the 2009-2010 winter program in the area. Additional delineation wells will be required following the 2009-2010 winter program in order to support the commercial development regulatory application and for additional phases of the project.

The first priority for the Dover Oil Sands Project is to finalize the regulatory application and environmental impact assessment to meet the targeted regulatory application submission date of late 2010. Management expects to receive regulatory approval for the Dover Oil Sands Project commercial development in late 2012. The Dover Oil Sands Project is currently targeted by management to begin production from the initial development phase in late 2015. In order to begin production in 2015, the Dover Joint Venture must complete the key project activities summarized below:

- 2010 – file commercial regulatory application and environmental impact assessment.
- 2011 – continue water exploration activities and commence front-end engineering on the central facilities.
- 2012-2013 – receive ERCB/Alberta Environment approval, commence detailed engineering, procure long-lead time equipment, construct the main access road, complete site preparation and fabricate major equipment.
- 2014 – continue with facility construction and drilling.
- 2015 – complete construction, complete drilling, commission facilities and start-up.

See "Project Development – Dover Asset".

Upon receipt of Dover Oil Sands Project Approval, Athabasca may, but is not required to, exercise the Dover Put Option. The Dover Put Option may only be exercised, however, if the MacKay Put/Call Option has been previously or is concurrently exercised by either the Company or PetroChina International Subco. PetroChina International Subco may, but is not required to, exercise the Dover Call Option at any time following the date of exercise of the MacKay Put/Call Option by either the Company or PetroChina International Subco, or without such MacKay Put/Call Option having been exercised in certain circumstances. If either the Dover Put Option or the Dover Call Option is exercised, the Company will not have any ongoing interest in the Dover Joint Venture or the Dover Oil Sands Project. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

Dover West Asset

The Dover West asset consists of a large contiguous land base of 81,920 hectares (202,424 acres) in which Athabasca has a 100% working interest. All of the leases in the Dover West asset area are new Alberta crown mineral leases purchased at crown auction sales between 2006 and 2009.

Dover West is a geologically unique area as it contains three primary bitumen reservoirs within the asset area. The bitumen reservoirs are contained within the McMurray Formation and the Wabiskaw member of the Clearwater Formation (collectively referred to as the "**Dover West Clastics**"), and within the Leduc and Cooking Lake formations of the Devonian Woodbend Group (collectively referred to as the "**Dover West Leduc Carbonates**"). As a result, the Dover West asset contains the highest resource density of all of the Company's asset areas.

Dover West Clastics

The Wabiskaw reservoir is the uppermost SAGD quality reservoir in the Dover West area. Depth to the top of the Wabiskaw Formation varies from 200 metres to 300 metres, averaging approximately 220 metres. The McMurray Formation underlies the Wabiskaw Member and is separated by a marine shale of between 1.0 metres to 3.5 metres thickness. The McMurray Formation is also a SAGD quality reservoir within the Dover West area. Depth to the top of the McMurray reservoir varies from 220 metres to 350 metres, averaging approximately 240 metres.

Since 2006, Athabasca has drilled 22 delineation wells on the Dover West property in order to define the resources in the Dover West Clastics formations. Although there are no wells being drilled during the 2009-2010 winter drilling season that target the Dover West Clastics formations, information from these zones will be captured from the wells that target the deeper Dover West Leduc Carbonates formations and from the results of the seismic program.

The size and scope of the Dover West Clastics commercial development is still being evaluated, although management currently anticipates that it will have a production capacity of approximately 165,000 bbls/d once fully developed. SAGD is the thermal production method planned for the initial Dover West Clastics development areas. The Company has concluded that top gas is not a technical issue for at least the first few phases of commercial production.

The Dover West Clastics commercial development project is currently targeted by management to begin production from the initial development phase in late 2016. To achieve this objective, the Company will continue with its efforts on completing geological and reservoir definition work for the initial development area through additional delineation drilling during the winter of 2010-2011. This work will support the filing of a regulatory application and environmental impact assessment in late 2011. In order to reach the milestone of production in late 2016, the Company must complete the key project activities summarized below:

- 2010-2011 – complete delineation drilling and finalize Dover West Clastics initial development area; file commercial regulatory application and environmental impact assessment.
- 2012 – continue water exploration activities and initiate front-end engineering activities on the central facilities.
- 2013-2014 – receive ERCB/Alberta Environment approval, commence detailed engineering, procure long-lead time equipment, construct the main access road, complete site preparation and fabricate major equipment.
- 2015 – continue with facility construction and drilling.
- 2016 – complete construction, complete drilling, commission facilities and start-up.

See "Project Development – Dover West Asset".

Dover West Leduc Carbonates

The Dover West Leduc Carbonates formations are directly underlying the McMurray Formation. The Leduc Formation was formed as a major north north-east/south south-west trending carbonate reef build-up. The build-up reaches over 200 metres gross thickness and shows high reservoir quality due to well developed initial porosity and later dolomitisation. The Leduc reef build-up is directly overlying the Cooking Lake Formation, which was formed as a shallow water carbonate platform. Together these two formations, with up to 150 metres of continuous gross bitumen thickness, form the carbonate reservoir in Dover West. The Dover West Leduc Carbonates reservoir is the northernmost extension of a chain of reefs spanning more than 500 kilometres in length from Central Alberta to the Dover West asset. In the Central parts of Alberta, these reefs have been producing light oil since discovery in 1947. The northern limit of the Leduc light oil reef trend, located at Redwater, Alberta, is over 300 kilometres south of the Leduc bitumen reef trend located at the Company's Dover West asset and geological formations can change significantly over a much shorter distance. However, core analysis from the Leduc bitumen reef trend at the Company's Dover West Leduc Carbonate asset shows that the reservoir quality is comparable to the Leduc light oil reef trend. Although Athabasca is encouraged by the similar reservoir qualities, no conclusions can be drawn regarding the future production performance of the Dover West Leduc Carbonate reservoir.

Since 2006, Athabasca has drilled 24 delineation wells on the Dover West property in order to define the resources in the Dover West Leduc Carbonates formations. Twelve of these wells were drilled during the 2009-2010 winter drilling program. Athabasca also acquired approximately 28 square kilometres of 3-D seismic data and 76 kilometres of 2-D seismic data during the 2009-2010 winter program.

The size and scope of the Dover West Leduc Carbonates development is still being evaluated. There is currently no commercial development recovering bitumen from carbonate bearing formations in Alberta, although there are several pilot initiatives underway by other companies. Management believes that given the unique nature of the Dover West Leduc Carbonates and the high reservoir quality associated with the reef structure, a commercial project to recover bitumen from the Company's Dover West carbonate bearing formations will prove feasible. During 2010, the Company plans to seek approval from applicable regulatory authorities to perform short-term steam-based injection cycles followed by a production cycle in two wells that the Company plans to drill during the 2010-2011 winter drilling program. These short-term tests, which will be performed during the 2010-2011 winter drilling program, are intended to prove production and provide information to augment reservoir and geological modelling efforts. The 3-D seismic data acquisition program that formed a part of the 2009-2010 winter program was conducted in the area planned for the pilot project. Athabasca currently plans to submit a pilot application for production from the Dover West Leduc Carbonates during 2011, with a view to completing construction in 2013. The first commercial development phase could be in operation as early as 2019, contingent on satisfactory results from the field testing and pilot project.

Athabasca's objective is to file a regulatory application for a demonstration (pilot) project in the middle of 2011 with a view to obtaining regulatory approval in 2012. This would result in construction and start-up of the pilot project in 2013. In order to reach this milestone, the Company must complete the key project activities summarized below:

- 2010 – evaluate reservoir recovery processes for demonstration (pilot) project.
- 2011 – continue water exploration activities, drill and case one horizontal well and one slant well for injection testing, and complete winter injection tests of the two cased wells; define reservoir recovery process and initiate front-end engineering activities on the pilot facilities; file demonstration (pilot) regulatory application.
- 2012 – receive ERCB/Alberta Environment approval, continue detailed pilot engineering, procure long-lead time equipment, construct the main access road, commence site preparation and fabricate major equipment.
- 2013 – continue with facility construction and drilling; commission facilities and start-up.

See "Project Development – Dover West Asset".

Other Assets

Birch Asset

The Birch asset consists of an extensive contiguous land base of 181,325 hectares (448,054 acres) in which Athabasca has a 100% working interest. Athabasca has not drilled any proprietary delineation wells on the property but there are 168 wells that penetrate the McMurray/Wabiskaw interval within, and adjacent to, the property, some of which have been cored. The Company has acquired 73 kilometres of 2-D seismic data on the Birch asset and has purchased an additional 876 kilometres of 2-D seismic data. In excess of approximately 169,000 hectares (417,000 acres), or over 90%, of the Birch asset is unexplored acreage. Management believes that the area has significant commercial development potential. However, given the amount of corporate resources that will be devoted to developing the MacKay, Dover and Dover West assets during the next several years, the development of the Birch asset is a later stage priority within the Company's current business plan. See "Project Development – Other Assets – Birch Asset".

Hangingstone Asset

The Hangingstone asset consists of a concentrated, contiguous land base of 34,560 hectares (85,398 acres) in which Athabasca owns a 100% working interest. In 2008, Athabasca drilled 47 delineation wells within the Hangingstone asset and cored 30 of these wells. In the same timeframe, Athabasca acquired 98 kilometres of 2-D seismic data, 43 kilometres of electrical resistivity tomography, and purchased an additional 58 kilometres of 2-D seismic data. There are an additional 100 wells in the area that penetrate the McMurray Formation in which the Company has no interest but that have been used in the geological mapping. In excess of approximately 25,000 hectares (61,000 acres), or over 70%, of the Hangingstone asset is unexplored acreage. See "Project Development – Other Assets – Hangingstone Asset".

Grosmont Asset

The Grosmont asset represents one of the largest contiguous blocks of oil sands leases in the Province of Alberta with a total gross acreage of 315,183 hectares (778,817 acres) in which the Company has a net acreage leaseholding of 157,591 hectares (389,408 acres) at a 50% working interest. On November 7, 2008, the Company entered into a joint venture with ZAM Ventures Alberta Inc. with respect to the Grosmont area. The Company, which is the operator of the joint venture, and ZAM Ventures Alberta Inc. each hold a 50% interest in the joint venture.

The reservoirs of interest for in-situ recovery in the Grosmont area are the Grosmont Formation of the Devonian Woodbend Group and the Nisku Formation of the Devonian Winterburn Group.

During the 2008-2009 drilling program, the Company drilled and cored four wells targeting the Grosmont C and D units and one well targeting the Nisku Formation. Encouraging results were achieved in both horizons and the Company drilled an additional four delineation wells during the 2009-2010 winter drilling program targeting the Nisku formation. In the past two years, the Company has purchased over 2,000 kilometres of 2-D seismic data to assist with regional mapping and to aid in determining delineation drilling locations. Athabasca's strategy is to continue delineation drilling efforts in the area in order to increase the resource base at this asset. Athabasca has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. Athabasca is participating as a member of the Alberta Research Council's Carbonate Research Program.

See "Project Development – Other Assets – Grosmont Asset".

Firebag Asset

The Firebag asset consists primarily of oil sands permits with a total land base of 13,824 hectares (34,159 acres) in which Athabasca holds a 100% working interest. The oil sands permits are primarily all new permits purchased from Alberta crown sales in 2006. During the 2006-2007 winter drilling program the Company drilled two delineation wells targeting the McMurray Formation. The wells did not encounter bitumen and the Company has not had an independent third party complete an evaluation of the Firebag permits. Athabasca does not currently have plans to conduct further exploration activities in the Firebag area. See "Project Development – Other Assets – Firebag Asset".

The PetroChina Transaction

Sale of Interest in MacKay and Dover Oil Sands Assets

On February 10, 2010, pursuant to the PetroChina Share Purchase Agreement, the Company sold all of the issued and outstanding shares of AOSC Newco, a wholly-owned subsidiary of the Company, to PetroChina International

Subco for consideration of $1.9 billion. PetroChina International Subco also agreed to reimburse the Company for 60% of the expenditures in respect of the oil sands assets of AOSC Newco incurred by the Company during the period commencing November 1, 2009 and ending on the closing date of the PetroChina Transaction.

AOSC Newco is the owner of an undivided 60% interest in the MacKay Oil Sands Assets and the Dover Oil Sands Assets. Following the sale of the shares of AOSC Newco to PetroChina International Subco pursuant to the PetroChina Share Purchase Agreement: (i) AOSC Newco amalgamated with PetroChina International Subco, a wholly-owned subsidiary of PetroChina International, under the name "Cretaceous OilSands Holdings Limited"; (ii) PetroChina International Subco and AOSC (MacKay) formed the MacKay Joint Venture for the development of the MacKay Oil Sands Project; and (iii) PetroChina International Subco and AOSC (Dover) formed the Dover Joint Venture for the development of the Dover Oil Sands Project.

AOSC (MacKay) is the owner of an undivided 40% interest in the MacKay Oil Sands Assets and AOSC (Dover) is the owner of an undivided 40% interest in the Dover Oil Sands Assets. AOSC (MacKay) and AOSC (Dover) are both wholly-owned subsidiaries of the Company.

PetroChina International Subco and AOSC (MacKay) incorporated and organized MacKay JV Operator to act as the operator for the MacKay Joint Venture and PetroChina International Subco and AOSC (Dover) incorporated and organized Dover JV Operator to act as the operator for the Dover Joint Venture. MacKay JV Operator has delegated its duties and responsibilities under the MacKay Joint Venture Agreement to Dover JV Operator pursuant to the Operating Services Agreement. Dover JV Operator has initially delegated its duties and responsibilities under the Dover Joint Venture Agreement and the Operating Services Agreement to the Company (as Contractor) until April 30, 2010, unless extended or reduced pursuant to the Dover Contractor Agreement.

The PetroChina Loans

PetroChina Loan #1

Concurrent with the sale of the shares of AOSC Newco to PetroChina International Subco, PetroChina International Subco provided to the Company a non-revolving loan in the amount of $430 million, on a full recourse security basis to the assets of the Company and its material subsidiaries, to enable the Company to pay out its indebtedness to the Senior Secured Noteholders.

PetroChina Loan #2

PetroChina International Subco has also agreed to loan to the Company under a second non-revolving multi-draw credit facility, from time to time, as required, up to $100 million, on a limited recourse basis to the assets of AOSC (MacKay) and AOSC (Dover), to enable the Company to provide funds to each of AOSC (MacKay) and AOSC (Dover) to fund their respective 40% share of the Initial MacKay JV Period Activities and the Initial Dover JV Period Activities.

PetroChina Loan #3

If the Put/Call Options are not exercised and have expired and the MacKay Oil Sands Project Approval has been obtained on terms and conditions acceptable to PetroChina International Subco, acting reasonably, PetroChina International Subco has agreed to loan to the Company, from time to time, as required, up to $560 million, on a limited recourse basis to the assets of AOSC (MacKay) and AOSC (Dover), to enable the Company to provide funds to each of AOSC (MacKay) and AOSC (Dover) to fund their respective 40% share of the funds required for the MacKay First Phase and the Dover First Phase, respectively, as cash-called from time to time by the MacKay Joint Venture and the Dover Joint Venture, as the case may be.

The Put/Call Options

The Company, AOSC MacKay Corp., AOSC Dover Corp., AOSC (MacKay), AOSC (Dover) and PetroChina International Subco also entered into the Put/Call Option Agreement in respect of the grant of the Put/Call Options.

MacKay Put Option

PetroChina International Subco has granted to the Company the sole and exclusive right, exercisable at the Company's option prior to the 31st day following receipt of MacKay Oil Sands Project Approval, to require PetroChina International Subco to acquire or nominate an affiliate to acquire, the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is greater than US$70.00) or the assets of AOSC (MacKay) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is less than US$70.00), for a purchase price of $680 million if exercised in 2010, 2011 or 2012, $646 million if exercised in 2013, $612 million if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the assets or shares, as applicable, of AOSC (MacKay) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014.

Dover Put Option

PetroChina International Subco has granted to the Company the sole and exclusive right, exercisable at the Company's option prior to the 31st day following receipt of Dover Oil Sands Project Approval, if the MacKay Put/Call Option is exercised, to require PetroChina International Subco to acquire or nominate an affiliate to acquire, the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is greater than US$70.00) or the assets of AOSC (Dover) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is less than US$70.00), for a purchase price of $1.32 billion if exercised in 2010, 2011 or 2012, $1.254 billion if exercised in 2013, $1.188 billion if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the assets or shares, as applicable, of AOSC (Dover) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014.

MacKay Call Options

The Company has granted to PetroChina International Subco the sole and exclusive right, exercisable at PetroChina International Subco's option, to acquire the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof), in the following circumstances, for the applicable purchase price, as follows:

(a) prior to the 31st day following receipt of MacKay Oil Sands Project Approval, for a purchase price of $680 million if exercised in 2010, 2011 or 2012, $646 million if exercised in 2013, $612 million if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014;

(b) prior to the fifth business day following December 31 in any calendar year commencing 2012 (and provided the MacKay Put/Call Event has not occurred prior thereto), for a purchase price of $680 million if exercised in 2013, $612 million if exercised in 2014, $544 million if exercised in 2015, and the product of a 0.8 multiple of the fair market value of the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2015;

(c) prior to the 61st day following receipt of notice of the occurrence of an insolvency event or change of control of the Company or AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof), for a purchase price of $680 million; and

(d) prior to the fifth business day following March 31, 2011, if Dover JV Operator has not filed an application for Dover Oil Sands Project Approval with the ERCB and Alberta Environment on or by March 31, 2011, for a purchase price of $578 million.

Dover Call Options

Except as set forth below, provided that the MacKay Put/Call Option has been exercised, the Company has granted to PetroChina International Subco the sole and exclusive right, exercisable at PetroChina International Subco's option, to acquire the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof), in the following circumstances, for the applicable purchase price, as follows:

(a) prior to the 31st day following receipt of Dover Oil Sands Project Approval, for a purchase price of $1.32 billion if exercised in 2010, 2011 or 2012, $1.254 billion if exercised in 2013, $1.188 billion if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014;

(b) prior to the fifth business day following December 31 in any calendar year commencing 2012 (and, except for the option exercisable following December 31, 2012, concurrently with the exercise of the corresponding MacKay Put/Call Option by PetroChina International Subco), for a purchase price of $1.32 billion if exercised in 2013, $1.1888 billion if exercised in 2014, $1.056 billion if exercised in 2015, and the product of a 0.8 multiple of the fair market value of the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2015;

(c) prior to the 61st day following receipt of notice of the occurrence of an insolvency event or change of control of the Company or AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof), for a purchase price of $1.32 billion; and

(d) prior to the fifth business day following March 31, 2011, if Dover JV Operator has not filed an application for Dover Oil Sands Project Approval with the ERCB and Alberta Environment on or by March 31, 2011, for a purchase price of $1.122 billion;

provided that, if the MacKay Put/Call Option is exercised during a given calendar year, the AOSC (Dover) purchase price will be determined as of the date of the closing of the MacKay Put/Call Option transaction, irrespective of the date of the closing of the Dover Call Option or the Dover Put Option. There will be an adjustment for working capital between the date of exercise of the applicable option and the closing date.

See “The PetroChina Transaction”.

THE OFFERING

Issuer	Athabasca Oil Sands Corp.
Gross Proceeds	$1,350,000,000, or $1,552,500,000 if the Over-Allotment Option is exercised in full.
Offering Price per Common Share	$18.00.
Common Shares Offered	75,000,000 Common Shares. If the Over-Allotment Option is exercised in full, the Company will sell an additional 11,250,000 Common Shares. See "Plan of Distribution".
Common Shares Outstanding	Prior to the Offering: 313,482,144 Common Shares. After the Offering (assuming no exercise of the Over-Allotment Option): 388,482,144 Common Shares. After the Offering (assuming the full exercise of the Over-Allotment Option): 399,732,144 Common Shares. The foregoing information regarding the number of Common Shares outstanding does not take into account Common Shares issuable pursuant to outstanding Options and RSUs. See "Consolidated Capitalization", "Options to Purchase Securities" and "Plan of Distribution".
Over-Allotment Option	The Company has granted to the Underwriters the Over-Allotment Option, exercisable at the Underwriters' sole discretion at any time, in whole or in part, for a period of 30 days after the closing of the Offering, to purchase from the Company at the Offering price up to an additional 11,250,000 Common Shares (representing 15% of the Common Shares offered hereunder) for the purpose of covering over-allotments, if any. See "Plan of Distribution".
Use of Proceeds	The Company expects to receive $1,262,500,000 in net proceeds from the Offering, after deducting the Underwriters' commission of $81,000,000 and the expenses of the Offering, estimated to be approximately $6,500,000. If the Over-Allotment Option is exercised in full, the Company expects to receive $1,452,850,000 in total net proceeds, after deducting the Underwriters' commission of $93,150,000 and the expenses of the Offering. The Company intends to use the net proceeds of the Offering as follows: (i) to fund the Company's share of the costs of the MacKay and Dover Oil Sands Projects to the extent such costs are not otherwise funded by PetroChina Loans #2 and #3; (ii) to pay interest on the PetroChina Loans; (iii) to fund continued development of the Dover West Clastics Oil Sands Project, including further resource development activities, preparation and filing of a commercial development regulatory application, completion of detailed engineering and the commencement of construction of the initial phase of the commercial development project; (iv) to fund continued development of the Dover West Leduc Carbonates Oil Sands Project, including further resource development activities, preparation and filing of a pilot project regulatory application, completion of detailed engineering and the construction of the pilot project; (v) to fund continued resource development activities on the Company's other existing oil sands leases, including drilling and seismic programs; (vi) to fund potential future acquisitions of oil sands leases and permits, other oil and gas assets or complementary businesses; (vii) to fund general and administrative expenses;

and (viii) for working capital and other general corporate purposes. If the Over-Allotment Option is exercised, the Company intends to use the additional net proceeds for working capital and other general corporate purposes. See “Use Of Proceeds”.

Risk Factors . . . .

An investment in the Common Shares involves a substantial degree of risk and is highly speculative due to the nature of the Company’s business and its early stage of development. As a result, prospective purchasers should consider investing in the Common Shares only if they can afford to lose their entire investment.

Prospective purchasers of the Common Shares should carefully consider the information set forth under the heading “Risk Factors” and the other information included in this prospectus before deciding to invest in the Common Shares. Some of the risks relating to the Company’s business and the Common Shares are as follows: fluctuations in market prices for crude oil and bitumen blend; general economic, market and business conditions; dependence on PetroChina International Subco as the joint venture participant in the MacKay and Dover Oil Sands Projects; variations in foreign exchange and interest rates; factors affecting potential profitability; the global financial crisis; uncertainties inherent in estimating quantities of reserves and resources; Athabasca’s status and stage of development; uncertainties inherent in SAGD, CSS and other bitumen recovery processes; the potential impact of the exercise of the Put/Call Options on the Company; failure to meet the conditions precedent to the exercise by the Company of the Put/Call Options, including failure to receive the MacKay Oil Sands Project Approval and/or the Dover Oil Sands Project Approval when anticipated or at all; failure to obtain necessary regulatory approvals for completion of the Put/Call Option transactions on the terms and conditions set forth in the Put/Call Option Agreement; failure to meet development schedules and potential cost overruns; increases in operating costs can make projects uneconomic; the effect of diluent and natural gas supply constraints and increases in the costs thereof; gas over bitumen issues affecting operational results; the potential for adverse consequences in the event that the Company defaults under certain of the PetroChina Transaction Agreements; environmental risks and hazards and the cost of compliance with environmental regulations, including greenhouse gas regulations and potential Canadian and U.S. climate change legislation; failure to obtain or retain key personnel; the substantial capital requirements of the Company’s projects; the need to obtain regulatory approvals and maintain compliance with regulatory requirements; extent of, and cost of compliance with, government laws and regulations and the effect of changes in such laws and regulations from time to time; changes to royalty regimes; political risks; failure to accurately estimate abandonment and reclamation costs; risks inherent in the Company’s operations, including those related to exploration, development and production of oil sands reserves and resources, including the production of oil sands reserves and resources using SAGD, CSS or other in-situ technologies; the potential for management estimates and assumptions to be inaccurate; long term reliance on third parties; reliance on third party infrastructure for project facilities; failure by counterparties (including without limitation PetroChina International and PetroChina International Subco) to make payments or perform their operational or other obligations to the Company in compliance with the terms of contractual arrangements between the Company and such counterparties and the possible consequences thereof; the potential lack of available drilling equipment and limitations on access to the Company’s assets; aboriginal claims; seasonality; hedging risks; risks associated with establishing and maintaining systems of internal controls; insurance risks; claims made in respect of the Company’s operations, properties or assets; the potential for adverse consequences as a result of the change of control provisions in the PetroChina Transaction Agreements; competition for, among other things, capital, the acquisition of reserves and resources, export pipeline capacity and skilled personnel; the failure of the Company or the holder of certain licenses or leases to meet specific requirements of such licenses or leases; risks arising from future acquisition activities; risks relating to the reliance on historical and pro forma financial information, including that historical financial information does not reflect the added costs that the Company expects to incur as a public entity. Some of the risks relating to the Offering are as follows: volatility in the market price of the Common Shares; the absence of an existing public market for the Common Shares; the effect that the issuance of additional securities by the Company could have on the market price of the Common Shares; and risks relating to the Company's dividend policy.

See "Risk Factors" for a more detailed explanation of these risk factors as well as other risk factors associated with an investment in the Common Shares.

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The following table sets out (i) selected consolidated historical financial information as at and for the periods indicated, and (ii) selected unaudited pro forma consolidated financial information as at and for the periods indicated after giving effect to the completion of the PetroChina Transaction, the completion of the Offering, the payment of the Special Dividend, the exercise of all of the Purchase Warrants, and the exercise of all of the Performance Warrants. Information presented as at and for the nine months ended September 30, 2009 is based on unaudited consolidated financial statements. Information presented as at and for the years ended December 31, 2008 and 2007 and for the period from inception on August 23, 2006 to December 31, 2006 is based on audited consolidated financial statements.

Investors should read the selected consolidated historical financial information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Selected Historical and Pro Forma Financial Information", and the Company's audited and unaudited consolidated financial statements and the accompanying notes, which financial statements are included elsewhere in this prospectus. Investors should read the selected pro forma consolidated financial information in conjunction with "Selected Historical and Pro Forma Financial Information", the Company's unaudited pro forma consolidated financial statements, and the consolidated financial statements and accompanying notes of the Company from which the unaudited pro forma consolidated financial statements are derived, which financial statements are included elsewhere in this prospectus.

($ thousands, except per share amounts)	Unaudited pro forma as at and for the nine months ended September 30, 2009	As at and for the nine months ended September 30, 2009	As at and for the years ended December 31, 2008	2007	As at and for the period from inception on August 23, 2006 to December 31, 2006
			2008	2007	
Cash and cash equivalents	2,105,453(1)	174,152	117,705	107,250	3,334
Investments	154,135(2)	—	—	—	—
Property and equipment	189,327(3)	343,462	473,681	286,189	89,053
Total assets	2,455,029(4)	826,208	768,376	395,260	124,915
Long term debt	430,000(5)	392,041	378,906	—	—
Shareholders' equity	1,896,696(6)	381,535	362,266	384,070	123,822
Cash dividends declared per Common Share	$ 4.25(7)	—	—	—	—

Notes:

(1) Cash and cash equivalents have been adjusted to reflect: receipt of the proceeds from the sale of all of the shares of AOSC Newco to PetroChina International Subco; the payment of the Special Dividend; receipt of the proceeds from the Offering (less the Underwriters' commission and estimated expenses of the Offering and assuming that the Over-Allotment Option is not exercised); the exercise of all of the Purchase Warrants; and the exercise of all of the Performance Warrants.

(2) Investments have been adjusted to account for the remaining 40% interest in the MacKay and Dover Oil Sands Assets that continue to be held by the Company. These assets are held in subsidiaries which are considered variable interest entities of which Athabasca is not a primary beneficiary under Canadian GAAP and are therefore accounted for using the equity method.

(3) Property and equipment has been adjusted to reflect the reclassification of the remaining 40% interest in the MacKay and Dover Oil Sands Assets that continue to be held by the Company to "Investments".

(4) Total assets have been adjusted in accordance with notes (1), (2) and (3) above.

(5) Long term debt has been adjusted to reflect PetroChina Loan #1, which was used to redeem the Senior Secured Notes.

(6) Shareholders' Equity has been adjusted in accordance with note (3).

(7) For information in respect of the Special Dividend, see "Special Dividend" below.

SPECIAL DIVIDEND

Special Dividend

On March 22, 2010, pursuant to the Plan of Arrangement, Athabasca paid the Special Dividend in the aggregate amount of approximately $1.332 billion ($4.25 per Common Share) utilizing a portion of the proceeds of the PetroChina Transaction.

Pursuant to the Plan of Arrangement: (a) each outstanding Purchase Warrant was deemed to be exercised for one Common Share and the holder thereof became entitled to the Special Dividend; and (b) (i) each Common Share held by a Shareholder or Warrantholder that so elected and certified that: (A) it is a resident of Canada; (B) it holds its Common Shares as capital property; and (C) it is not exempt from tax under Part I of the Tax Act; was exchanged for one Class B Common Share; (ii) Athabasca declared and paid the Special Dividend in the aggregate amount of $4.25 per share to the holders of Common Shares and Class B Common Shares, with the capital dividend portion of the Special Dividend being paid to holders of Class B Common Shares; and (iii) following the payment of the Special Dividend, each Class B Common Share was exchanged for one Common Share. Accordingly, on completion of the Plan of Arrangement there are no authorized or issued Class B Common Shares and there was no change in the outstanding number of Common Shares, except for the 84,109,692 Common Shares issued upon the deemed exercise of Purchase Warrants pursuant to the Plan of Arrangement.

Nature of and Reasons for the Special Dividend

Under the Tax Act, only 50% of a capital gain realized on the sale of a capital property is subject to tax. If a capital gain is realized by a CCPC, such as Athabasca, it is able to distribute to its shareholders the non-taxable 50% of the capital gain by way of a "capital dividend" and such capital dividend will not be included in the shareholder's income for purposes of the Tax Act, but only if at the time the dividend is paid the corporation is a CCPC. In addition, a special refundable tax (the "**Refundable Dividend Tax**") is imposed on capital gains realized by a CCPC. This Refundable Dividend Tax may be recovered by such corporations upon payment of $3.00 in taxable dividends (which excludes a capital dividend) for each $1.00 in Refundable Dividend Tax paid, but only if the corporation is a CCPC throughout the taxation year in which the dividend is paid.

Athabasca will cease to be a CCPC on Closing. Athabasca has realized a capital gain of approximately $1.9 billion and therefore was able to pay a capital dividend to its Shareholders of up to approximately $938 million. In addition, the Refundable Dividend Tax payable by Athabasca is approximately $132 million, which may be recovered by Athabasca only upon payment of a $397 million taxable dividend.

Special Securityholders Meeting

At the Special Securityholders Meeting held on March 19, 2010, Securityholders, as applicable, approved: (i) the Plan of Arrangement; (ii) the creation of the Preferred Shares; and (iii) the adoption of the Rights Plan. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Subsequent Events – Special Dividend", "Description of Share Capital" and "Shareholder Rights Plan".

ATHABASCA OIL SANDS CORP.

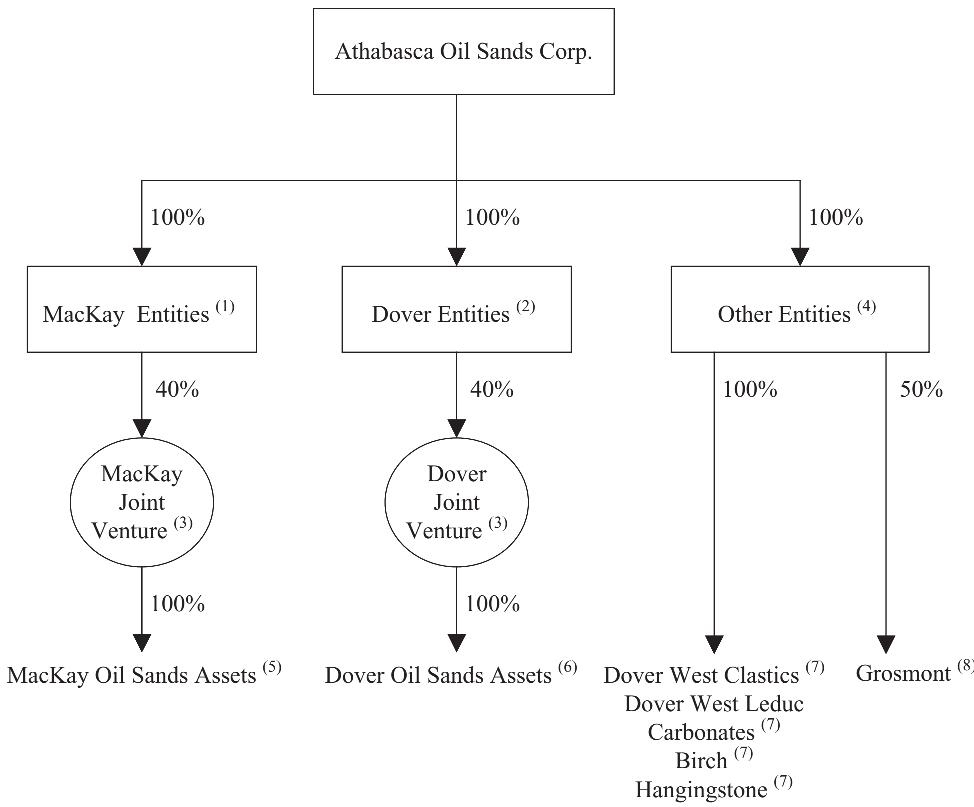
General

The Company was incorporated as "Athabasca Oil Sands Corp." under the ABCA on August 23, 2006. On September 1, 2006, the Company filed articles of amendment to remove its private company restrictions. On March 22, 2010, the Company filed articles of arrangement to give effect to the Plan of Arrangement and filed articles of amendment to create the Preferred Shares.

Athabasca's head office is located at Suite 2000, 250 – 6th Avenue S.W., Calgary, Alberta T2P 3H7, and its registered office is located at Suite 1400, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9.

Corporate Structure

The following simplified organizational chart and related notes illustrate the intercorporate relationships of the Company, the Company's subsidiary entities and all other entities in which the Company has an interest after giving effect to the completion of the PetroChina Transaction, including the percentage of votes attaching to all voting securities of such entities that are beneficially owned, or controlled or directed, directly or indirectly, by the Company. Each of the Company's subsidiaries is incorporated or formed under the laws of the Province of Alberta.



Notes:

(1) The MacKay entities are corporations directly or indirectly wholly-owned by Athabasca: AOSC MacKay Corp. and AOSC (MacKay). AOSC (MacKay): (i) holds an undivided 40% working interest in the MacKay Oil Sands Assets; (ii) holds 40% of the issued and outstanding shares in the capital of MacKay Joint Opco; and (iii) is a Participant in the MacKay Joint Venture as to a 40% Participating Interest. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements".

(2) The Dover entities are corporations directly or indirectly wholly-owned by Athabasca: AOSC Dover Corp. and AOSC (Dover). AOSC (Dover): (i) holds an undivided 40% working interest in the Dover Oil Sands Assets; (ii) holds 40% of the issued and outstanding shares in the capital of Dover Joint Opco; and (iii) is a Participant in the Dover Joint Venture as to a 40% Participating Interest. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements".

(3) PetroChina International Subco: (i) holds an undivided 60% working interest in each of the MacKay and Dover Oil Sands Assets; (ii) holds 60% of the issued and outstanding shares in the capital of each of the MacKay and Dover Joint Opcos; and (iii) is a Participant in each of the MacKay and Dover Joint Ventures as to a 60% Participating Interest in each case. PetroChina International Subco is not affiliated with the Company. See "The PetroChina Transaction".

(4) The other Athabasca entities are corporations and partnerships directly or indirectly wholly-owned by Athabasca: AOSC Dover West Ltd., AOSC Grosmont Corp., AOSC Carbonates Corp., AOSC Hangingstone Corp., AOSC Birch Corp., AOSC Dover West Partnership, AOSC Grosmont Partnership, AOSC Carbonates Partnership, AOSC Hangingstone Partnership, AOSC Birch Partnership and Black Rain Exploration and Production Inc.
(5) See "Project Development – MacKay Asset" for a description of Athabasca's indirectly held 40% working interest in the MacKay Oil Sands Assets.
(6) See "Project Development – Dover Asset" for a description of Athabasca's indirectly held 40% working interest in the Dover Oil Sands Assets.
(7) See "Project Development – Dover West Asset" and "Project Development – Other Assets" for a description of Athabasca's directly or indirectly held 100% working interests in the Dover West, Birch and Hangingstone areas.
(8) See "Project Development – Other Assets – Grosmont Asset" for a description of Athabasca's indirectly held 50% working interest in the Grosmont area. ZAM Ventures Alberta Inc., a family investment entity advised by Ziff Brothers Investments, L.L.C. (and an affiliate of ZAM Investments Luxembourg, s.á.r.l.), holds the remaining 50% working interest in the Grosmont area. See "Principal Securityholders".

Business

Overview

The Company is focused on the exploration for, and the sustainable development and production of, bitumen from oil sands in the Athabasca region of northeastern Alberta, Canada. Athabasca is advancing only in-situ oil sands exploration and development projects using methods such as SAGD, CSS and other emerging in-situ extraction technologies. The Company's principal oil sands assets are known as MacKay, Dover, Dover West (Clastics and Leduc Carbonates), Birch, Hangingstone and Grosmont. There are no known successful commercial projects that use CSS or SAGD in carbonate reservoirs, the reservoirs in which the Company's bitumen resources at its Dover West Leduc Carbonates and Grosmont assets are contained. The Company currently has no development plans for the Grosmont asset. See "Project Development – Other Assets – Grosmont Asset" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes."

On February 10, 2010, the Company completed the sale of all of the shares of AOSC Newco, a wholly-owned subsidiary of the Company that owned a 60% working interest in each of the MacKay and Dover Oil Sands Assets, to PetroChina International Subco for $1.9 billion (plus reimbursement for certain capital expenditures incurred by the Company relating to such assets) and entered into the MacKay and Dover Joint Ventures with PetroChina International Subco for the development of the MacKay and Dover Oil Sands Projects. In addition, the Company, AOSC MacKay Corp., AOSC Dover Corp., AOSC (MacKay), AOSC (Dover) and PetroChina International Subco entered into the Put/Call Option Agreement in respect of the grant of the Put/Call Options. Pursuant to the Put/Call Options, PetroChina International Subco may be required to purchase or may exercise the right to acquire, as the case may be, the Company's remaining 40% working interest in one or both of the MacKay Oil Sands Assets and the Dover Oil Sands Assets by acquiring the assets or shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof), for aggregate cash consideration of up to $2 billion. See "The PetroChina Transaction" and "Project Development".

Athabasca's exploration and development strategy for its existing and any additional assets it may acquire will depend in part on whether the Put/Call Options are exercised. The Company's current business plan summarized below assumes that the Put/Call Options will not be exercised. Should either the Company or PetroChina International Subco elect to exercise one or more of the Put/Call Options, the Company will no longer have any interest in either or both of the MacKay and Dover Oil Sands Projects and the proceeds of the exercise of the Put/Call Options of up to $2.0 billion would increase Athabasca's financial and operational capacity to develop additional projects. Management anticipates that if the Put/Call Options are exercised in relation to both the MacKay Oil Sands Assets and the Dover Oil Sands Assets, the development of the Dover West Clastics and Dover West Leduc Carbonates assets would proceed on substantially the same schedule as described below. In such case, however, the Company will have the resources to accelerate the development of at least one additional asset, which management currently anticipates to be the Birch asset. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

Clastic and Carbonate Reservoir Resources

The Company's bitumen resources are contained in two distinct kinds of reservoirs. The Company's bitumen resources at MacKay, Dover, Dover West Clastics, Birch and Hangingstone, which represent approximately 75% of the Company's Best Estimate Contingent Resources and 100% of its Probable plus Possible Reserves, are contained in clastic reservoirs. Clastic reservoirs are the formations from which all current oil sands production in Alberta is derived.

The Company's bitumen resources at Dover West Leduc Carbonates and Grosmont, which represent the remaining approximately 25% of the Company's Best Estimate Contingent Resources, are contained in carbonate reservoirs. Carbonate formations are common hydrocarbon reservoir rocks, and contain more than 60% of the world's proved oil reserves. However, because of unique technical challenges to the in-situ production of oil sands from carbonate reservoirs, there is currently no commercial bitumen production from carbonate bearing formations in Alberta, although there are several ongoing pilot initiatives being undertaken by other industry participants.

Development Priorities – Clastic Reservoir Resources

The Company's land position includes mineral rights to the McMurray and Wabiskaw formations, which are clastic reservoirs. The Company is planning large, phased commercial SAGD projects at its MacKay, Dover and Dover West Clastics clastic reservoir assets.

On December 10, 2009, the Company submitted a regulatory application to the ERCB and Alberta Environment for approval of the MacKay Oil Sands Project, a planned 150,000 bbls/d bitumen recovery project with an initial 35,000 bbls/d development phase that management anticipates will commence production in late 2014.

The Company anticipates that the Dover Joint Venture will submit a similar regulatory application to the ERCB and Alberta Environment in late 2010 for approval of the Dover Oil Sands Project, a planned 200,000 to 270,000 bbls/d bitumen recovery project with a planned 35,000 to 50,000 bbls/d initial development phase that management anticipates will commence production in late 2015.

At its Dover West property where the bitumen reservoirs are contained within the McMurray Formation and the Wabiskaw member of the Clearwater Formation (collectively referred to as "**Dover West Clastics**"), Athabasca is currently planning to complete geological and reservoir definition work using data that was collected from additional delineation drilling that was completed during the winter of 2010-2011. Depending on the results, this work may support the filing in late 2011 of a regulatory application for approval of a commercial development project of approximately 165,000 bbls/d, with the objective of achieving production from the initial planned development phase of 35,000 to 50,000 bbls/d in late 2016. The ultimate scope of the project will be dictated by the results of exploration activities and future economic conditions.

The following table summarizes the Company's near term clastic oil sands development priorities.

Project	Working Interest	Regulatory Application Submission Date	Estimated Ultimate Production Capacity(1)
MacKay	40%	December 10, 2009	150,000 bbls/d
Dover	40%	December 2010(2)	Up to 270,000 bbls/d
Dover West Clastics	100%	December 2011(2)	165,000 bbls/d

Notes:

(1) Estimated ultimate production capacity figures are based on a 100% working interest. Ultimate production capacities net to the Company from the MacKay and Dover Oil Sands Projects are anticipated to be 60,000 bbls/d and 108,000 bbls/d, respectively, based on the Company's 40% working interest share of those projects. See "Project Development".

(2) Projected submission dates. See "Project Development".

Development Priorities – Carbonate Reservoir Resources

Athabasca has identified what management believes to be a unique resource within the Leduc and Cooking Lake formations of the Devonian Woodbend Group (collectively referred to herein as "**Dover West Leduc Carbonates**"), a carbonate reservoir in the Dover West area. The Dover West Leduc Carbonates have been selected as the Company's initial carbonate reservoir priority because management believes that its quality (including porosity, permeability and bitumen saturation levels) and reservoir thickness make it uniquely prospective for development relative to other carbonate reservoirs. Delineation work completed by the Company to date indicates that the reservoir may be suitable for in-situ extraction methods such as SAGD and possibly CSS in certain areas. Athabasca completed additional delineation drilling during the 2009-2010 drilling season to further define the expanse of the bitumen resource at Dover West Leduc Carbonates with the objective of filing a regulatory application for a demonstration (pilot) project in the middle of 2011. Athabasca's objective is to achieve commercial production in 2019 if successful results are obtained from the pilot project.

Other Clastic and Carbonate Development Opportunities

In addition to these development priorities, Athabasca is continuing to evaluate opportunities within its Birch and Hangingstone clastic assets and its Grosmont carbonate asset.

History

The Company was incorporated on August 23, 2006 and is focused on the exploration for, and the sustainable development and production of, bitumen from oil sands in the Athabasca region of northeastern Alberta, Canada.

In August 2006, Athabasca acquired the right to acquire certain oil sands leases covering 38,784 hectares (95,835 acres) of land in the Athabasca area from Avenir (the "**Avenir Leases**") in exchange for 20,000,000 Common Shares (of which 17,065,000 Common Shares, referred to as Incentive Shares, were available for allocation to employees, directors, and consultants of Athabasca), 9,500,000 Series I Performance Warrants and 9,500,000 Series II Performance Warrants (all Performance Warrants have subsequently been exercised for Common Shares).

On August 31, 2006, the Company completed a private placement of 10,000,000 Common Shares at a price of $0.10 per share for gross proceeds of $1.0 million.

On September 1, 2006, the Company completed a private placement of 82,130,383 units ("**Units**") at a price of $1.00 per Unit, each Unit comprised of one Common Share and one Purchase Warrant, for gross cash proceeds of $82,130,383. Each whole Purchase Warrant entitled the holder thereof to acquire one Common Share at an exercise price of $1.25 per share at any time until August 31, 2011. On the same date, the Company acquired the Avenir Leases in exchange for the issuance of 17,869,617 Units to Avenir at a deemed price of $1.00 per Unit. The Avenir Leases were acquired from Avenir at an ascribed value of approximately $17.9 million, which was Avenir's cost of the Avenir Leases. All Purchase Warrants (including those forming part of the Units) have subsequently been exercised for Common Shares.

In December 2006, the Company completed a private placement of 4,000,000 Common Shares at a price of $2.50 per share and 4,446,461 Common Shares issued on a "flow-through" basis pursuant to the Tax Act at a price of $3.00 per share for aggregate gross proceeds of $23.3 million.

Athabasca used the proceeds of its financing activities in 2006 to acquire additional oil sands leases and to finance its initial 37 well delineation drilling program during the 2006-2007 winter drilling season. By December 31, 2006, Athabasca had acquired 85,696 hectares (211,755 acres) of oil sands leases at an aggregate cost of $87.7 million.

On August 21, 2007, the Company completed a private placement of 29,581,000 Common Shares (together with certain associated liquidity rights) at a price of $7.00 per share and 5,051,000 Common Shares issued on a "flow-through" basis pursuant to the Tax Act (together with certain associated liquidity warrants) at a price of $8.50 per share, for aggregate gross proceeds of $250 million.

On December 31, 2007, the Company completed a private placement of 2,732,450 Common Shares issued on a "flow-through" basis pursuant to the Tax Act (together with certain associated liquidity warrants) at a price of $10.00 per share, for gross proceeds of $27.3 million.

Athabasca undertook an extensive delineation program in the 2007-2008 drilling season, during which it drilled 230 wells and acquired approximately 327 kilometres of 2-D seismic data. The primary objective of the program was to reduce the geological risk of the Company's assets, confirm the scale and quality of bitumen in each asset, and initiate a water source and disposal well exploration program to support future development. The results of this program led to the conclusion that Athabasca's leases contained commercial quantities of bitumen, and in particular led to the discovery of the MacKay Oil Sands Assets. A secondary objective of the program was to drill two exploration wells in the Dover West area into a geological feature the Company speculated to be Devonian aged carbonate reef containing commercial quantities of bitumen. These two exploration wells confirmed a dolomitic carbonate reef with a bitumen column in excess of 150 metres in thickness.

On July 30, 2008, the Company completed a private placement of $400 million principal amount of Senior Secured Notes. Partial use of proceeds from the Senior Secured Note offering was to finance the Company's 2008-

2009 winter program comprised of 77 delineation wells, the acquisition of 124 kilometres of 2-D seismic data and 5.3 square kilometres of 3-D seismic data, as well as continuing with the water exploration program from the prior year. Several corporate milestones emerged from this program. The Company's Best Estimate Contingent Resources increased to in excess of 10 billion barrels (in excess of 7 billion barrels following the completion of the PetroChina Transaction) and commercial application drilling density for the first phase of commercial production in the MacKay area was reached. The Company also drilled 10 follow-up delineation wells into the Devonian aged carbonate reef complex at Dover West, thereby increasing the Company's estimated Dover West Leduc Carbonate Total PIIP to approximately 12.5 billion barrels, and drilled its first five exploration wells in the Grosmont area for carbonate bitumen exploration.

Through 2007, 2008 and 2009, the Company continued to acquire oil sands leases. At December 31, 2009, the Company held 874,984 hectares (635,748 net) of oil sands leases and permits, which were acquired for total consideration of $315.8 million (net to the Company).

During the Company's 2009-2010 drilling program, it drilled an additional 68 delineation wells in the Dover, MacKay and Dover West areas.

On February 10, 2010, the Company completed the PetroChina Transaction pursuant to which it sold all of the shares of AOSC Newco, a wholly-owned subsidiary of the Company that owned a 60% working interest in the MacKay and Dover Oil Sands Assets, to PetroChina International Subco for consideration of $1.9 billion. PetroChina International Subco also agreed to reimburse the Company for 60% of the expenditures in respect of the oil sands assets of AOSC Newco incurred by the Company during the period commencing November 1, 2009 and ending on the closing date of the PetroChina Transaction. In addition: (i) the Company and PetroChina International Subco entered into the PetroChina Loan Agreements; (ii) the Company, AOSC MacKay Corp., AOSC Dover Corp., AOSC (MacKay), AOSC (Dover) and PetroChina International Subco entered into the Put/Call Option Agreement in respect of the grant of the Put/Call Options; and (iii) AOSC (MacKay) and AOSC (Dover), respectively, entered into the MacKay and Dover Joint Ventures with PetroChina International Subco for the development of the MacKay and Dover Oil Sands Projects. Upon completion of the PetroChina Transaction, the Senior Secured Notes were called by Athabasca for redemption and all amounts owing under the Senior Secured Note Indenture were paid to Olympia Trust Company, trustee under the Senior Secured Note Indenture, on behalf of the holders of the Senior Secured Notes from the proceeds of PetroChina Loan #1. Upon receipt of such payment, the trustee discharged its security in respect of the Senior Secured Notes and released Athabasca from its obligations under the Senior Secured Note Indenture in respect of the Senior Secured Notes. See "The PetroChina Transaction" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Long term Debt".

At the Special Securityholders Meeting held on March 19, 2010, Securityholders, as applicable, approved: (i) the Plan of Arrangement; (ii) the creation of the Preferred Shares; and (iii) the adoption of the Rights Plan. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Subsequent Events – Special Dividend", "Description of Share Capital" and "Shareholder Rights Plan". On March 22, 2010, the Plan of Arrangement became effective and pursuant thereto Athabasca paid the Special Dividend in the aggregate amount of approximately $1.332 billion ($4.25 per Common Share) utilizing a portion of the proceeds of the PetroChina Transaction. In addition, all outstanding Purchase Warrants were deemed to be exercised on March 22, 2010 pursuant to the Plan of Arrangement.

Athabasca's Assets

As at December 31, 2009, after giving effect to the PetroChina Transaction, Athabasca held 635,748 net hectares (1,570,934 net acres) of oil sands leases and permits in the central region of the Athabasca oil sands deposit, the majority of which are west of Fort McMurray, Alberta. Athabasca's leases and permits are large and generally contiguous, which management expects will allow for scale efficiency and simpler development planning. Management believes that the large scale of the Company's assets may also attract interest from other potential joint venture partners should the Company choose to pursue that strategy. Most of the Company's leases are located in proximity to Suncor's producing MacKay River SAGD project as well as other planned oil sands projects. As a large scale leaseholder in the area, Athabasca intends to opportunistically pursue acquisitions to complement its existing portfolio.

The following table sets forth certain summary information in respect of Athabasca's oil sands assets as at December 31, 2009, after giving effect to the completion of the PetroChina Transaction.

Asset	Working Interest	Net Acreage	Probable Reserves(1)	Possible Reserves(1)	Best Estimate Contingent Resources(2)	Anticipated First Production(8)	Estimated Gross Peak Production
	(%)	(hectares)	(mmbbls)	(mmbbls)	(mmbbls)	(Year)	(mbbls/d)
MacKay	40	30,413	114	26	573	2014	150(4)
Dover	40	24,017(6)	—	—	1,326	2015	200 – 270(4)
Dover West		81,920(6)					
Clastics	100	—	—	—	2,012	2016	165
Leduc Carbonates(5)	100	—	—	—	1,420(5)	2019	TBD(9)
Birch	100	181,325	—	—	1,007	TBD(9)	TBD(9)
Hangingstone	100	34,560	—	—	412	TBD(9)	TBD(9)
Grosmont(5)	50	157,591	—	—	396(5)	TBD(9)	TBD(9)
Other	100	125,922	—	—	—	—	—
Total		635,748	114	26	7,146(7)		— (3)

Notes:

(1) Based on the GLJ Report. See "Independent Reserve and Resource Evaluations".

(2) Based on the Independent Reports. See "Independent Reserve and Resource Evaluations".

(3) It is not anticipated that peak production rates for individual projects will be reached at the same time due to the fact that Athabasca's projects will commence production at staggered intervals and will be developed in phases. Therefore, the estimated gross potential peak production rates have not been aggregated.

(4) With a 40% working interest in the MacKay and Dover Oil Sands Projects, Athabasca's share of the estimated potential peak production would be 60,000 and 80,000 to 108,000 bbls/d, respectively.

(5) The Company's resources at its Dover West Leduc Carbonates and Grosmont assets are contained in carbonate reservoirs. SAGD and CSS, the recovery processes proposed to develop these assets, are considered by GLJ to be "technology under development" in carbonate reservoirs. The successful development of the Company's carbonate reservoirs depends on, among other things, the successful development and application of SAGD and CSS or other recovery processes to carbonate reservoirs. Although the technology has been developed for application to non-carbonate reservoirs, there are no known successful commercial projects that use SAGD or CSS to recover bitumen from carbonate formations and there exists a large range in the expected recoverable volumes, the lower end of which may not be economically viable. The principal risks associated with SAGD and CSS recovery in carbonate reservoirs are (i) the possibility of unexpected steam channelling which would increase steam requirements resulting in increased costs and potentially reduced economically recoverable bitumen volumes, and (ii) potential mechanical operating problems due to production of fines which could cause wellbore plugging and reduced bitumen production rates and potential interruption of surface production operations. Although the technical risks associated with "technology under development" have been accounted for in the GLJ Report, the timeline for verification of "technology under development" has inherent uncertainty. Development will involve significant capital expenditures and a lengthy time to project payout and project payout is not assured. If a pilot project and/or the technology under development do not demonstrate potential commerciality in carbonate reservoirs then the Company's projects on these assets may not proceed and this may occur only after significant expenditures have been incurred by the Company. With respect to the Company's Grosmont asset, the Company's strategy is to continue delineation drilling efforts in the area in order to increase the resource base. The Company has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. See "Project Development – Other Assets – Grosmont Asset", "Independent Reserve and Resource Evaluations" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes".

(6) Includes 47 sections of land in respect of which the Company holds (i) at Dover West, a 100% working interest in oil sands rights below the base of the Wabiskaw-McMurray formations, and (ii) at Dover, a 40% working interest in oil sands rights from the top of the Viking Formation to the base of the Wabiskaw-McMurray formations.

(7) The total does not add due to rounding.

(8) The Independent Evaluators have prepared their respective evaluations of each of Athabasca's properties on a stand-alone basis and assumed that each property will be developed without any constraints imposed by financial or human resources. Accordingly, all six properties were assumed by the Independent Evaluators to commence production within the 2014 to 2016 period. However, Athabasca intends to develop each property in sequence commencing with MacKay, Dover and Dover West (in that order). To the extent that the Company develops its properties later than assumed by the Independent Evaluators, the associated discounted net present values of the future net revenue attributed to those properties in the Independent Evaluations will be reduced. See "Independent Reserve and Resource Evaluations".

(9) To be determined. The Company has not prepared a definitive plan or timeline for the development of these properties.

Oil sands leases in the Athabasca oil sands area carry a primary term of 15 years, after which time the leases can be continued if certain activity and/or production levels are satisfied. Oil sands permits have a primary term of five years. Depending on the level of activity and/or production, a permit can be converted into a lease at the end of the primary term. All of the Company's reserves and resources are within oil sands leases (15 year initial terms). See "Industry Regulation – Land Tenure".

Employees

As at December 31, 2009, the Company employed approximately 60 full-time employees and consultants. None of the Company's employees are party to a collective bargaining agreement or represented by a labour union.

The Company intends to develop its projects in stages, which the Company anticipates will allow existing employees to train new employees to work on subsequent project phases. The Company believes that this staged development strategy will prevent the Company's personnel requirements from growing at a rate that can not be reasonably managed. The Company intends to source new personnel through the local employment market. In addition, for the MacKay and Dover Oil Sands Projects, the Company may also source certain personnel from the Company's joint venture participant. The Company currently anticipates that it will require between 300 and 400 personnel by 2014, and that its staffing levels will peak by 2019, at which time the Company expects to require between 600 and 700 personnel (which includes both corporate office personnel and field personnel, and projected Athabasca and Dover Joint Opco personnel). There can be no assurance that all of the required personnel with all of the necessary expertise will be available to meet the Company's needs. See "Risk Factors – Risks Relating to the Company's Business – Reliance on, Competition for, Loss of, and Failure to Attract Key Personnel".

Strategy

In its initial years of operation, Athabasca focused on the acquisition of oil sands leases and permits in areas that either had not previously been made available by the Alberta Government or that had previously been relinquished by other industry participants and that management believed were prospective for in-situ oil sands resources. Shareholder value was created by assembling an experienced management and technical team, establishing reserve and resource estimates through drilling and seismic programs and planning future development. On February 10, 2010, Athabasca sold all of the shares of AOSC Newco, a wholly-owned subsidiary of the Company that owned a 60% working interest in each of the MacKay and Dover Oil Sands Assets, to PetroChina International Subco, and AOSC (MacKay) and AOSC (Dover), respectively, entered into joint ventures with PetroChina International Subco to develop the MacKay and Dover Oil Sands Assets. See "The PetroChina Transaction".

Athabasca now has the opportunity to continue its aggressive growth through the exploration, appraisal and development of its extensive asset portfolio and any additional assets that it may acquire by executing the following key strategies:

1. ***Development of MacKay and Dover Oil Sands Projects*** – Management intends to pursue development of the Company's MacKay and Dover clastic reserves and resources. In furtherance of this strategy, on December 10, 2009, the Company filed a commercial development regulatory application for the MacKay Oil Sands Project, a planned 150,000 bbls/d bitumen recovery project with an initial 35,000 bbls/d phase, and the Company anticipates that the Dover Joint Venture will submit a similar regulatory application in late 2010 for approval of the Dover Oil Sands Project, a planned 200,000 to 270,000 bbls/d bitumen recovery project with a planned 35,000 to 50,000 bbls/d initial phase that management anticipates will commence production in late 2015.
2. ***Further Exploration, Appraisal and Development of Dover West Clastic Resources*** – Management intends to focus initial development of Athabasca's other clastic assets on Dover West, where its exploration and development activities are the most advanced (after MacKay and Dover).
3. ***Exploration, Appraisal and Development of Dover West Carbonate Resources*** – Management intends to explore, appraise and potentially develop Athabasca's carbonate resources, with the initial priority being the Dover West Leduc Carbonates. Management expects that the successful exploitation of these resources may add significant, long term shareholder value for Athabasca.
4. ***Strategic Acquisitions and other Business Development Opportunities*** – Management believes that current industry and market conditions may provide consolidation opportunities within the in-situ oil sands industry. The Company will pursue strategic acquisitions that either complement its existing asset portfolio or that are attractive opportunities to diversify and expand the Company's business. In addition, Athabasca has significant development and exploration opportunities, both short and long term, and may consider, among other initiatives, joint venture arrangements similar to the PetroChina Transaction in order to maximize the value from, and assume acceptable development risk associated with, those opportunities.

See "Capital Spending – Estimated Capital Requirements for Athabasca's SAGD Projects Through 2014" and "Project Development" for a description of the significant events that must occur and the costs associated therewith for the Company's business objectives to be accomplished.

Athabasca's Strengths

Management believes that the following key attributes contribute to the strength of Athabasca's business.

Large In-Situ Oil Sands Reserves and Resources

The Independent Reports attribute approximately 114 million barrels of Probable Reserves, 26 million barrels of Possible Reserves and 7.1 billion barrels of Contingent Resources (Best Estimate) to the Company's assets as at December 31, 2009 (after giving effect to the PetroChina Transaction). Management believes that this gives Athabasca the opportunity to become a large, pure-play, in-situ oil sands producer. Key asset areas have been delineated with drilling and seismic data to confirm the extent and quality of the resource. Reservoir thickness and quality compare favourably to other properties in the Athabasca area, providing support that development should result in stable, long term, economic bitumen production. See "Project Development". There are specific risks associated with the Company's carbonate reservoirs. See "Independent Reserve and Resource Evaluations" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes".

Portfolio Comprised of Multiple Assets with High Resource Content

Management believes that, to varying degrees, each of its MacKay, Dover, Dover West, Birch, Hangingstone and Grosmont assets has the potential for multi-phase project development. Having multiple, large-scale properties should mitigate risk and provide valuable growth and financing optionality. The large-scale nature of the Company's properties may provide flexibility in development planning, including the potential to attract joint venture partners should the Company choose to pursue that strategy. In addition, opportunities exist to realize infrastructure and other synergies due to the large reserve and resource content within Athabasca's lease areas and the relatively close proximity of certain of the Company's lease areas.

Strong and Experienced Partner at MacKay and Dover

Management anticipates that the MacKay and Dover Oil Sands Projects will benefit from the active participation of PetroChina International Subco, an indirect wholly-owned subsidiary of PetroChina, the world's largest energy company by market value. Pursuant to the PetroChina Transaction, PetroChina has indirectly invested \$1.9 billion to acquire an indirect 60% working interest in, and committed substantial future capital to the development of, the MacKay and Dover Oil Sands Projects. Management expects that PetroChina's considerable experience with in-situ recovery processes elsewhere in the world should benefit the development of the MacKay and Dover Oil Sands Projects.

Strong Balance Sheet

A well-funded oil sands company significantly reduces the chance of project delays, maintaining value and enabling a company to continue development during economic downturns when other sources of financing may not be available. Management believes that the Company is well-capitalized, with cash and short-term investments of approximately \$719.3 million at December 31, 2009 (after giving effect to the PetroChina Transaction, the payment of the Special Dividend, the payment of income taxes, and the exercise of all of the Purchase Warrants, but before taking into account the net proceeds of the Offering). Furthermore, the net proceeds of the Offering, the Put/Call Options, PetroChina Loan #2 and, if the Put/Call Options are not exercised, PetroChina Loan #3, provide Athabasca with access to considerable additional capital to fund its strategic growth plan.

Strong Management Team with Deep Industry Experience

The Company's senior management team and key technical personnel have extensive experience in the energy industry, including involvement in many key oil sands projects such as Firebag (Suncor), Christina Lake and Foster Creek (Cenovus), Wolf Lake and Primrose (CNRL), Surmont (ConocoPhillips Canada), Joslyn (Total Canada), Carmen Creek and Orion (Shell Canada), Tucker Lake (Husky) and Long Lake (Nexen).

Name	Position Held	Years Experience	Prior Affiliations
Sveinung Svarte	President, Chief Executive Officer and Director	24	Total Canada; Total S.A.; Conoco Norway Inc.
Don Verdonck	Vice President, Development and Operations	33	Total Canada; Pengrowth Energy Trust; Murphy Oil Company Ltd.
Ian Atkinson	Vice President, Geoscience, Technology and Reservoir	16	Morpheus Energy Corporation; Northrock Resources Ltd.; Renaissance Energy Ltd.; Talisman Energy Inc.
Bob Bruce	Vice President, Corporate Development	33	ConocoPhillips Canada; Suncor; Syncrude Canada Ltd.
Bryan Gould	Vice President, New Ventures and Business Development	28	Shell Canada
Rob Harding	Vice President, Finance and Chief Financial Officer	19	Total Canada; Sherritt Oil and Gas Canada; Ras Laffan LNG Company Ltd.; Fluor Daniel Canada Inc.
Anne Schenkenberger	General Counsel and Corporate Secretary	13	ConocoPhillips Canada; Gulf Canada Resources Ltd.

Reserves and Resources to be Developed with In-Situ, Rather than Mining Processes

The Company plans to develop its oil sands reserves and resources using in-situ extraction technologies (principally SAGD) rather than mining, which is used to exploit shallower deposits where in-situ technologies cannot be used.

SAGD projects have significantly lower initial capital cost requirements than mining projects. The Company believes that in-situ oil sands projects also have significant environmental advantages over oil sands mining projects. Among other things, in-situ oil sands projects disrupt less surface land than mining projects, use less fresh water than mining projects, and do not require tailings ponds.

There are no known successful commercial projects that use CSS or SAGD in carbonate reservoirs. The Company currently has no development plans for the Grosmont asset. See "Project Development – Other Assets – Grosmont Asset" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes."

Significant Potential Growth in Existing Assets

The Company's Probable Reserve, Possible Reserve and Contingent Resource estimates are associated primarily with large-scale in-situ oil sands leases and permits in the established McMurray reservoir, which has been extensively proven by commercial in-situ extraction methods such as SAGD. While the Company has established the existence of a large resource base by delineating certain portions of its clastic lease acreage, a substantial portion of the Company's clastic lease acreage remains relatively under explored, and may be shown to contain additional commercial resource volumes once delineation work is completed. See "Project Development".

Furthermore, management believes that the Company's large carbonate lease acreage has the potential to significantly grow the Company's estimated recoverable resources. In the Dover West area the Company has a 100%

working interest in acreage that includes rights to the Devonian carbonate formation, and specifically the Dover West Leduc Carbonates. The Company's bitumen resource in this area is contained within a reef build-up with up to 150 metres of bitumen thickness. Management believes that the high porosity, permeability and bitumen saturation of the carbonate reservoir in the Dover West Leduc Carbonates makes it a candidate for in-situ recovery techniques such as SAGD and CSS. The Independent Evaluators have estimated that the Company's Dover West Leduc Carbonates leases contain approximately 12.5 billion barrels of Best Estimate PIIP (approximately 5.2 billion barrels of Low Estimate PIIP and approximately 15.0 billion barrels of High Estimate PIIP). See "Project Development – Dover West Asset – GLJ Report – Overview". With the objective of further delineating the resource and increasing the Contingent Resources associated with this asset, as well as determining the optimal methods for the production of bitumen from the Dover West Leduc Carbonates, the Company plans to drill and case one horizontal and one slant well during the 2010-2011 winter drilling season. Thereafter, the Company plans to undertake short-term steam-based injection/production tests and submit a pilot production application in 2011. Management believes that first commercial production may occur in 2019 depending on the outcome of the field testing and pilot production.

The Company also holds a 50% working interest in and operatorship of approximately 315,000 gross hectares (778,000 gross acres) of contiguous acreage within the Grosmont/Nisku carbonate trend, which is further west of the Leduc carbonate trend at Dover West. The Company is continuing to define the resources contained within the Grosmont lease through annual drilling and seismic programs and is monitoring industry advancements in the development of recovery technologies suitable for carbonate resources of this nature.

There are no known successful commercial projects that use CSS or SAGD in carbonate reservoirs. The Company currently has no development plans for the Grosmont asset. See "Project Development – Other Assets – Grosmont Asset" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes."

PROJECT DEVELOPMENT

Athabasca's Development Strategy

The Company has a range of exploration and development opportunities at its MacKay, Dover, Dover West Clastics, Dover West Leduc Carbonates, Birch, Hangingstone and Grosmont asset areas, which have been assigned in aggregate approximately 114 million barrels of Probable Reserves, 26 million barrels of Possible Reserves and 7.1 billion barrels of Best Estimate Contingent Resources by the Independent Evaluators. See "Independent Reserve and Resource Evaluations" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes".

Athabasca's exploration and development strategy for its existing and any additional assets it may acquire will depend in part on whether the Put/Call Options are exercised. The Company's current business plan assumes that the Put/Call Options will not be exercised. The Company will pursue a modified exploration and development strategy should the Put/Call Options be exercised. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

The MacKay and Dover Oil Sands Projects will be operated by Athabasca (as Contractor) until April 30, 2010. Subject to the possible extension of the contract operating period by mutual agreement with PetroChina International Subco or the possible provision by Athabasca of certain transitional services to the MacKay and Dover Oil Sands Projects after the contract operating period, the Company expects to transfer operation of the MacKay and Dover Joint Ventures to Dover JV Operator on May 1, 2010.

Dover JV Operator will operate both the MacKay Joint Venture and the Dover Joint Venture. Dover JV Operator will be staffed with Secondees from Athabasca and other employees to be employed directly by Dover JV Operator and may also be staffed with Secondees from PetroChina International Subco. Following the transfer of operations of the MacKay Joint Venture and the Dover Joint Venture to Dover JV Operator on May 1, 2010, Athabasca expects that its senior management team will also be in a position to focus attention on managing the exploration and development of the Company's other assets, initially the Dover West asset.

Put/Call Options Are Not Exercised

MacKay and Dover

If neither the Company nor PetroChina International Subco elects to exercise the Put/Call Options, the development of the MacKay and Dover Oil Sands Projects will proceed according to the business plans developed by, and under the operatorship of, the MacKay Joint Opco and the Dover Joint Opco, respectively. See "The PetroChina Transaction", "Project Development – MacKay Asset" and "Project Development – Dover Asset".

Dover West Clastics

GLJ has assigned approximately 2.0 billion barrels of Best Estimate Contingent Resources within the Dover West Clastics formations. Athabasca contemplates developing this asset with an initial commercial development phase of approximately 35,000 bbls/d to 50,000 bbls/d, with first steam injection anticipated to commence in 2016. Additional phases are anticipated to be developed following the completion of the first development phase. The Dover West clastic assets are estimated by management to have an ultimate production capacity of approximately 165,000 bbls/d. See "Project Development – Dover West Asset".

Dover West Leduc Carbonates

GLJ has assigned approximately 1.4 billion barrels of Best Estimate Contingent Resources and approximately 12.5 billion barrels of Best Estimate PIIP to the Dover West Leduc Carbonates asset. See "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes." The Company is seeking to increase the Contingent Resource estimate for this asset. During the 2009-2010 drilling season, the Company will be drilling up to 12 delineation wells in the area and is acquiring approximately 28 square kilometres of 3-D seismic data and approximately 70 kilometres of 2-D seismic data. Notwithstanding these ongoing exploration activities, management believes that the Contingent Resources already established in this area may be sufficient to sustain commercial development.

The Company intends to devote substantial resources to determining the optimal development and production methods for the Dover West Leduc Carbonates due to its significant potential. A field test with steam injection is planned for the winter of 2011 and pilot project production is scheduled for 2013. The first commercial development phase could be in operation as early as 2019, contingent on satisfactory results from the field testing and pilot project. See “Project Development – Dover West Asset”.

Birch

D&M has assigned approximately 1.0 billion barrels of Best Estimate Contingent Resources to the Birch asset. Management believes that the area has significant commercial development potential. However, based on the amount of corporate resources that will be devoted to developing the MacKay, Dover and Dover West assets, the development of the Birch asset is a later stage priority within the Company’s current business plan. Depending on whether the Put/Call Options are exercised, the Company may retain the Birch asset for future development or utilize the asset in connection with other business development opportunities. See “Project Development – Birch Asset”.

Hangingstone

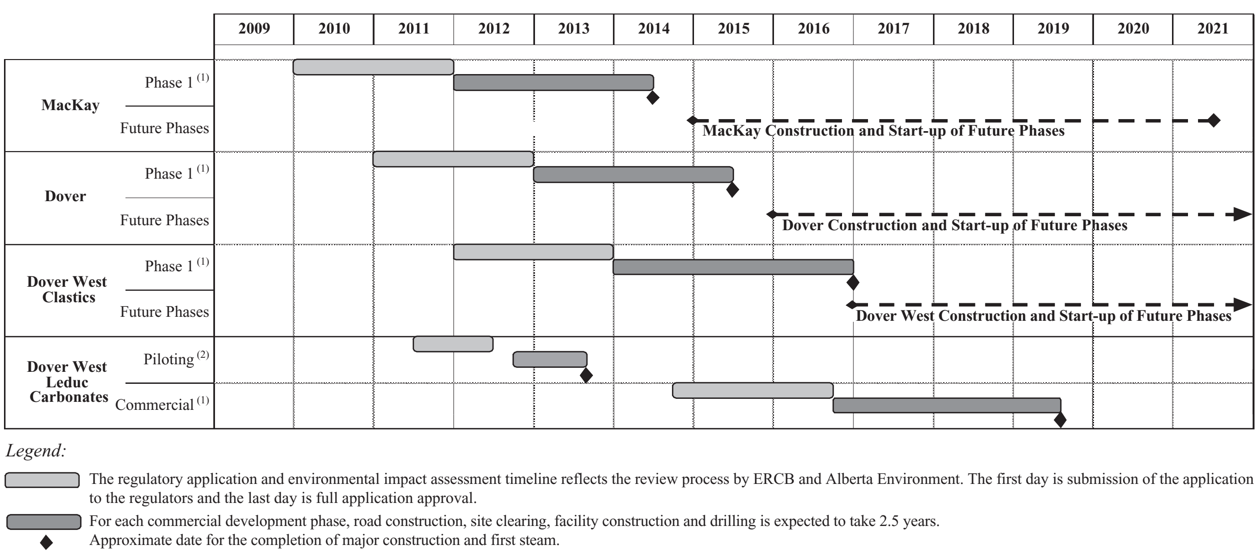
D&M has assigned approximately 412 million barrels of Best Estimate Contingent Resources to the Hangingstone asset. The Hangingstone asset consists of three individual areas, each of which is suitable for the development of a commercial project of more than 10,000 bbls/d, for an aggregate production capacity of approximately 30,000 bbls/d. However, as Athabasca’s business model targets large scale assets, the Company will either seek to acquire additional assets in the Hangingstone area before proceeding with development plans, or will evaluate other business development alternatives to realize value from the Hangingstone asset. See “Project Development – Hangingstone Asset”.

Grosmont

The Grosmont asset is a long term opportunity that management believes has the potential for the development of significant amounts of resource. The Grosmont Formation has not been commercially developed by the industry to date, although several companies are currently devoting resources to unlock its perceived potential. Athabasca’s strategy is to continue delineation drilling efforts in the area in order to increase the resource base of this asset. Athabasca has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. Athabasca is participating as a member of the Alberta Research Council’s Carbonate Research Program. See “Project Development – Grosmont Asset”.

Development Schedule

The following chart illustrates the current development schedules for Athabasca’s MacKay, Dover, Dover West Clastics and Dover West Leduc Carbonates assets under the current business plan.



Notes:

(1) A 24 month approval process is assumed for the completion of project applications and environmental impact assessments.

(2) The Dover West Leduc Carbonates pilot project is estimated to be less than 10,000 bbls/d in size and will not require an environmental impact assessment. Therefore, a 12 month approval process has been assumed.

Management has a continual focus on optimizing its development plans and increasing shareholder value. The final determination and execution of the Company's project development plans will depend on a variety of factors, including the development of new business opportunities, developments in technology, the priorities of the Company's partners, and general economic conditions. See "Risk Factors – Risks Relating to the Company's Business – Development Schedule and Cost Over-Runs".

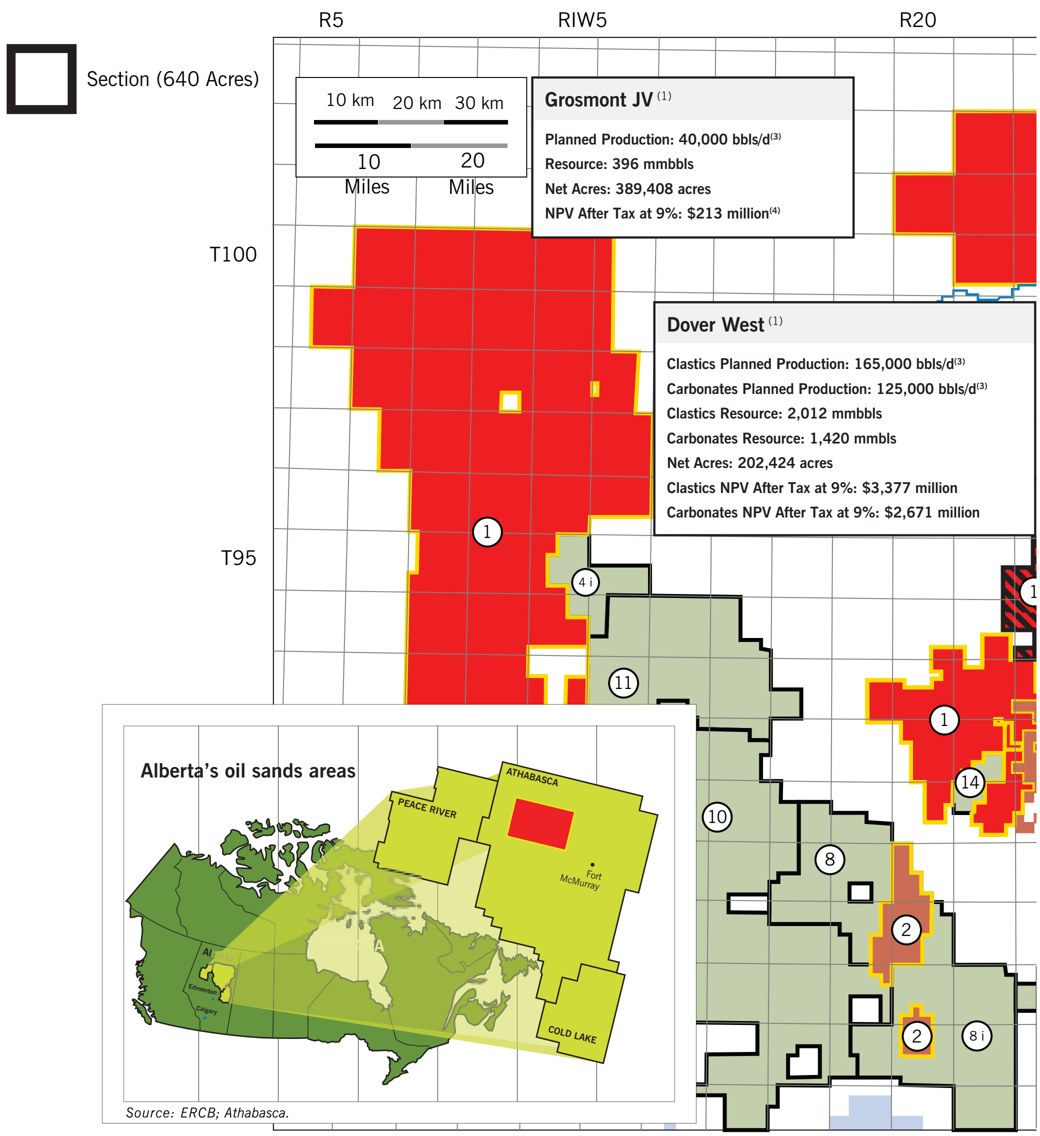
Put/Call Options Are Exercised

If either the Company or PetroChina International Subco elects to exercise the Put/Call Options, the Company would no longer have any interest in the MacKay and/or Dover Oil Sands Projects and the proceeds from the exercise of the Put/Call Options of up to $2.0 billion would increase Athabasca's financial and operational capacity to develop additional projects. It is anticipated that if the Put/Call Options are exercised, the development of the Dover West Clastics and Dover West Leduc Carbonates assets would proceed on substantially the same schedule as described above. In such case, however, the Company will have the resources to accelerate the development of at least one additional asset, which management currently anticipates to be the Birch asset. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

Company Lease Overview

The following map sets out certain information respecting the Company's oil sands lease holdings.

Company Lease Overview

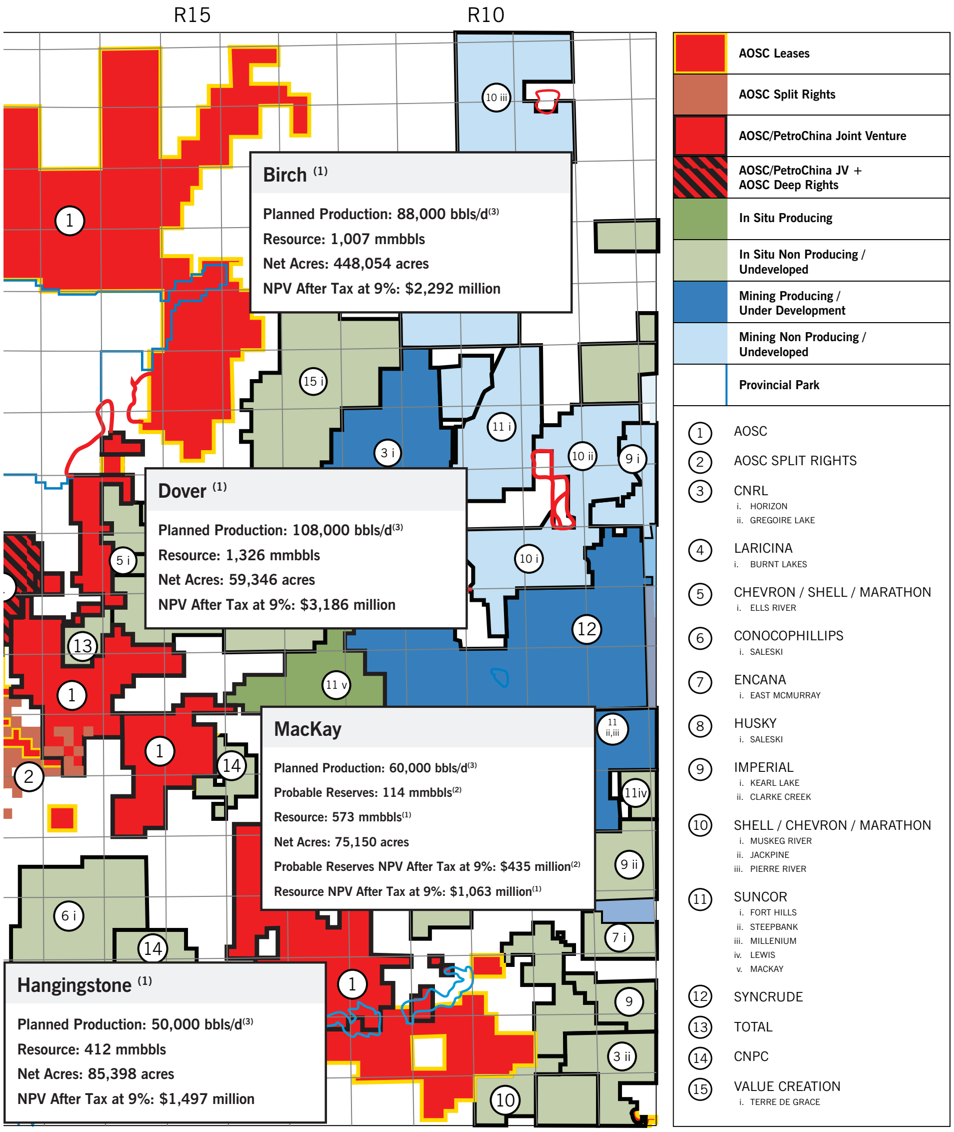


[1] Amounts represent the Company's interest in Best Estimate Contingent Resources based on estimates prepared by its Independent Evaluators.

[2] Amounts represent the Company's interest in Probable Reserves based on estimates prepared by its Independent Evaluators.

[3] Amounts represent planned future bitumen production based on the Company's working interest and estimates prepared by its Independent Evaluators. The Company does not currently produce any bitumen and does not anticipate producing commercial quantities of bitumen until late 2014. See "Project Development" and "Risk Factors".

[4] Athabasca's strategy is to continue delineation drilling efforts in the Grosmont area in order to increase the resource base at this asset. Athabasca has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. Other than as noted above, Athabasca has no current plans to pursue the development of the Grosmont asset and the NPV shown here should therefore not be considered to be a reasonable assessment of the current value of the Grosmont asset to the Company.


R15
R10
Birch (1)
Planned Production: 88,000 bbls/d(3)
Resource: 1,007 mmbbls
Net Acres: 448,054 acres
NPV After Tax at 9%: $2,292 million
Dover (1)
Planned Production: 108,000 bbls/d(3)
Resource: 1,326 mmbbls
Net Acres: 59,346 acres
NPV After Tax at 9%: $3,186 million
MacKay
Planned Production: 60,000 bbls/d(3)
Probable Reserves: 114 mmbbls(2)
Resource: 573 mmbbls(1)
Net Acres: 75,150 acres
Probable Reserves NPV After Tax at 9%: $435 million(2)
Resource NPV After Tax at 9%: $1,063 million(1)
Hangingstone (1)
Planned Production: 50,000 bbls/d(3)
Resource: 412 mmbbls
Net Acres: 85,398 acres
NPV After Tax at 9%: $1,497 million
AOSC Leases
AOSC Split Rights
AOSC/PetroChina Joint Venture
AOSC/PetroChina JV + AOSC Deep Rights
In Situ Producing
In Situ Non Producing / Undeveloped
Mining Producing / Under Development
Mining Non Producing / Undeveloped
Provincial Park
1 AOSC
2 AOSC SPLIT RIGHTS
3 CNRL
i. HORIZON
ii. GREGOIRE LAKE
4 LARICINA
i. BURNT LAKES
5 CHEVRON / SHELL / MARATHON
i. ELLS RIVER
6 CONOCOPHILLIPS
i. SALESKI
7 ENCANA
i. EAST MCMURRAY
8 HUSKY
i. SALESKI
9 IMPERIAL
i. KEARL LAKE
ii. CLARKE CREEK
10 SHELL / CHEVRON / MARATHON
i. MUSKEG RIVER
ii. JACKPINE
iii. PIERRE RIVER
11 SUNCOR
i. FORT HILLS
ii. STEEPBANK
iii. MILLENIUM
iv. LEWIS
v. MACKAY
12 SYNCRUDE
13 TOTAL
14 CNPC
15 VALUE CREATION
i. TERRE DE GRACE

MacKay Asset

Location and Size

The MacKay asset is located within the Athabasca oil sands fairway of northeastern Alberta between townships 87 to 93, ranges 11 to 16, west of the fourth meridian approximately 40 kilometres west of the city of Fort McMurray and 25 kilometres south west of Suncor's MacKay River project. The bitumen reservoir is contained within the McMurray Formation of the Cretaceous Mannville Group.

The MacKay asset consists of a large contiguous land base with a gross acreage of 76,032 hectares (187,875 acres) and a net working interest (40%) of 30,413 hectares (75,150 acres). Almost all of the leases in the MacKay asset area are new Alberta crown mineral leases purchased at crown auction sales between 2006 and 2009.

Reserves and Resources

Geology

The MacKay area reservoir is contained within the McMurray Formation of the Mannville Group and is of Cretaceous age. The reservoir is suitable for in-situ recovery with a depth in the range of 130 metres to 200 metres, averaging approximately 180 metres. The Company's focus for initial development is in the central part of the MacKay area where the reservoir depth is approximately 175 metres. The Clearwater Formation and the Grand Rapids Formation, both members of the Cretaceous Mannville Group, directly overlay the McMurray Formation. The Quaternary Glacial Drift directly overlies the Grand Rapids Formation at the surface and sometimes exists as an incised valley channel that cuts into the Grand Rapids Formation.

The cap rock to contain steam in the MacKay area is provided by the Clearwater Formation. The Clearwater Formation is consistently 60 to 85 metres thick within the MacKay area. There is a sub-interval within the Clearwater Formation mapped as the primary cap rock that averages 20 to 35 metres in consistent thickness. The Company is conducting due diligence on cap rock integrity in the MacKay area by completing extensive cap rock mapping, performing numerous core analysis and mini-frac tests of the cap rock interval, and conducting laboratory stress tests of the Clearwater cap rock. The results to date support the conclusion that there is cap rock integrity in the MacKay area.

The gross thickness of the McMurray Formation varies between 15 and 40 metres. The deposition of the McMurray Formation in the MacKay area is described as a tidally-influenced fluvial channel mixed with tidal sand bars and tidal sand channels grading to tidal sand flats at the east and west edges of the reservoir. This allows for a very continuous and predictable McMurray reservoir thickness with only slight variations in quality. Continuous reservoir thickness in the SAGD interval varies between 8 metres and 30 metres, averaging approximately 18 metres.

The bitumen contained within the MacKay leases is of typical quality for the western side of the Athabasca oil sands area. At standard conditions the API gravity of the bitumen is 7 to 8 degrees. Several laboratory experiments measuring temperature versus viscosity data have been conducted on the MacKay bitumen and have confirmed that it has similar characteristics to the bitumen studied at the UTF, which is where the commercial viability of the SAGD process was first confirmed.

The MacKay lease is generally uninhibited by bottom water (underlying the bitumen) or top gas (overlying the bitumen). There is no existence of bottom water associated with the McMurray Formation and only small areas of the McMurray Formation contain associated top gas. The majority of the gas present is contained within thin pools varying between a few centimetres in thickness to one to two metres in thickness. Associated top gas has been produced in only a very small area of the northern MacKay lease representing less than 2% of the Company's total net acreage in the MacKay area. The remainder of the associated top gas present in the lease has not been produced and is currently under original pressure conditions, and is therefore not anticipated to have a detrimental effect on the SAGD recovery process. Furthermore, core analysis of several coreholes drilled in this area has demonstrated that the bitumen saturation within the gas zone is as high as 40 to 45%.

GLJ Report

GLJ has conducted an independent evaluation of the MacKay asset, the results of which are contained in the GLJ Report dated effective as of December 31, 2009. On a Gross Lease basis, GLJ estimates that the McMurray Formation in the MacKay asset contains PIIP of 2,391 mmbbls in the Low Estimate, 4,156 mmbbls in the Best Estimate and 5,643 mmbbls in the High Estimate (see the tables below for Company Interest PIIP figures). On December 10, 2009, the Company submitted a regulatory application to the ERCB and Alberta Environment for the MacKay Oil Sands Project, a commercial development project with an ultimate planned production capacity of 150,000 bbls/d (gross). Phase 1 of the project contemplates a commercial development with an ultimate planned production capacity of 35,000 bbls/d (gross). With the filing of the regulatory application, GLJ has assigned Probable Reserves of 285 million barrels (gross) and Possible Reserves of 64 million barrels (gross) to the area where the first phase of commercial development will occur. GLJ has assigned 1.4 billion barrels of Best Estimate Contingent Resources (gross) to the remainder of the MacKay asset. The GLJ Report does not recognize any reserves associated with the remaining areas of the MacKay asset due to the following contingencies: the need for further facility design, preparation of firm development plans and regulatory applications (including associated reservoir studies and delineation drilling) and Company approvals.

The following tables summarize certain data contained in the GLJ Report in respect of the Company's working interest in the MacKay asset. See also "Independent Reserve and Resource Evaluations".

MacKay Reserves

	Company Interest (40% WI)				
	PIIP (mmbbls)	Reserves (mmbbls)	Recovery Factor	Peak Production (bbls/d)	CSOR[(3)]
Probable Reserves	224[(1)]	114	51	14,000	2.7
Probable Reserves + Possible Reserves	228[(2)]	140	61	14,000	2.6

Notes:

(1) PIIP is composed of 114 mmbbls of Probable Reserves and 110 mmbbls of Unrecoverable PIIP. The PIIP includes unrecoverable bitumen volumes and is not an estimate of the volume of bitumen that will ultimately be recovered.

(2) PIIP is composed of 140 mmbbls of Probable plus Possible Reserves and 88 mmbbls of Unrecoverable PIIP. The PIIP includes unrecoverable bitumen volumes and is not an estimate of the volume of bitumen that will ultimately be recovered.

(3) SORs typically vary according to various factors, including the maturity of the well-pair and reservoir quality and thickness, and therefore the cumulative SOR (or CSOR) is a commonly quoted figure during development planning of SAGD projects.

MacKay Resources

	Company Interest (40% WI)		
	Low Estimate	Best Estimate	High Estimate
PIIP (mmbbls)[(1)]	956	1,438	2,029
Contingent Resources (mmbbls)	345	573	983
Recovery Factor	36%	40%	48%
Peak Production (bbls/d)	44,000	46,000	78,800
CSOR[(2)]	3.2	3.3	3.4

Notes:

(1) PIIP is composed of: 345 mmbbls of Contingent Resources and 611 mmbbls of Unrecoverable PIIP (Low Estimate); 573 mmbbls of Contingent Resources and 975 mmbbls of Unrecoverable PIIP (Best Estimate); and 983 mmbbls of Contingent Resources and 1,134 mmbbls of Unrecoverable PIIP (High Estimate). The PIIP includes unrecoverable bitumen volumes and is not an estimate of the volume of bitumen that will ultimately be recovered.

(2) SORs typically vary according to various factors, including the maturity of the well-pair and reservoir quality and thickness, and therefore the cumulative SOR (or CSOR) is a commonly quoted figure during development planning of SAGD projects.

Stage of Development

Since 2006, Athabasca has drilled 132 delineation wells on the MacKay property in order to define the resources in the McMurray Formation. Athabasca has at least one well per section in the main part of the reservoir, with the well density reaching 16 wells per section in the central part of the MacKay lease. During the 2008-2009 winter drilling program Athabasca drilled 41 wells and successfully delineated an area of the MacKay lease to 8 wells per section in order to support the commercial application for the 35,000 bbls/d MacKay First Phase (see "– Development Plans" below). Athabasca also acquired a 5.3 square kilometre 3-D seismic data program covering a portion of the MacKay Oil Sands Project area. There are approximately 200 other relevant wells within, and in close proximity to, the MacKay Oil Sands Project area which are used for geological mapping. Athabasca has cored approximately 55% of the delineation wells it has drilled over the last three years. Extensive analysis is performed on the core samples to measure the quality of the SAGD reservoir within the McMurray Formation. Measurements are made to investigate bitumen saturation, water saturation, porosity, vertical and horizontal permeability and net continuous bitumen thickness. The results of such work suggest that the McMurray Formation is a suitable candidate for in-situ extraction methods such as SAGD. The results also suggest that the McMurray Formation has a reservoir quality that is analogous to that found in other SAGD projects currently operating in the Athabasca region, such as the nearby Suncor MacKay River project. Seismic data has been used as a tool to assist with delineation drilling and geological mapping. In the last three years, Athabasca has acquired 156 kilometres of 2-D seismic data, 5.3 square kilometres of 3-D seismic data and 66 kilometres of electrical resistivity tomography in the MacKay asset area. Athabasca has also purchased an incremental 27 kilometres of 2-D seismic data available in the area.

Development Strategy

On February 10, 2010, the Company completed the sale of all of the shares of AOSC Newco, a wholly-owned subsidiary of the Company that owned a 60% working interest in the MacKay Oil Sands Assets, to PetroChina International Subco and AOSC (MacKay) entered into the MacKay Joint Venture with PetroChina International Subco for the development of the MacKay Oil Sands Project. The Company is the initial Contractor for the MacKay Oil Sands Project. See "The PetroChina Transaction". On December 10, 2009, the Company submitted a regulatory application to the ERCB and Alberta Environment for the MacKay Oil Sands Project.

The MacKay Oil Sands Project will be developed using SAGD with a phased development strategy. The MacKay River Central Plant will be constructed in four phases. The MacKay First Phase project will include clearing, site preparation and construction of the facilities and infrastructure required to reach a bitumen production rate of 35,000 bbls/d. Management expects that subsequent phases will be in the range of 35,000 to 40,000 bbls/d, with an ultimate planned production capacity of 150,000 bbls/d.

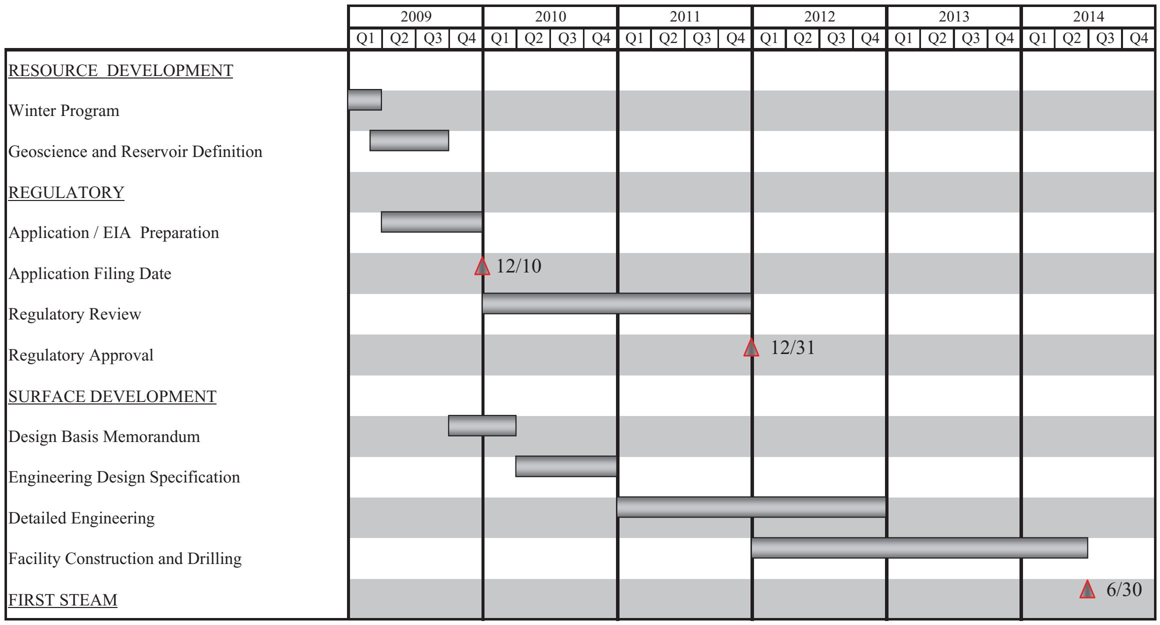
Over time, production rates from initial pads will decline. In order to maintain production volumes, additional SAGD wells will be drilled. As development proceeds to the north portion of the MacKay Oil Sands Assets, the Company plans to build a remote steam generation facility, the MacKay River North Plant, to serve the wells in that area and to maintain the MacKay River Central Plant at 150,000 bbls/d capacity. The remote plant is expected by management to generate sufficient steam to produce up to 60,000 bbls/d of bitumen. All the bitumen produced at the MacKay River North Plant will be treated at the MacKay River Central Plant.

Development Schedule

Management expects to receive regulatory approval for the MacKay Oil Sands Project in late 2011 or early 2012 and production from the initial 35,000 bbls/d development phase is targeted by management to commence in late 2014. In order to begin production in 2014, the Company must complete the key project activities illustrated and summarized below:

- 2010 – continue water exploration activities and commence front-end engineering of the central facilities, field facilities and wells.
- 2011-2012 – receive ERCB/Alberta Environment approval, commence detailed engineering, procure long-lead time equipment, construct the main access road, complete site preparation and fabricate major equipment.
- 2013 – continue with facility construction and drilling.
- 2014 – complete construction, complete drilling, commission facilities and start-up.

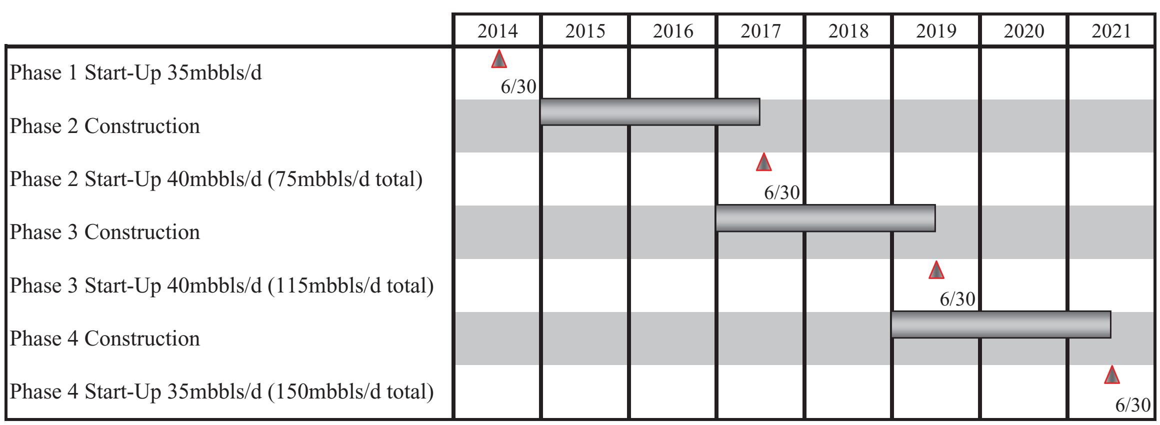
MacKay Oil Sands Project – Phase 1 Project Schedule



MacKay Oil Sands Project – Production Development Schedule

The MacKay Oil Sands Project is expected to be developed in four phases and management expects that it will ultimately reach a bitumen production capacity of 150,000 bbls/d. The anticipated development timeline for the four phases of the project is illustrated and summarized below:

- Phase 1 – 35,000 bbls/d, with first bitumen production in 2014.
- Phase 2 – 40,000 bbls/d, with first bitumen production in 2017.
- Phase 3 – 40,000 bbls/d, with first bitumen production in 2019.
- Phase 4 – 35,000 bbls/d, with first bitumen production in 2021.



Production Capacity

The size of the MacKay Oil Sands Project is based on the reserve and resource estimate completed by GLJ, which indicates a Best Estimate Contingent Resource estimate of 1.4 billion barrels (0.6 billion barrels on a Company Interest basis), 285 million barrels of Probable Reserves (114 million barrels on a Company Interest basis) and 64 million barrels of Possible Reserves (26 million barrels on a Company Interest basis). It is anticipated that the MacKay Oil Sands Project will produce at ultimate production rates of approximately 150,000 bbls/d for approximately 20 years after Phase 4 commences production, and the full project life is anticipated to be approximately 45 years in total.

Initial Development Size

To determine the optimal size of the initial Phase 1 development, the Company considered the risks associated with the project size and the project economics. Generally, as the size of a project increases, so does the amount of risk associated with the project and the complexity of the project. An increase in the size of the initial development phase of the MacKay Oil Sands Project may result in increased economies of scale and therefore an increased return on investment. However, the Company also considered key constraints, such as geological definition, knowledge of the reservoir, operational complexities and water management planning.

The decision to proceed with an initial development size (Phase 1) of 35,000 bbls/d for the MacKay Oil Sands Project was based on the following factors:

- The SAGD reservoir is well defined as the Company has drilled approximately eight delineation wells per section of land and has 3-D seismic data within the 35,000 bbls/d initial development area. This is a key requirement of the ERCB.
- The 35,000 bbls/d project size will require an initial 45 to 50 SAGD well pairs in order to commence the project. This number of wells is considered by Athabasca to be manageable, and will allow for a reasonably sized reservoir and operations team to monitor and optimize each well pair.
- The anticipated availability of a construction workforce and the ability to manage the logistics required to drill and construct an initial 35,000 bbls/d development phase.
- With an appropriate level of initial investment, a 35,000 bbls/d central plant facility can be designed to be expandable to accommodate subsequent phases of development.
- The 35,000 bbls/d project size has been successfully executed by other companies operating similar projects in the area.

Pace of Development

Similar to the decision-making process in respect of the initial development size of the MacKay Oil Sands Project, the determination of the pace of development is based on economics, geological definition, reservoir knowledge, operational complexities, water management planning and other factors.

An important component of the timeline is the planned pause between construction phases. The development strategy for the MacKay Oil Sands Project is to plan for a window between Phase 1 and Phase 2 steam dates of three years. Subsequent phases assume a two-year window between steam dates. The reasons for this approach are summarized below:

- The three year window between the first and second phase provides the opportunity for operational and reservoir knowledge acquired during the first phase to be incorporated into second phase execution.
- The subsequent two-year window assumes improved certainty regarding reservoir performance that will accommodate a more continuous construction approach.
- The approach endeavours to strike a balance between the pace of development and project knowledge.

Put/Call Options

Upon receipt of MacKay Oil Sands Project Approval, Athabasca may, but is not required to, exercise the MacKay Put/Call Option. Similarly, upon receipt of MacKay Oil Sands Project Approval, or sooner in certain circumstances, PetroChina International Subco may, but is not required to, exercise the MacKay Call Option. If the MacKay Put/Call Option is exercised by either the Company or PetroChina International Subco, the Company will not have any ongoing interest in the MacKay Joint Venture or the MacKay Oil Sands Project. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

Project Update

On December 10, 2009, the Company filed the commercial application with the ERCB and Alberta Environment for approval for a 150,000 bbls/d bitumen recovery project. The MacKay Joint Venture intends to construct and operate the first phase of the project with a 35,000 bbls/d capacity. It is estimated that the regulatory review will take approximately 24 months and regulatory approval is expected in late 2011.

An application was submitted by the Company to the ERCB and Alberta Environment on October 14, 2008 for a 2,200 bbls/d pilot project for the MacKay Oil Sands Assets. The Company received an order in Council from the Alberta Government on February 3, 2010 that grants regulatory approval for the pilot project. As the Company expects that the MacKay Joint Venture will focus on the commercial development of the MacKay Oil Sands Project, the Company has suspended pilot project design and planning activities.

During the 2007-2008 and 2008-2009 winter exploration seasons, sufficient delineation wells were drilled in the Phase 1 development area to support the initial project development size of 35,000 bbls/d. Additional delineation wells are not required to support the MacKay Oil Sands Project commercial application, and therefore the MacKay Joint Venture does not plan to drill any delineation wells in this area during the 2009-2010 winter drilling season. Further delineation drilling will be required in subsequent years to support the development plans for Phase 2 through Phase 4 of the MacKay Oil Sands Project.

Engineering activities have been underway since 2008. The work completed to date was required to define surface facility configuration and plant processes. In November 2009, the preparation of a design basis memorandum was commenced and the MacKay Joint Venture intends to complete engineering design specifications by the end of 2010. These steps will lead to the commencement of detailed engineering work in early 2011 in order to meet the first phase project completion date in 2014. The engineering work will be carried out with the objective of ensuring that the construction of the MacKay Oil Sands Project facilities are completed: (i) on time and on budget; (ii) in such a manner as to minimize the facility's footprint and environmental impact; and (iii) in such a manner as to incorporate a phased development strategy so that future development phases can be integrated into the Phase 1 facilities efficiently.

2010 Budget

In support of the MacKay Oil Sands Project commercial development, the Company plans to spend approximately \$14.4 million in 2010, which represents its share of the 2010 capital costs for the MacKay Joint Venture. The capital spending is required in order to continue with water exploration activities and initiate front-end engineering activities in relation to the construction of the MacKay River Central Plant.

Dover Asset

Location and Size

The Dover asset is located within the Athabasca oil sands fairway of northeastern Alberta between townships 92 to 97, ranges 15 to 19, west of the fourth meridian approximately 90 kilometres northwest of the city of Fort McMurray and 35 kilometres southwest of CNRL's Horizon development project. The bitumen reservoir is contained within the McMurray Formation of the Cretaceous Mannville Group.

The Dover asset consists of a large contiguous land base with a gross acreage of 60,043 hectares (148,365 acres) and a net working interest (40%) of 24,017 hectares (59,346 acres). All of the leases in the Dover asset area are new Alberta crown mineral leases purchased at crown auction sales between 2006 and 2009.

Resources

Geology

The Dover area reservoir is contained within the McMurray Formation of the Mannville Group and is of Cretaceous age. The reservoir is suitable for in-situ recovery with a depth in the range of 160 metres to 500 metres, averaging approximately 240 metres. The Company's focus for initial development is in the northern part of the Dover area where the reservoir is at a depth of 400 to 500 metres. Directly overlying the McMurray Formation is the Wabiskaw member of the Clearwater Formation and the Grand Rapids Formation, both of which are also members of the Cretaceous Mannville Group. At the surface is the Quaternary Glacial Drift, which directly overlies the Grand Rapids Formation and sometimes exists as an incised valley channel that cuts into the Grand Rapids Formation.

The cap rock to contain steam in the Dover area is provided by the Clearwater Formation. The Clearwater Formation is consistently 85 to 90 metres thick. A shale interval of between 12 metres to 20 metres in consistent thickness within the Clearwater Formation may be mapped and is believed to act as the main component of the cap rock. This interval is analogous to the shaly cap rock interval found at the MacKay asset, although on average it is at a much greater depth. The Company is testing the cap rock integrity by completing extensive cap rock mapping and performing numerous core analysis and mini-frac tests of the cap rock interval. During the winter 2009-2010 drilling season, the Company expects the Dover Joint Venture will obtain rock core samples so that it can perform laboratory stress tests. Management believes that the stress testing of the Dover cap rock will lead to results that are similar to the results of the MacKay cap rock stress tests.

The gross thickness of the McMurray Formation varies between 20 to 50 metres. The deposition of the McMurray Formation in the Dover area is described as a tidally-influenced fluvial channel mixed with tidal sand bars and tidal sand channel grading to tidal sand flats at the east and west edges of the reservoir. This allows for a very continuous and predictable McMurray reservoir thickness with only slight variations in quality. Continuous reservoir thickness in the SAGD interval varies between 8 metres to 30 metres in places, averaging approximately 20 metres.

The bitumen contained within the Dover leases is of typical quality for the western side of the Athabasca oil sands area. At standard conditions the API gravity of the bitumen is greater than 8 degrees. Several laboratory experiments measuring temperature versus viscosity data have been conducted on the Dover bitumen and have confirmed that it has similar characteristics to the bitumen studied at the UTF, which is where the commercial viability of the SAGD process was first confirmed.

The top gas associated with the McMurray Formation can be mapped in small isolated pools of limited areal extent as well as some regional pools. These gas pools vary between a few centimetres and two to three metres in thickness. Bitumen saturation within the thin gas zones, which is less than one metre in thickness, has been measured to be as high as 40% to 45% through core analysis, limiting the potential negative impacts of this zone on SAGD recovery efficiency. Gas production from some of these pools has resulted in pressure depletion. The presence of depleted top gas may be an impediment to SAGD recovery in the affected area as it may limit the operating pressure of the SAGD well pairs or it may act as a thief zone for injected steam and therefore increase the CSOR of the project. Repressuring the areas where gas has been produced to mitigate these potential impediments may be part of the Dover Joint Venture's development plans. Repressurization has been successfully performed by Cenovus at Christina Lake where similar gas related issues exist. Management estimates that less than 22% of the Best Estimate Contingent Resources are associated with regional top gas zones with a thickness of one metre or greater.

GLJ Report

GLJ has conducted an independent evaluation of the Dover asset, the results of which are contained in the GLJ Report dated effective as of December 31, 2009. On a Gross Lease basis, GLJ estimates that the McMurray Formation in the Dover asset contains PIIP of 5,364 mmbbls in the Low Estimate, 7,662 mmbbls in the Best Estimate and 8,629 mmbbls in the High Estimate (see the table below for Company Interest PIIP figures). The GLJ Report does not recognize any reserves associated with the asset due to the following contingencies: the need for further facility design, preparation of firm development plans and regulatory applications (including associated reservoir studies and delineation drilling) and Company approvals. As such, the bitumen in the Dover asset is currently classified as "Contingent Resources" rather than "reserves".

The following table summarizes certain data contained in the GLJ Report in respect of the Company's working interest in the Dover asset. See also "Independent Reserve and Resource Evaluations".

Dover Resources

	Company Interest (40% WI)		
	Low Estimate	**Best Estimate**	**High Estimate**
PIIP (mmbbls)[1]	2,146	3,065	3,452
Contingent Resources (mmbbls)	760	1,326	1,743
Recovery Factor	35%	43%	51%
Peak Production (bbls/d)	64,000	108,000	144,000
CSOR[2]	3.4	3.2	3.1

Notes:

(1) PIIP is composed of: 760 mmbbls of Contingent Resources and 1,386 mmbbls of Unrecoverable PIIP (Low Estimate); 1,326 mmbbls of Contingent Resources and 1,739 mmbbls of Unrecoverable PIIP (Best Estimate); and 1,743 mmbbls of Contingent Resources and 1,709 mmbbls of Unrecoverable PIIP (High Estimate). The PIIP includes unrecoverable bitumen volumes and is not an estimate of the volume of bitumen that will ultimately be recovered.

(2) SORs typically vary according to various factors, including the maturity of the well-pair and reservoir quality and thickness, and therefore the cumulative SOR (or CSOR) is a commonly quoted figure during development planning of SAGD projects.

Stage of Development

Since 2006, Athabasca has drilled 176 delineation wells on the Dover property (including 52 wells that were drilled during the 2009-2010 winter drilling program) in order to define the resources in the McMurray Formation. Athabasca has at least one well per section in the main part of the reservoir, with the well density reaching 16 wells per section in the central part of the Dover lease. There are approximately 340 other relevant wells within, and in close proximity to, the Dover lease area which are used for geological mapping. Athabasca has cored in excess of 65% of the delineation wells it has drilled over the last three years. Extensive analysis is performed on the core samples to measure the quality of the SAGD reservoir within the McMurray Formation. Measurements are made to investigate bitumen saturation, water saturation, porosity, vertical and horizontal permeability and net continuous bitumen thickness. The results of such work suggest to management that the McMurray Formation is a suitable candidate for in-situ extraction methods such as SAGD. The results also suggest that the McMurray Formation has reservoir quality that is analogous to that found in other commercial SAGD projects currently operating in the Athabasca region. Seismic data has been used as a tool to assist with delineation drilling and geological mapping. In the last three years, Athabasca has acquired 25 kilometres of 2-D seismic data and has purchased an incremental 89 kilometres of 2-D seismic data available in the area.

Drilling results from 2009 in the northern part of the Dover asset have led Athabasca to select this area as the site for its second commercial development project. In order to further a commercial development regulatory application, Athabasca acquired approximately 18 square kilometres of 3-D seismic data during the 2009-2010 winter program in the area. Additional delineation wells will be required following the 2009-2010 winter program in order to support the commercial development regulatory application and for additional phases of the project.

Development Strategy

On February 10, 2010, the Company completed the sale of all of the shares of AOSC Newco, a wholly-owned subsidiary of the Company that owned a 60% working interest in the Dover Oil Sands Assets to PetroChina International Subco and AOSC Dover entered into the Dover Joint Venture with PetroChina International Subco for the development of the Dover Oil Sands Project. The Company is the initial Contractor for the Dover Oil Sands Project. See "The PetroChina Transaction".

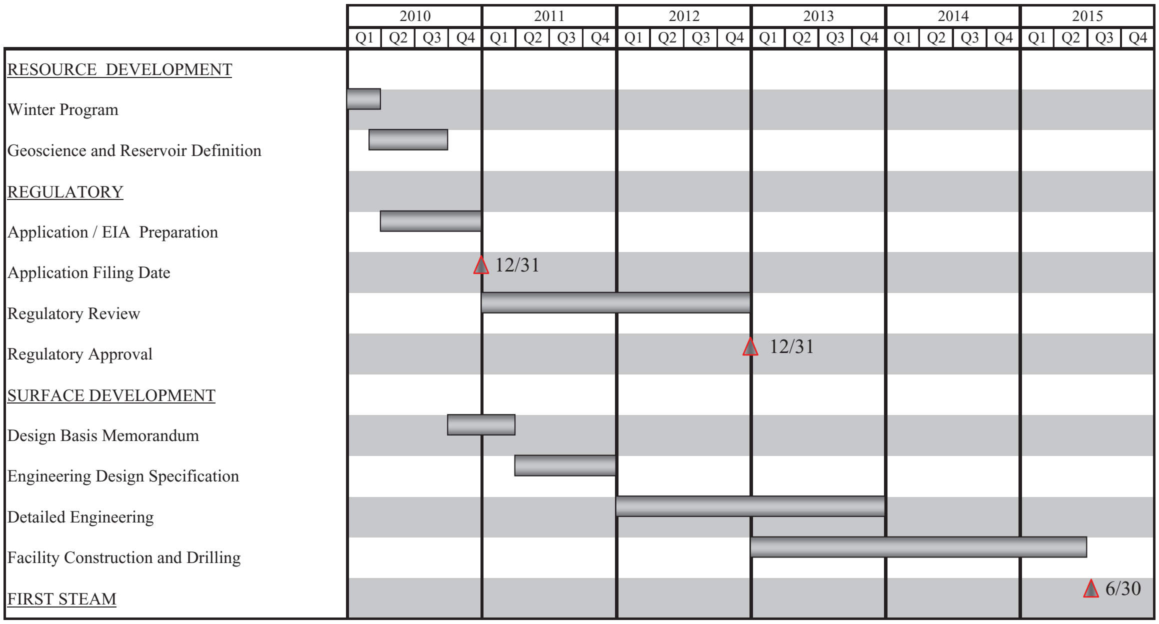
The size and scope of the Dover Oil Sands Project commercial development is still being evaluated, but it is currently expected to have a production capacity of between 200,000 and 270,000 bbls/d once fully developed.

Development Schedule

The first priority for the Dover Oil Sands Project is to finalize the regulatory application and environmental impact assessment to meet the targeted regulatory application submission date of late 2010. Management expects to receive regulatory approval for the Dover Oil Sands Project commercial development in late 2012. The Dover Oil Sands Project is currently targeted by management to begin production from the initial development phase in late 2015. In order to begin production in 2015, the Dover Joint Venture must complete the key project activities illustrated and summarized below:

- 2010 – file commercial regulatory application and environmental impact assessment.
- 2011 – continue water exploration activities and commence front-end engineering on the central facilities.
- 2012-2013 – receive ERCB/Alberta Environment approval, commence detailed engineering, procure long-lead time equipment, construct the main access road, complete site preparation and fabricate major equipment.
- 2014 – continue with facility construction and drilling.
- 2015 – complete construction, complete drilling, commission facilities and start-up.

Dover Oil Sands Project – Phase 1 Project Schedule



The timing for commencing and completing the subsequent phases of the Dover Oil Sands Project that will be necessary for the project to reach an ultimate capacity of between 200,000 and 270,000 bbls/d is currently under review.

Production Capacity, Initial Development Size and Pace of Development

Decisions regarding the Dover Oil Sands Project's ultimate production capacity, initial development size and pace of development will be based on the same methodology and factors as discussed above in respect of the MacKay Oil Sands Project. See "– MacKay Asset – Production Capacity", "– MacKay Asset – Initial Development Size" and "– MacKay Asset – Pace of Development".

Put/Call Options

Upon receipt of Dover Oil Sands Project Approval, Athabasca may, but is not required to, exercise the Dover Put Option. The Dover Put Option may only be exercised, however, if the MacKay Put/Call Option has been previously or is concurrently exercised by either the Company or PetroChina International Subco. PetroChina International Subco may, but is not required to, exercise the Dover Call Option at any time following the date of exercise of the MacKay Put/Call Option by either the Company or PetroChina International Subco, or without such MacKay Put/Call Option having been exercised in certain circumstances. If either the Dover Put Option or the Dover Call Option is exercised, the Company will not have any ongoing interest in the Dover Joint Venture or the Dover Oil Sands Project. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

Project Update

The Dover Joint Venture intends to seek approval from the ERCB and Alberta Environment for a 200,000 to 270,000 bbls/d bitumen recovery project. The Dover Joint Venture is in the process of initiating the commercial application and currently intends to submit the application in late 2010. It is estimated that the regulatory review will take approximately 24 months and that regulatory approval should be received in late 2012.

An application was previously submitted by the Company to the ERCB and Alberta Environment for the approval of a 2,000 bbls/d pilot project in the Dover Central area. As the Company expects that the Dover Joint Venture will focus on the commercial development of the Dover Oil Sands Project, the Company has suspended the pilot project design and planning activities.

A delineation drilling program is currently underway to supplement delineation information obtained during the 2008-2009 winter drilling program. The information will be used to define the initial development area and support the planned commercial application, which will contemplate a six well per section delineation density. Further delineation drilling will be required in subsequent years to support the development plans for Phase 2 through Phase 4 of the Dover Oil Sands Project.

Engineering activities have been initiated to define the development strategy and the surface facility configuration. Where applicable, the Company expects that the Dover Joint Venture will use a similar design philosophy as is used for the MacKay Oil Sands Project. This will provide the opportunity to synergize drilling, construction, operation and maintenance efforts. The Dover Joint Venture intends to initiate the design basis memorandum in November 2010 and intends to complete engineering design specifications by the end of 2011. These steps will lead to the commencement of detailed engineering work in early 2012 in order to meet the first phase project completion date in 2015. The engineering work will be carried out with the objective of ensuring that the construction of the Dover Oil Sands Project facilities is completed: (i) on time and on budget; (ii) in such a manner as to minimize the facility's footprint and environmental impact; and (iii) in such a manner as to incorporate a phased development strategy so that future development phases can be integrated into the Phase 1 facilities efficiently.

2010 Budget

In support of the Dover Oil Sands Project commercial development, the Company plans to spend $16.6 million in 2010. The expenditures are required in order to fund the Company's share of continued environmental and regulatory application preparation with a view to filing the application in late 2010, and will include spending on a winter core hole program, water source and disposal exploration, and conceptual engineering activities.

Dover West Asset

Location and Size

The Dover West leases are located within the Athabasca oil sands fairway of northeastern Alberta between townships 87 to 95, ranges 17 to 21, west of the fourth meridian approximately 90 kilometres west of the city of Fort McMurray. Dover West is a geologically unique area as it contains three primary bitumen reservoirs within the asset area. The bitumen reservoirs are contained within the McMurray Formation and the Wabiskaw member of the Clearwater Formation (collectively referred to as the "**Dover West Clastics**"), and within the Leduc and Cooking Lake formations of the Devonian Woodbend Group (collectively referred to as the "**Dover West Leduc Carbonates**"). As a result, the Dover West asset contains the highest resource density of all of the Company's asset areas.

The Dover West asset consists of a large contiguous land base of 81,920 hectares (202,424 acres) in which Athabasca has a 100% working interest. All of the leases in the Dover West asset area are new Alberta crown mineral leases purchased at crown auction sales between 2006 and 2009.

Resources

Geology – Area Overview

The three reservoirs that management believes to be suitable for in-situ recovery in the Dover West area are the Wabiskaw member of the Cretaceous Mannville Clearwater Formation, the underlying Cretaceous Mannville aged McMurray Formation, and the underlying Devonian aged Woodbend Formation.

The McMurray and Wabiskaw formations are referred to as clastic reservoirs. "Clastic" means sediment consisting of weathered fragments derived from pre-existing rocks that have been transported elsewhere and redeposited before forming another rock. Examples of common clastic sedimentary rocks include siliciclastic rocks such as conglomerate, sandstone, siltstone and shale. The Company refers to this portion of the asset as the Dover West Clastics assets.

The Devonian Woodbend Formation is referred to as a carbonate reservoir. "Carbonate" means a class of sedimentary rock whose chief mineral constituents (95% or more) are calcite, aragonite and dolomite. Limestone, dolostone (or dolomite) and chalk are carbonate rocks. Although carbonate rocks can be clastic in origin, they are more commonly formed through processes of precipitation or the activity of organisms such as coral and algae. Carbonates form in shallow and deep marine settings, evaporitic basins and lakes. Carbonate rocks are common hydrocarbon reservoirs and contain more than 60% of the world's proved conventional oil reserves. After deposition, the porosity and permeability of carbonate rocks are modified by a variety of processes such as mechanical compaction, dissolution, recrystallization and dolomitization. One of the most important effects on carbonate reservoir rocks is the dolomitization process because it typically increases the porosity and permeability of the rock. Generally, fractures make a relatively minor contribution to the overall porosity, although they have a strong influence on fluid flow. Most carbonate rocks tend to have some fractures because of the brittle nature of the rock. The Company refers to these assets as the Dover West Leduc Carbonates assets.

In most of the Dover West area, the Leduc Formation is the uppermost part of the Devonian Woodbend Group. However, in the southern part of the Company's lease area the Devonian Grosmont and Ireton shales overlay the Leduc Formation. There is a continuous and competent marine shale separating the McMurray and Wabiskaw formations ranging from 1.0 to over 3.5 metres in thickness. There is commonly a shaly interval at the base of the McMurray Formation immediately overlaying the Devonian Formation.

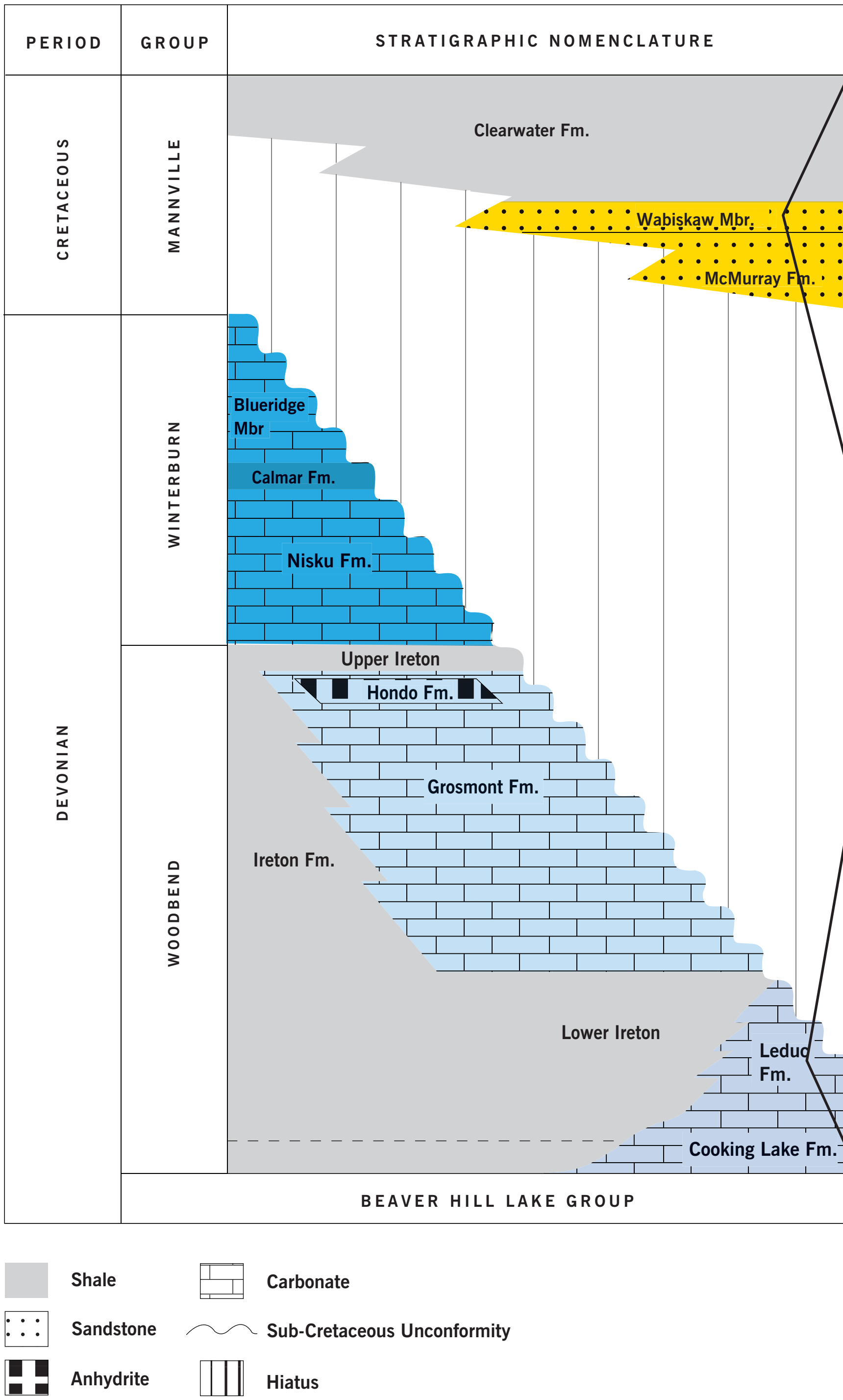
The main cap rock to contain steam in the Dover West area is contained within the Clearwater Formation. In the Dover West area, the Clearwater Formation is consistently 75 to 90 metres thick. There is a shale interval within the Clearwater Formation mapped as the primary cap rock that averages 25 to 55 metres in consistent thickness, which is analogous to both the MacKay and Dover assets. The Company has completed extensive cap rock mapping as well as numerous core analysis and mini-frac tests of the cap rock zone in the Dover West area. Based on the favourable test results achieved from the cap rock failure tests conducted on the MacKay asset and management's expectation that similar test results will be achieved on the Dover asset, management believes that similar cap rock integrity is present on the Dover West asset. If necessary, the Company will conduct specific cap rock failure testing in the Dover West area in the near future.

The Wabiskaw and McMurray reservoirs do not contain bottom water (underlying the bitumen) in Dover West. Top gas associated with these reservoirs exists as both isolated pools and some regional pools. The majority of the gas mapped within these pools varies in thickness from a few centimeters up to five metres. The Wabiskaw gas zones thicken towards the western portion of the lease where these pools are considered more regional. Gas production in these pools has resulted in partial pressure depletion. The presence of depleted top gas may be detrimental to SAGD recovery in the affected area as it limits the operating pressure of the SAGD well pairs and it may act as a thief zone for injected steam and therefore increase the CSOR of the project. Repressuring some of the areas where gas has been produced to mitigate these effects may be part of the Company's development plans. Repressurization has been successfully performed by Cenovus at Christina Lake where similar gas related issues exist. Management estimates that less than 45% of the Wabiskaw-McMurray Best Estimate Contingent Resources are associated with regional top gas zones with a thickness of one metre or greater. During the month of October 2009, the ERCB put in place Decision 2009-061, which ordered the interim shut-in of 297 intervals associated with 158 gas wells, largely in the Dover West area, in recognition of the value of the large bitumen resource in this area. A hearing for the final shut-in of these wells is expected to be scheduled in the fourth quarter of 2010. Management believes that Decision 2009-061 is positive for the future development of the Company's assets in the Dover West area.

The following diagram provides certain stratigraphic information with respect to northeastern Alberta where the Company's assets, including the Dover West asset, are located.

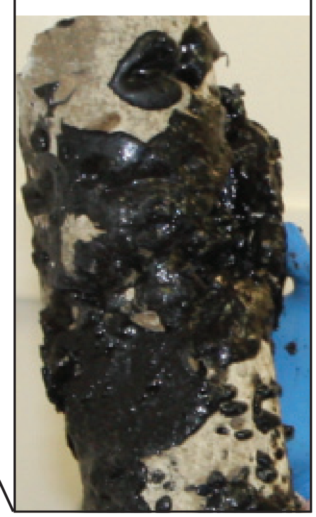
Company Asset Stratigraphy

Stratigraphic nomenclature of northeastern Alberta (modified after AG AT Laboratories Table of Formations, 1987)



Clastics Core Sample

Carbonate Core Sample



Geology – Wabiskaw (Clastic) Formation

The Wabiskaw reservoir is the uppermost SAGD quality reservoir in the Dover West area. The depth to the top of the Wabiskaw Formation varies from 200 to 300 metres, averaging approximately 220 metres. The Company's focus for initial development is in the central part of the Dover West area where the Wabiskaw reservoir is at a depth of 210 metres. Directly overlying the Wabiskaw member of the Clearwater Formation is the Grand Rapids Formation, which is also a member of the Cretaceous Mannville Group. At the surface is the Quaternary Glacial Drift, which directly overlies the Grand Rapids Formation and sometimes exists as an incised valley channel that cuts into the Grand Rapids Formation.

The porosity of the Wabiskaw reservoir averages in excess of 33%, with permeability ranging from 1,100 millidarcies to over 6,000 millidarcies. Bitumen saturations average 77% in the SAGD interval and can reach as high as 80 to 85%. At standard conditions the API gravity of the Wabiskaw is 7 to 8.5 degrees, which is typical for the west Athabasca region. The isopach of the Wabiskaw member varies in thickness from 5 to 30 metres. The thickest portion is found in the central part of the lease. At the western part of the lease the Wabiskaw sands eventually thin to zero as they overlap onto the Devonian archipelago. The reservoir sands within the Wabiskaw member are very consistent and correlatable in the Dover West area. The deposition of the Wabiskaw member in the Dover West area is described as a tidally-influenced central bay full of sand creating a field of tidal sands dunes being re-worked by tides. This allows for a very continuous and predictable Wabiskaw reservoir thickness with only slight variations in quality. The average continuous reservoir thickness in the SAGD interval varies from 8 metres to over 17 metres in places and is approximately 13 metres thick on average.

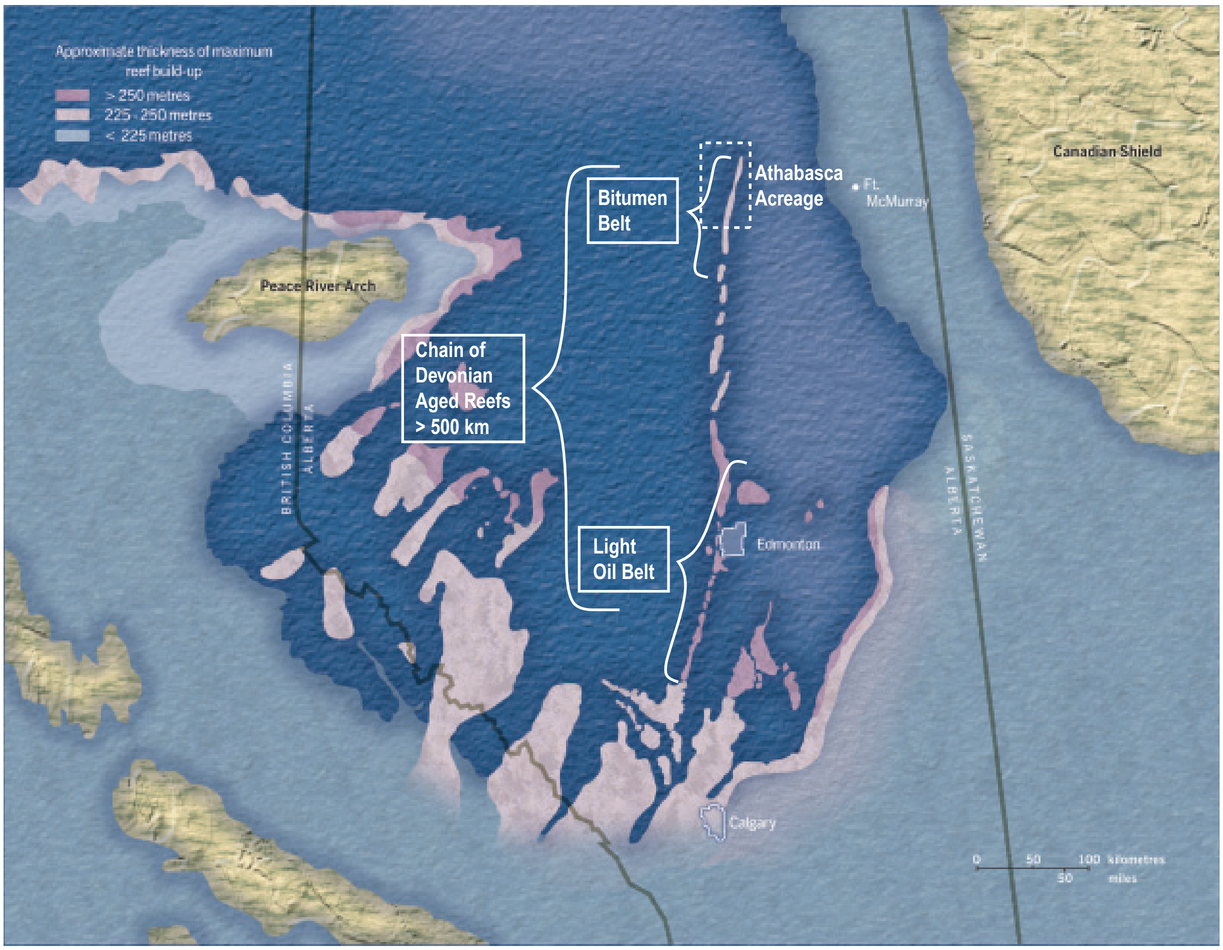
Geology – McMurray (Clastic) Formation

The McMurray Formation underlies the Wabiskaw Member and is separated by a marine shale of between 1.0 metres to 3.5 metres in thickness. The McMurray Formation is a SAGD quality reservoir within the Dover West area. The depth to the top of the McMurray reservoir varies from 220 metres to 350 metres, averaging 240 metres. The Company's focus for initial development is in the central part of the Dover West area where the McMurray reservoir is at a depth of 230 metres. Initial development of the Dover West Clastics reservoirs will take place in the McMurray Formation. Management anticipates achieving the benefit of conductive heat transfer from the McMurray reservoir into the overlying Wabiskaw reservoir resulting from steam injection into the McMurray reservoir. Management anticipates that at the time of drilling the SAGD well pairs to develop the Wabiskaw reservoir, heat conduction from the McMurray reservoir will have pre-heated the Wabiskaw reservoir, which could result in a reduction in the energy required to generate steam to heat the bitumen in the Wabiskaw reservoir.

The porosity of the McMurray reservoir averages in excess of 33%, with permeability ranging from 1,300 millidarcies to over 8,000 millidarcies. Bitumen saturation averages 70% to 75% in the SAGD interval and can reach saturation levels as high as 92%. At standard conditions the API gravity of the McMurray reservoir is 7 to 8 degrees, which is typical of the west Athabasca region. The isopach of the McMurray Formation varies in thickness from 0 metres to 30 metres and generally thickens eastward through the asset area. The reservoir sands within the McMurray Formation are very consistent and correlatable in the Dover West area. The deposition of the McMurray in this area is described as tidally-influenced fluvial channel mixed with tidal sand bars and tidal sand channel grading to tidal sand flats at the east and west edges of the reservoir. This allows for a very continuous and predictable McMurray reservoir thickness, averaging approximately 13 metres. The reservoir varies in thickness from 8 metres to over 20 metres in places, with only slight variations in quality.

Geology – Dover West Leduc Carbonates Formations

The Dover West Leduc Carbonates formations are directly underlying the McMurray Formation. The Leduc Formation was formed as a major north north-east/south south-west trending carbonate reef build-up. The build-up reaches over 200 metres gross thickness and shows high reservoir quality due to well developed initial porosity and later dolomitisation. The Leduc reef build-up is directly overlying the Cooking Lake Formation, which was formed as a shallow water carbonate platform. Together these two formations with up to 150 metres of continuous gross bitumen thickness, form the carbonate reservoir in Dover West. The Dover West Leduc Carbonates reservoir is the northernmost extension of a chain of reefs spanning more than 500 kilometres in length from Central Alberta to the Dover West asset (see the chain of reefs on the map below identified as the "Chain of Devonian Aged Reefs"). In the Central parts of Alberta, these reefs have been producing light oil since discovery in 1947 (see the chain of reefs on the map below identified as the "Light Oil Belt"). The northern limit of the Leduc light oil reef trend, located at Redwater, Alberta, is over 300 kilometres south of the Leduc bitumen reef trend located at the Company's Dover West Leduc Carbonate asset and geological formations can change significantly over a much shorter distance. However, core analysis from the Leduc bitumen reef trend at the Company's Dover West Leduc Carbonate asset shows that the reservoir quality is comparable to the Leduc light oil reef trend. Although Athabasca is encouraged by the similar reservoir qualities, no conclusions can be drawn regarding the future production performance of the Dover West Leduc Carbonate reservoir.



Note:

(1) Source: Athabasca.

In the Dover West area (see the chain of reefs on the map above identified as the "Bitumen Belt"), the original light oil has been biodegraded over time into a 6.5 to 7 API gravity bitumen due to its shallow depth. The quality of this bitumen is consistent with the bitumen quality found in the west Athabasca oil sands area. There is a down-dip bitumen-water contact in the Leduc Formation in the very southern end of the Company's leases, but the majority of the bitumen resource in the area is not in contact with water. The Company has performed several laboratory experiments measuring temperature versus viscosity data on the different Dover West bitumen deposits and has confirmed that the bitumen has similar characteristics to the bitumen studied at the UTF, which is where the commercial viability of the SAGD process was first confirmed. The depth to the top of the carbonate reservoir varies from 250 to 500 metres, averaging 300 metres.

The differences between the Leduc Formation and the Grosmont Formation primarily arise as a result of the manner in which these formations were formed and their respective geological compositions. The Leduc Formation was formed as a reef build-up with good original reservoir quality. In contrast, the Grosmont Formation was formed as carbonate shelf deposits without original reservoir qualities, therefore requiring additional local transformation to become of reservoir quality.

GLJ Report – Overview

GLJ has conducted an independent evaluation of the Dover West asset, the results of which are contained in the GLJ Report dated effective as of December 31, 2009. The GLJ Report contains two separate evaluations in respect of the Dover West asset: one in respect of the Dover West Clastics formations and one in respect of the Dover West Leduc Carbonates formations.

GLJ Report – Dover West Clastics

GLJ estimates the Dover West Clastics formations to contain PIIP of 4,020 mmbbls in the Low Estimate, 4,985 mmbbls in the Best Estimate and 5,522 mmbbls in the High Estimate. The GLJ Report does not recognize any reserves associated with the asset due to the following contingencies: the need for further facility design, preparation of firm development plans and regulatory applications (including associated reservoir studies and delineation drilling) and Company approvals. As such, the bitumen in the Dover West Clastics asset is currently classified as "Contingent Resources" rather than "reserves".

The following table summarizes certain data contained in the GLJ Report in respect of the Dover West Clastics formations. See also "Independent Reserve and Resource Evaluations".

Dover West Resources – Dover West Clastics

	Company Interest (100%WI)		
	Low Estimate	**Best Estimate**	**High Estimate**
PIIP (mmbbls)[1]	4,020	4,985	5,522
Contingent Resources (mmbbls)	1,317	2,012	2,725
Recovery Factor	33%	40%	50%
Peak Production (bbls/d)	106,000	165,000	220,000
CSOR[2]	3.4	3.4	3.2

Notes:

(1) PIIP is composed of: 1,317 mmbbls of Contingent Resources and 2,703 mmbbls of Unrecoverable PIIP (Low Estimate); 2,012 mmbbls of Contingent Resources and 2,973 mmbbls of Unrecoverable PIIP (Best Estimate); and 2,725 mmbbls of Contingent Resources and 2,797 mmbbls of Unrecoverable PIIP (High Estimate). The PIIP includes unrecoverable bitumen volumes and is not an estimate of the volume of bitumen that will ultimately be recovered.

(2) SORs typically vary according to various factors, including the maturity of the well-pair and reservoir quality and thickness, and therefore the cumulative SOR (or CSOR) is a commonly quoted figure during development planning of SAGD projects.

GLJ Report – Dover West Leduc Carbonates

GLJ estimates the Dover West Leduc Carbonates formations to contain PIIP of 4,712 mmbbls in the Low Estimate, 6,239 mmbbls in the Best Estimate and 7,486 mmbbls in the High Estimate at the Dover West asset. GLJ estimates the Dover West Leduc Carbonates formations to contain Total PIIP of 5,166 mmbbls in the Low Estimate, 12,523 mbbls in the Best Estimate and 14,980 mmbbls in the High Estimate at the Dover West asset. The GLJ Report does not recognize any reserves associated with the asset due to the following contingencies: the need for further facility design, preparation of firm development plans and regulatory applications (including associated reservoir studies and delineation drilling) and Company approvals. As such, the bitumen in the Dover West Leduc Carbonates asset is currently classified as "Contingent Resources" rather than "reserves". In addition, GLJ has not assigned Low Estimate Contingent Resources to the Dover West Leduc Carbonates because bitumen recovery from carbonates is not as commercialized as bitumen extraction from clastics (sands), and therefore carries more risk than can be recognized in a Low Estimate.

The following table summarizes certain data contained in the GLJ Report in respect of the Dover West Leduc Carbonates formations contained within the Dover West asset. See also “Independent Reserve and Resource Evaluations”.

Dover West Resources – Dover West Leduc Carbonates(1)

	Company Interest (100% WI)		
	Low Estimate	Best Estimate	High Estimate
PIIP (mmbbls)(2)	4,712	6,239(4)	7,486(4)
Contingent Resources (mmbbls)	—	1,420	3,380
Recovery Factor	—	38%	62%
Peak Production (bbls/d)	—	125,000	293,000
CSOR(3)	—	3.4	2.7

Notes:

(1) The Company’s resources at its Dover West Leduc Carbonates asset are contained in carbonate reservoirs. SAGD and CSS, the recovery processes proposed to develop this asset, are considered by GLJ to be “technology under development” in carbonate reservoirs. The successful development of the Company’s carbonate reservoirs depends on, among other things, the successful development and application of SAGD and CSS or other recovery processes to carbonate reservoirs. Although the technology has been developed for application to non-carbonate reservoirs, there are no known successful commercial projects that use SAGD or CSS to recover bitumen from carbonate formations and there exists a large range in the expected recoverable volumes, the lower end of which may not be economically viable. The principal risks associated with SAGD and CSS recovery in carbonate reservoirs are (i) the possibility of unexpected steam channelling which would increase steam requirements resulting in increased costs and potentially reduced economically recoverable bitumen volumes, and (ii) potential mechanical operating problems due to production of fines which could cause wellbore plugging and reduced bitumen production rates and potential interruption of surface production operations. Although the technical risks associated with “technology under development” have been accounted for in the GLJ Report, the timeline for verification of “technology under development” has inherent uncertainty. Development will involve significant capital expenditures and a lengthy time to project payout and project payout is not assured. If a pilot project and/or the technology under development do not demonstrate potential commerciality in carbonate reservoirs then the Company’s projects on these assets may not proceed and this may occur only after significant expenditures have been incurred by the Company. See “Independent Reserve and Resource Evaluations” and “Risk Factors – Risks Relating to the Company’s Business – Bitumen Recovery Processes”.

(2) PIIP is composed of: 4,712 mmbbls of Unrecoverable PIIP (Low Estimate); 1,420 mmbbls of Contingent Resources and 4,819 mmbbls of Unrecoverable PIIP (Best Estimate); and 3,380 mmbbls of Contingent Resources and 4,106 mmbbls of Unrecoverable PIIP (High Estimate). The PIIP includes unrecoverable bitumen volumes and is not an estimate of the volume of bitumen that will ultimately be recovered.

(3) SORs typically vary according to various factors, including the maturity of the well-pair and reservoir quality and thickness, and therefore the cumulative SOR (or CSOR) is a commonly quoted figure during development planning of SAGD projects.

(4) GLJ only applies the recovery factor to a portion (3,755 mmbbls) of the mappable Best Estimate PIIP and a portion (5,430 mmbbls) of the mappable High Estimate PIIP.

Stage of Development

Since 2006, Athabasca has drilled 46 delineation wells on the Dover West property in order to define the resources in the Dover West Clastics formations and the Dover West Leduc Carbonates formations. Of the 46 delineation wells Athabasca has drilled in the Dover West lease, 24 of the wells (including 12 wells that were drilled during the 2009-2010 winter drilling program) were drilled and cored to the base of the Devonian and the remaining 22 wells were drilled to the base of the McMurray Formation. As a result of the local stratigraphy, a well being drilled and cored to the base of the Devonian Group also provides open hole log information within the overlying Cretaceous intervals. Athabasca has accumulated over 948 metres of Devonian carbonate core over the last two years in the Dover West area. Overall, the relevant well control for the Dover West Leduc Carbonates formation includes an additional 25 to 30 wells, which at least partially penetrate the Devonian Group. The well density is at least one well per section in the main part of the Dover West Clastics reservoir and there are an additional 430 wells within and adjacent to the Dover West lease that penetrate the Dover West Clastics formations. Athabasca has cored at least partial intervals of 100% of the Devonian carbonate delineation wells and approximately 50% of the Cretaceous delineation wells that it has drilled over the last three years. The core samples were analysed to assess the quality of the SAGD reservoir within the McMurray Formation. Measurements were made to investigate bitumen saturation, water saturation, porosity, vertical and horizontal permeability and net continuous bitumen thickness. The results of such work at the Dover West asset suggest to management that the Dover West Clastics interval is a suitable candidate for in-situ extraction methods such as SAGD. In management’s opinion, the core analysis work performed specific to the Dover West Leduc Carbonates suggests that these formations are also suitable to in-situ extraction methods such as SAGD in the area of the reef rim, and possibly CSS in certain parts of the back reef. Seismic data has been used as a tool to assist with delineation drilling and geological mapping, particularly to define the Leduc reef build-up upon the Cooking Lake platform. In the last three years Athabasca has acquired 100 kilometres of 2-D seismic data and has purchased an incremental 502 kilometres of 2-D seismic data available in the area.

During the 2009-2010 winter drilling program, in order to further define the Dover West Leduc Carbonates Athabasca also acquired approximately 28 square kilometres of 3-D seismic data and 76 kilometres of 2-D seismic data. Although there are no wells being drilled during the 2009-2010 winter drilling season that target the Dover West Clastics formations, information from these zones will be captured from the wells that target the deeper Dover West Leduc Carbonates formations and from the results of the seismic program.

Development Strategy

Dover West Clastics

The size and scope of the Dover West Clastics commercial development is still being evaluated, although management currently anticipates that it will have a production capacity of approximately 165,000 bbls/d once fully developed. Athabasca has identified an area of thick McMurray bitumen sand that does not contain any top gas – as a result of these features, this area has been selected as the site of the first phase of commercial development. During the 2010-2011 winter drilling program, Athabasca will be delineating the Dover West Clastics formations by drilling approximately six to eight wells per section in the selected area to support a 35,000 to 50,000 bbls/d first phase commercial production application.

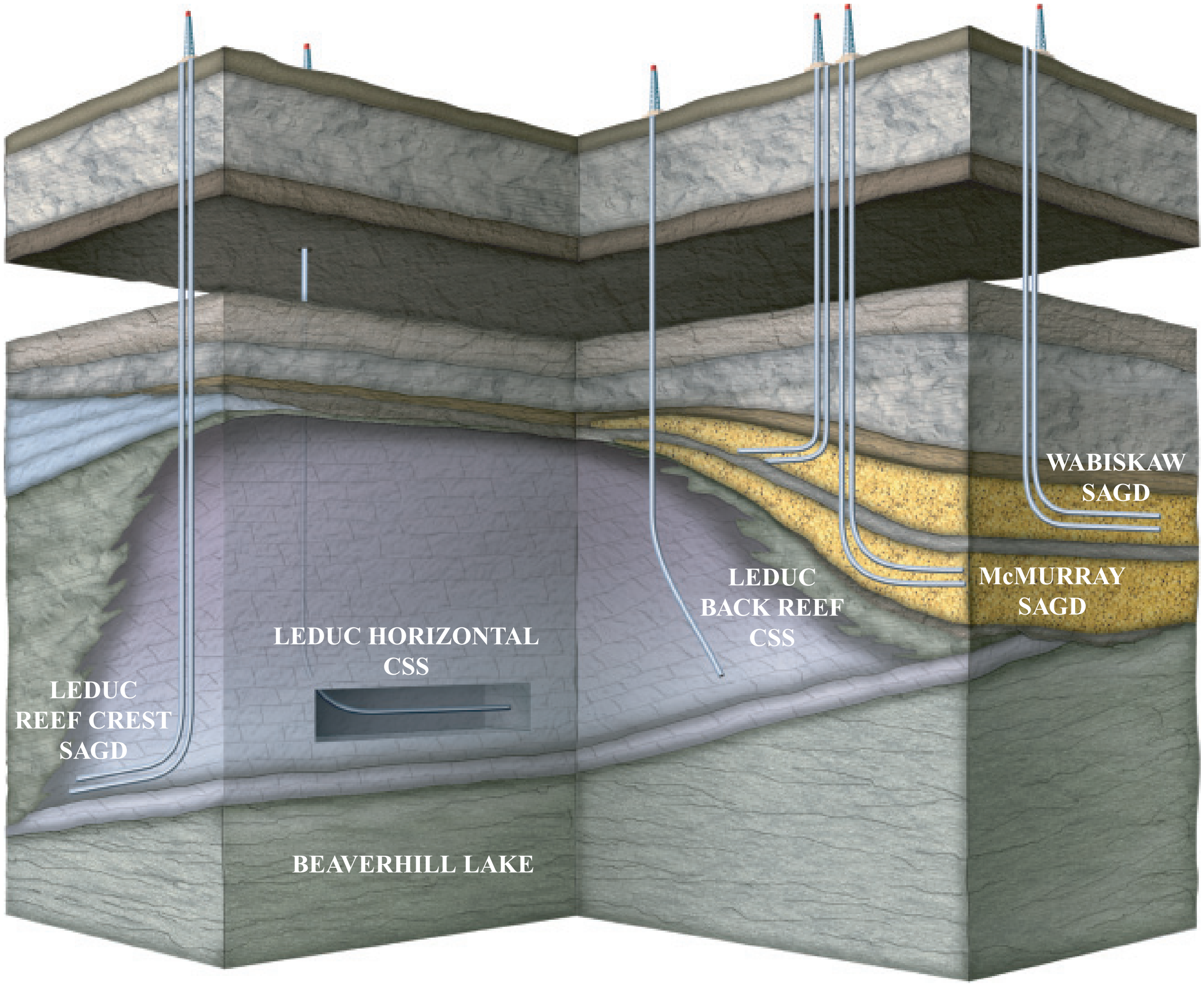
SAGD is the thermal production method planned for the initial Dover West Clastics development areas. Management believes that top gas is not a technical issue for at least the initial phases of commercial production.

Dover West Leduc Carbonates

The size and scope of the Dover West Leduc Carbonates development is still being evaluated. There is currently no commercial development recovering bitumen from carbonate bearing formations in Alberta, although there are several pilot initiatives underway by other companies. Management believes that given the unique nature of the Dover West Leduc Carbonates and the high reservoir quality associated with the reef structure, a commercial project to recover bitumen from the Company's Dover West carbonate bearing formations will prove feasible. To achieve this objective, Athabasca is planning the technical steps that are necessary to identify, pilot test and confirm a suitable reservoir recovery technology for the Dover West Leduc Carbonates.

During the 2009-2010 drilling program, 12 delineation wells were drilled in the area. During the 2010-2011 drilling program, the Company plans to drill and case a horizontal well in the reef margin and a directional well in the back-reef. During 2010, the Company plans to seek approval from applicable regulatory authorities to perform short-term steam-based injection cycles followed by a production cycle in these two wells. These short-term tests, which will be performed during the 2010-2011 winter drilling program, are intended to prove production and provide information to augment reservoir and geological modelling efforts. The 3-D seismic data acquisition program that formed a part of the 2009-2010 winter program was conducted in the area planned for the pilot project. Athabasca currently plans to submit a pilot application for production from the Dover West Leduc Carbonates during 2011, with a view to completing construction in 2013. The first commercial development phase could be in operation as early as 2019, contingent on satisfactory results from the field testing and pilot project.

The following diagram illustrates possible development strategies for the Dover West Clastics and Dover West Leduc Carbonates, including the potential application of SAGD and CSS technologies.



Note:

(1) Source: Athabasca.

The Company's plans to develop the Dover West Leduc Carbonates are very preliminary and scoping in nature only. Except for one successful third party pilot test in the Grosmont Formation, the direct assessment of productivity of the carbonates is based solely on laboratory tests, the analysis of cores and logs, and simulation studies. No thermal pilot tests have been carried out on the Dover West Leduc Formation. There is currently one successful pilot and one unsuccessful pilot test in the Grosmont Formation.

Development Schedule

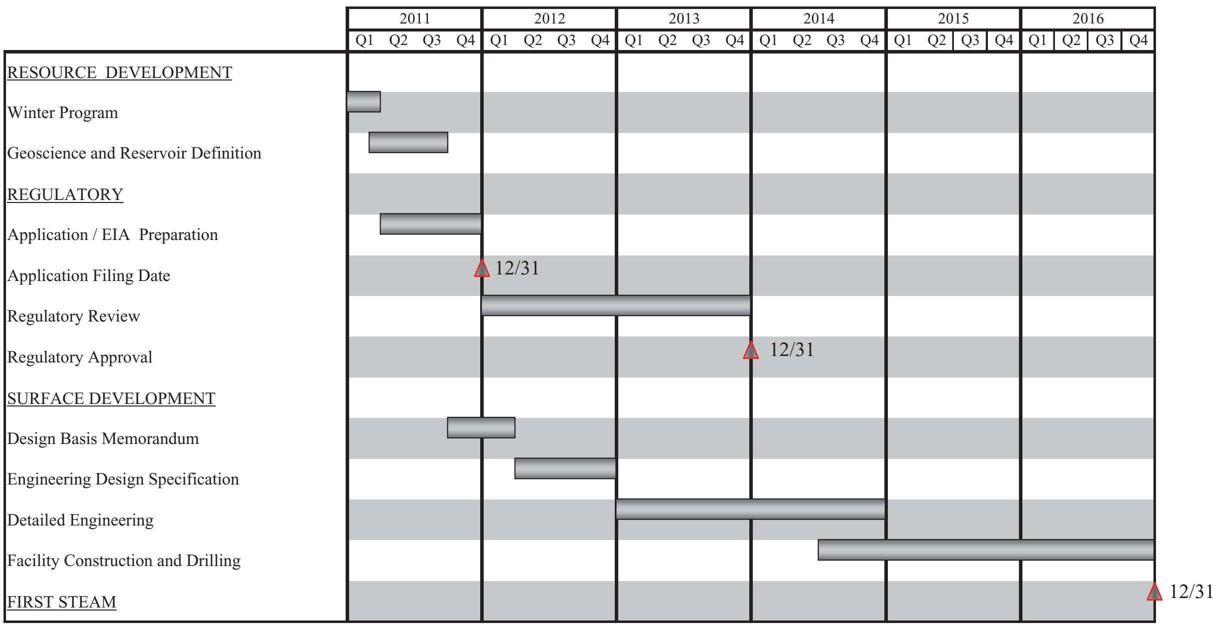
Dover West Clastics Formations

The Dover West Clastics commercial development project is currently targeted by management to begin production from the initial development phase in late 2016. To achieve this objective, the Company will continue with its efforts on completing geological and reservoir definition work for the initial development area through additional delineation drilling during the winter of 2010-2011. This work will support the filing of a regulatory application and environmental impact assessment in late 2011. In order to reach the milestone of production in 2016, the Company must complete the key project activities illustrated and summarized below:

- 2010-2011 – finalize Dover West Clastics initial development area; file commercial regulatory application and environmental impact assessment.

- 2012 – continue water exploration activities and initiate front-end engineering activities on the central facilities.
- 2013-2014 – receive ERCB/Alberta Environment approval, commence detailed engineering, procure long-lead time equipment, construct the main access road, complete site preparation and fabricate major equipment.
- 2015 – continue with facility construction and drilling.
- 2016 – complete construction, complete drilling, commission facilities and start-up.

Dover West Clastics Oil Sands Project – Phase 1 Project Schedule



The timing for commencing and completing the subsequent phases of Dover West Clastics commercial development project that will be necessary for the project to reach an ultimate capacity of approximately 165,000 bbls/d is currently under review.

Dover West Leduc Carbonates

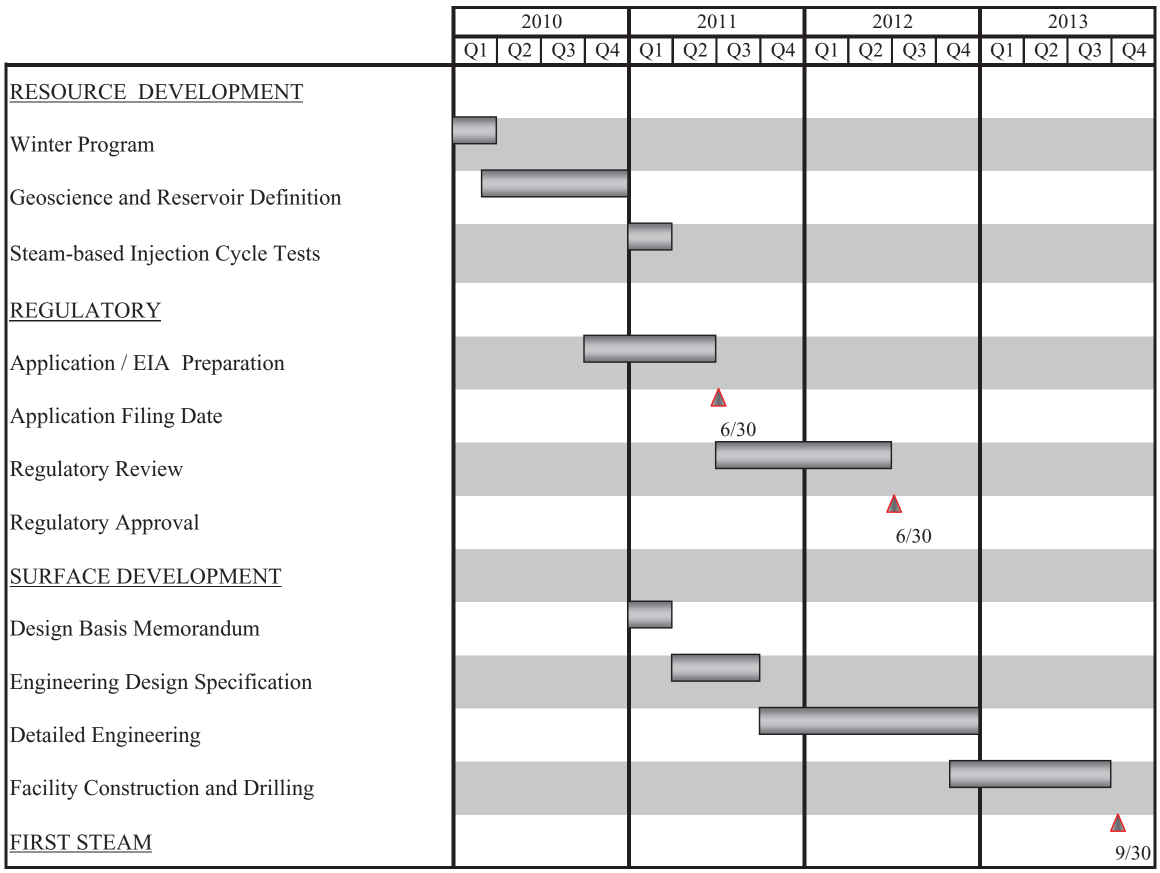
For the Dover West Leduc Carbonates commercial development project, timing of the first commercial development phase is contingent on the performance of a planned demonstration (pilot) project. The objective of the demonstration project is to pilot a bitumen recovery process that can eventually be scaled to a commercial operation. The near term objective for the Dover West Leduc Carbonates is to continue delineation drilling in order to further define the expanse of the bitumen resource, and to complete steam-based production tests in two wells in 2011 in order to augment the Company’s geological and reservoir understanding and assist in the modelling for the pilot project well configuration.

Athabasca’s objective is to file a regulatory application for a demonstration (pilot) project in the middle of 2011 with a view to obtaining regulatory approval in 2012. This would result in construction and start-up of the pilot project in 2013. In order to reach this milestone, the Company must complete the key project activities illustrated and summarized below:

- 2010 – continue delineation drilling and evaluate reservoir recovery processes for demonstration (pilot) project.
- 2011 – continue water exploration activities, drill and case one horizontal well and one slant well for injection testing, and complete winter injection tests of the two cased wells; define reservoir recovery process and initiate front-end engineering activities on the pilot facilities; file demonstration (pilot) regulatory application.

- 2012 – receive ERCB/Alberta Environment approval, continue detailed pilot engineering, procure long-lead time equipment, construct the main access road, commence site preparation and fabricate major equipment.
- 2013 – continue with facility construction and drilling; commission facilities and start-up.

Dover West Leduc Carbonates Oil Sands Project – Demonstration (Pilot) Project Schedule



Production Capacity, Initial Development Size and Pace of Development

The decision regarding the ultimate production capacity, initial development size and pace of development of the Dover West Clastics commercial development project and the Dover West Leduc Carbonates commercial development project will in each case be based on methodologies and factors that are similar to those discussed above in respect of the MacKay Oil Sands Project. See "– MacKay Asset – Production Capacity", "– MacKay Asset – Initial Development Size" and "– MacKay Asset – Pace of Development". Commercial development of the Dover West Leduc Carbonates asset is dependent on information gathered from the successful operation of a pilot project.

2010 Budget

Athabasca is planning to spend $28.2 million in 2010 on the Dover West asset area. The expenditures will be used to continue the delineation drilling work and to continue the reservoir, environmental and regulatory work that are necessary to support the regulatory application to be filed in the middle of 2011 for the Dover West Leduc Carbonates pilot project. Although technical work will continue for the Dover West Clastics commercial development project, significant expenditures will not be made on this project until 2011 when a delineation drilling program is commenced.

Other Assets

Birch Asset

The Birch asset is located within the Athabasca oil sands fairway of northeastern Alberta between townships 97 to 103, ranges 13 to 17, west of the fourth meridian approximately 95 kilometres northwest of the city of Fort McMurray and

30 kilometres west of CNRL's Horizon development project. The bitumen reservoirs are contained within the Wabiskaw member of the Clearwater Formation and the McMurray Formation (both of the Cretaceous Mannville Group).

The Birch asset consists of an extensive contiguous land base of 181,325 hectares (448,054 acres) in which Athabasca has a 100% working interest. All of the leases in the Birch asset area are new Alberta crown mineral leases purchased at crown auction sales between 2006 and 2009. Athabasca has not drilled any proprietary delineation wells on the Birch asset but there are 168 wells that penetrate the McMurray/Wabiskaw interval within, and adjacent to, the asset, some of which have been cored. The Company has acquired 73 kilometres of 2-D seismic data on the Birch asset and has purchased an additional 876 kilometres of 2-D seismic data. In excess of approximately 169,000 hectares (417,000 acres), or over 90%, of the Birch asset is unexplored acreage. Management believes that the area has significant commercial development potential. However, given the amount of corporate resources that will be devoted to developing the MacKay, Dover and Dover West assets during the next several years, the development of the Birch asset is a later stage priority within the Company's current business plan. Depending on whether the Put/Call Options are exercised, the Company may retain the Birch asset for future development or utilize the asset in connection with other business development opportunities.

Management believes that the reservoirs suitable for in-situ recovery in the Birch asset are the Wabiskaw member of the Cretaceous Mannville Clearwater Formation and the underlying Cretaceous Mannville McMurray formation. The Wabiskaw member can be split into three sub-groups in the Birch area: the Wabiskaw A; the Wabiskaw C; and the Wabiskaw D. These sub-groups often merge into a thick continuous SAGD pay interval within the Wabiskaw and between the McMurray and Wabiskaw formations.

The main cap rock to contain steam in the Birch area is contained within the Clearwater Formation. In the Birch area the Clearwater Formation is consistently 80 to 90 metres thick. There is a shale interval within the Clearwater Formation mapped as the primary cap rock which averages 45 to 65 metres in consistent thickness.

The depth to the top of the reservoir varies from 300 to 560 metres and averages approximately 450 metres. Directly overlying the Wabiskaw member of the Clearwater Formation is the Grand Rapids Formation, which is also a member of the Cretaceous Mannville Group. At the surface is the Quaternary Glacial drift, which directly overlies the Grand Rapids Formation and sometimes exists as an incised valley channel that cuts into the Grand Rapids Formation. The average continuous reservoir thickness in the SAGD interval is approximately 13 metres, varying from 8 metres to over 30 metres in places. The thickest portion of the reservoir is in the south central part of the lease.

D&M has conducted an independent evaluation of the Birch asset, the results of which are contained in the DeGolyer Report dated effective as of December 31, 2009. Due to certain contingencies, including regulatory approval and budget entry for the scheduled development, D&M has classified the bitumen in the Birch asset as "resources" rather than "reserves". Athabasca does not have any reserves associated with the Birch property.

The following table summarizes certain data contained in the DeGolyer Report in respect of the Company's 100% working interest in the Birch asset. See also "Independent Reserve and Resource Evaluations".

Birch Resources

	Company Interest (100% WI)		
	Low Estimate	**Best Estimate**	**High Estimate**
PIIP (mmbbls)[(1)]	1,835	3,148	4,565
Contingent Resources (mmbbls)	131	1,007	1,826
Recovery Factor	23%	32%	40%
Peak Production (bbls/d)	15,000	88,000	155,000
CSOR[(2)]	4.5	3.1	3.1

Notes:

(1) PIIP is composed of: 131 mmbbls of Contingent Resources and 1,704 mmbbls of Unrecoverable PIIP (Low Estimate); 1,007 mmbbls of Contingent Resources and 2,141 mmbbls of Unrecoverable PIIP (Best Estimate); and 1,826 mmbbls of Contingent Resources and 2,739 mmbbls of Unrecoverable PIIP (High Estimate). The PIIP includes unrecoverable bitumen volumes and is not an estimate of the volume of bitumen that will ultimately be recovered.

(2) SORs typically vary according to various factors, including the maturity of the well-pair and reservoir quality and thickness, and therefore the cumulative SOR (or CSOR) is a commonly quoted figure during development planning of SAGD projects.

Hangingstone Asset

The Hangingstone asset is located within the Athabasca oil sands fairway of northeastern Alberta between townships 86 to 88, ranges 10 to 13, west of the fourth meridian. The leases are approximately 15 to 20 kilometres southwest of the city of Fort McMurray and approximately 15 kilometres north of the Japan Canada Oil Sands Limited/ Nexen Hangingstone SAGD project. The Hangingstone area consists of a concentrated, contiguous land base of 34,560 hectares (85,398 acres) in which Athabasca owns a 100% working interest. All of the leases in the Hangingstone asset area are new Alberta crown mineral leases purchased at crown auction sales between 2006 and 2009. In 2008, Athabasca drilled 47 delineation wells within the Hangingstone asset and cored 30 of these wells. In the same timeframe, Athabasca acquired 98 kilometres of 2-D seismic data, 43 kilometres of electrical resistivity tomography, and purchased an additional 58 kilometres of 2-D seismic data. There are an additional 100 wells in the area that penetrate the McMurray Formation in which the Company has no interest but that have been used in the geological mapping. In excess of approximately 25,000 hectares (61,000 acres), or over 70%, of the Hangingstone asset is unexplored acreage.

The main cap rock to contain steam in the Hangingstone area is contained within the Clearwater Formation. In the Hangingstone area the Clearwater Formation is consistently 70 to 90 metres thick. There is a sub-interval within the Clearwater Formation mapped as the primary cap rock that averages 17 to 21 metres in consistent thickness.

The reservoir suitable for in-situ recovery in the Hangingstone area is the Cretaceous McMurray Formation. The depth to the top of the reservoir varies from 120 to 180 metres; on average, in the Hangingstone asset the reservoir is at a depth of 140 metres. Directly overlying the Wabiskaw member of the Clearwater Formation is the Grand Rapids Formation, which is also a member of the Cretaceous Mannville Group. At the surface is the Quaternary Glacial drift, which directly overlies the Grand Rapids Formation and sometimes exists as an incised valley channel that cuts into the Grand Rapids Formation. The gross isopach thickness of the McMurray Formation varies from 35 to 50 metres, and the net continuous bitumen thickness varies from 8 to 25 metres. The deposition of the McMurray Formation in the Hangingstone area is described as a Middle McMurray estuarine channel complex where the reservoir is formed by amalgamation of stacked channels and point bars.

D&M has conducted an independent evaluation of the Hangingstone asset, the results of which are contained in the DeGolyer Report dated effective as of December 31, 2009. Due to certain contingencies, including regulatory approval and budget entry for the scheduled development, D&M has classified the bitumen in the Hangingstone asset as “resources” rather than “reserves”. Athabasca does not have any reserves associated with the Hangingstone property.

The following table summarizes certain data contained in the DeGolyer Report in respect of the Company’s 100% working interest in the Hangingstone asset. See also “Independent Reserve and Resource Evaluations”.

Hangingstone Resources

	Company Interest (100% WI)		
	Low Estimate	Best Estimate	High Estimate
PIIP (mmbbls)[(1)]	492	1,177	1,777
Contingent Resources (mmbbls)	123	412	711
Recovery Factor	25%	35%	40%
Peak Production (bbls/d)	16,000	50,000	76,000
CSOR[(2)]	4.3	2.8	2.9

Notes:

(1) PIIP is composed of: 123 mmbbls of Contingent Resources and 369 mmbbls of Unrecoverable PIIP (Low Estimate); 412 mmbbls of Contingent Resources and 765 mmbbls of Unrecoverable PIIP (Best Estimate); and 711 mmbbls of Contingent Resources and 1,066 mmbbls of Unrecoverable PIIP (High Estimate). The PIIP includes unrecoverable bitumen volumes and is not an estimate of the volume of bitumen that will ultimately be recovered.

(2) SORs typically vary according to various factors, including the maturity of the well-pair and reservoir quality and thickness, and therefore the cumulative SOR (or CSOR) is a commonly quoted figure during development planning of SAGD projects.

The Hangingstone asset consists of three individual areas, each of which management believes is suitable for the development of a commercial project of more than 10,000 bbls/d, for an aggregate production capacity of approximately 30,000 bbls/d. However, because Athabasca's business model targets large scale assets, the Company will either seek to acquire additional assets in the Hangingstone area before proceeding with development plans, or will evaluate other alternatives to realize value from the Hangingstone asset.

Grosmont Asset

The Grosmont asset is located within the Athabasca oil sands fairway of northeastern Alberta between townships 92 to 100, range 25, west of the fourth meridian, and ranges 1 to 5 west of the fifth meridian. The Grosmont asset represents one of the largest contiguous blocks of oil sands leases in the Province of Alberta with a total gross acreage of 315,183 hectares (778,817 acres) in which the Company has a net acreage leaseholding of 157,591 hectares (389,408 acres) at a 50% working interest. On November 7, 2008, the Company entered into a joint venture with ZAM Ventures Alberta Inc. with respect to the Grosmont area. The Company, which is the operator of the joint venture, and ZAM Ventures Alberta Inc. each hold a 50% interest in the joint venture. ZAM Ventures Alberta Inc. is a family investment entity advised by Ziff Brothers Investments, L.L.C., and an affiliate of ZAM Investments Luxembourg, s.á.r.l. See "Principal Securityholders". The mineral leases are all new leases purchased from Alberta crown sales between the years of 2007 and 2009.

The reservoirs of interest for in-situ recovery in the Grosmont area are the Grosmont Formation of the Devonian Woodbend Group and the Nisku Formation of the Devonian Winterburn Group, referred to herein as the "**Grosmont carbonates.**" The Grosmont Formation is a shelf carbonate that has been subject to various stages of diagenesis, including dolomitization and karstification, which affects the distribution of porosity and permeability. The Grosmont Formation can be subdivided into four separate units: Grosmont A, B, C and D. The Grosmont C and D units contain the most trapped bitumen and reservoirs can generally be found where these two units each individually subcrop at the unconformity surface. The depth to these reservoirs at the Devonian unconformity varies from 200 to 550 metres. The Nisku Formation is made up of carbonate shoals, carbonate ramps and small pinnacle reef build-ups and directly overlies the Grosmont Formation. The ERCB estimated in 2008 that the Nisku Formation contained an additional 65 billion barrels and that the Grosmont Formation contained 318 billion barrels of initial bitumen in place (equivalent to Total PIIP) in Alberta. (Source: ERCB ST98-2009, Page 2-11, table 2.3. The Company cannot confirm that this information was prepared by a qualified reserves evaluator within the meaning of NI 51-101. The Company believes the information is relevant to its Grosmont asset as it demonstrates that the ERCB has recognized a large volume of bitumen in place in these formations in an area where the Company holds the mineral rights.) Numerous pilot projects using vertical wells were performed in the 1970s and 1980s to the south of Athabasca's lease to recover bitumen from the Grosmont Formation. Only one of these pilots, a CSS project at Buffalo Creek, was considered successful. According to the Alberta Research Council, the project recovered more than 100,000 barrels of bitumen in 12 steaming / production cycles of varying lengths of time. Peak rates of 475 bbls/d were exhibited with a cumulative SOR of 5.0. The success of the Buffalo Creek pilot project could not be replicated in subsequent pilot schemes due to various operational and completion issues. Several companies are currently pursuing in-situ recovery schemes in the Grosmont/Nisku carbonates in the general area. Royal Dutch Shell plc and Laricina Energy Ltd. are the most active in piloting recovery schemes. Both companies have reported making pilot applications to the regulators in Alberta, which are currently awaiting approval. So far, the only scheduled commercial implementation of a gravity drainage scheme in a fractured carbonate reservoir is at Qarn Alam in Oman where Royal Dutch Shell plc has demonstrated successful production through steam injection in a fractured/vuggy carbonate formation in its pilot phase. Other than the fact that it is a steam based thermal recovery project in a carbonate reservoir, Qarn Alam cannot be relied on as an appropriate analog for the recovery of bitumen from the carbonate reservoirs of Western Canada.

In the past year the Company has drilled and cored four wells targeting the Grosmont C and D units and five wells targeting the Nisku Formation (including four delineation wells drilled during the 2009-2010 winter drilling program). In the past two years, the Company has purchased over 2,000 kilometres of 2-D seismic data to assist with regional mapping and to aid in determining delineation drilling locations. The shelf and ramp nature of these carbonates makes the isopach of the carbonates very uniform and, with the assistance of a large seismic database, mapable over large areas with less well control. Athabasca's strategy is to continue delineation drilling efforts in the area in order to increase the resource base at this asset. Athabasca has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. Athabasca is participating as a member of the Alberta Research Council's Carbonate Research Program.

The Company's plans to develop the Grosmont asset are very preliminary and scoping in nature only. Except for one successful third party pilot test in the Grosmont Formation, the direct assessment of productivity of the carbonates is based solely on laboratory tests, the analysis of cores and logs, and simulation studies. There is currently one successful pilot and one unsuccessful pilot test in the Grosmont Formation.

GLJ has conducted an independent evaluation of the Grosmont asset, the results of which are contained in the GLJ Report dated effective December 31, 2009. On a Gross Lease basis, GLJ estimates that the Grosmont carbonates in the Grosmont asset contain PIIP of 6,351 mmbbls in the Low Estimate, 7,994 mmbbls in the Best Estimate and 9,633 mmbbls in the High Estimate (see the table below for the Company Interest PIIP figures). GLJ estimates that, on a Company Interest basis, the Grosmont carbonates in the Grosmont asset contain Total PIIP of 8,243 mmbbls in the Low Estimate, 12,546 mmbbls in the Best Estimate and 19,098 mmbbls in the High Estimate. GLJ has not assigned Low Estimate Contingent Resources to the Grosmont carbonates because in their opinion bitumen recovery from carbonates is not as commercialized as bitumen extraction from clastics (sands), and therefore carries more risk than can be recognized in a Low Estimate. SAGD and CSS, the proposed recovery processes to develop the Grosmont asset, are considered by GLJ to be technology under development in carbonate reservoirs. There are additional risks associated with the recovery of these Contingent Resources. See "Independent Reserve and Resource Evaluations" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes".

The GLJ Report does not recognize any reserves associated with the asset due to the following contingencies: the need for further facility design, preparation of firm development plans and regulatory applications (including associated reservoir studies and delineation drilling) and Company approvals. As such, the bitumen in the Grosmont asset is currently classified as "Contingent Resources" rather than "reserves".

The following table summarizes certain data contained in the GLJ Report in respect of the Company's 50% working interest in the Grosmont asset. See also "Independent Reserve and Resource Evaluations".

Grosmont Resources(1)

	Company Interest (50% WI)		
	Low Estimate	Best Estimate	High Estimate
PIIP (mmbbls)(2)	3,176	3,997(4)	4,816(4)
Contingent Resources (mmbbls)	n/a	396	1,943
Recovery Factor	—	30%	54%
Peak Production (bbls/d)	—	40,000	175,000
CSOR(3)	—	4.0	2.8

Notes:

(1) The Company's resources at its Grosmont asset are contained in carbonate reservoirs. SAGD and CSS, the recovery processes proposed to develop this asset, are considered by GLJ to be "technology under development" in carbonate reservoirs. The successful development of the Company's carbonate reservoirs depends on, among other things, the successful development and application of SAGD and CSS or other recovery processes to carbonate reservoirs. Although the technology has been developed for application to non-carbonate reservoirs, there are no known successful commercial projects that use SAGD or CSS to recover bitumen from carbonate formations and there exists a large range in the expected recoverable volumes, the lower end of which may not be economically viable. The principal risks associated with SAGD and CSS recovery in carbonate reservoirs are (i) the possibility of unexpected steam channelling which would increase steam requirements resulting in increased costs and potentially reduced economically recoverable bitumen volumes, and (ii) potential mechanical operating problems due to production of fines which could cause wellbore plugging and reduced bitumen production rates and potential interruption of surface production operations. Although the technical risks associated with "technology under development" have been accounted for in the GLJ Report, the timeline for verification of "technology under development" has inherent uncertainty. Development will involve significant capital expenditures and a lengthy time to project payout and project payout is not assured. If a pilot project and/or the technology under development do not demonstrate potential commerciality in carbonate reservoirs then the Company's projects on these assets may not proceed and this may occur only after significant expenditures have been incurred by the Company. With respect to the Company's Grosmont asset, the Company's strategy is to continue delineation drilling efforts in the area in order to increase the resource base. The Company has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. See "Independent Reserve And Resource Evaluations" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes."

(2) PIIP is composed of: 3,176 mmbbls of Unrecoverable PIIP (Low Estimate); 396 mmbbls of Contingent Resources and 3,601 mmbbls of Unrecoverable PIIP (Best Estimate); and 1,943 mmbbls of Contingent Resources and 2,873 mmbbls of Unrecoverable PIIP (High Estimate). The PIIP includes unrecoverable bitumen volumes and is not an estimate of the volume of bitumen that will ultimately be recovered.

(3) SORs typically vary according to various factors, including the maturity of the well-pair and reservoir quality and thickness, and therefore the cumulative SOR (or CSOR) is a commonly quoted figure during development planning of SAGD projects.

(4) GLJ only applies the recovery factor to a portion (1,322 mmbbls Company Interest) of the mappable Best Estimate PIIP and a portion (3,574 mmbbls Company Interest) of the mappable High Estimate PIIP.

Firebag Asset

The Firebag oil sands permits are located within the Athabasca oil sands fairway of northeastern Alberta within township 91, and between ranges 1 to 2, west of the fourth meridian. The Firebag asset consists primarily of oil sands permits with a total land base of 13,824 hectares (34,159 acres) in which Athabasca holds a 100% working interest. The oil sands permits are primarily all new permits purchased from Alberta crown sales in 2006. During the 2006-2007 winter drilling program the Company drilled two delineation wells targeting the McMurray Formation. The wells did not encounter bitumen and the Company has not had an independent third party complete an evaluation of the Firebag permits. Athabasca does not currently have plans to conduct further exploration activities in the Firebag area.

SAGD Technology

The following discussion relates to the MacKay Oil Sands Project but reflects a typical approach to a SAGD development.

Well Description

Well Pad Layout and Design

Well pads will be designed to accommodate between three and six well pairs per pad. Emulsion will be pumped to the surface by down hole pumps installed in each production well. High pressure steam will be distributed to each production well pad. A header on each production well pad will distribute steam to each injection well. Emulsion from each production well will be grouped into a header before combining production with the production from other well pads in a pipeline network that leads back to the central plant.

Drilling

For the MacKay Oil Sands Project, the SAGD well pairs will be drilled at an angle ranging from 35 to 45 degrees from vertical at the surface. This is referred to as a slant well and is necessary due to the shallow depth of the reservoir at the MacKay Oil Sands Project. The slant configuration results in a more gentle curvature in the build section of the well, allowing the installation of tubulars and pumping equipment with minimal difficulties. For the Dover Oil Sands Project, the reservoir is of sufficient depth that the SAGD well pairs will be drilled vertically at the surface.

The MacKay Joint Venture intends to follow a “batch” drilling process in which the surface section of all wells will be drilled first, followed by the intermediate section and then the horizontal section. For both injection and production wells, casing will be engineered to withstand high-temperature SAGD operating conditions.

In addition to the SAGD well pairs, the MacKay Joint Venture also plans to drill vertical observation wells at strategic locations. The observation wells will be instrumented with pressure and temperature transmitters. This information will be used to monitor performance of the reservoir over the life of the projects.

Completions

The SAGD injection wells will be completed using dual tubing strings: a long string landed at the toe and a short string landed at the heel.

The SAGD production wells will use a single production string landed at the heel and then completed with a progressive cavity pump, an electrical submersible pump, or a gas lift. In addition to pumping equipment, instrumentation will be deployed into the horizontal sections of the wells via the utility string. This may include single or multiple temperature points along the horizontal section and will likely include at least one pressure point near the heel of the well. The temperature and pressure information will be used to optimize well performance.

Facility Development

SAGD developments typically have a central plant that processes bitumen and generates steam for the surrounding field. Over time, the production rates will decline from the pads surrounding the central plant. In order to sustain production, a remote steam plant is typically constructed to support SAGD production farther afield. The remote plant is connected to the central plant for fluid processing.

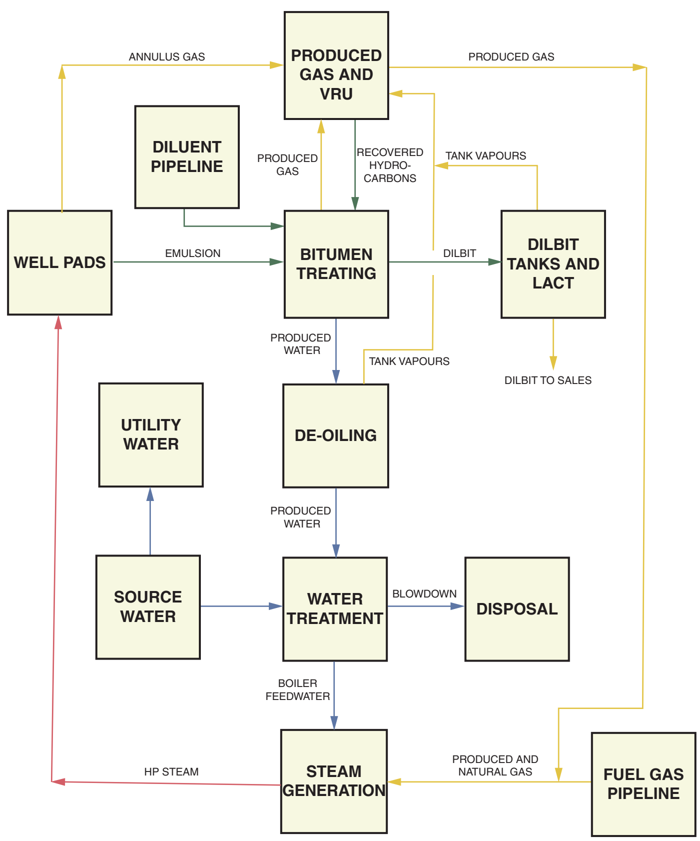
For the MacKay Oil Sands Project, the MacKay Joint Venture intends to use one central plant and one remote steam plant to access bitumen in the northern area of the project. For the Dover Oil Sands Project, the development strategy is still being evaluated, although it is currently believed that due to the proposed large capacity of the project and the large project area, up to two central plants and multiple remote plants will be required.

Facility Descriptions

Central Plants

The layout of the central plants will be designed with a view to accommodating a phased development plan, minimizing the environmental footprint of the plant and maximizing the use of existing disturbed areas. The central plants will be equipped with all of the facilities that are necessary to process emulsion and annulus gases and to generate steam required for the projects. The following process areas and systems will be installed in the central plants: water treatment; steam generation; bitumen treatment; produced water de-oiling; produced gas recovery; tankage; flare system; and utilities. The integration of the various systems at the central plants is illustrated in the following diagram.

Central Plant Block Flow Diagram



Note:
(1) Source: Athabasca.

Water required to generate steam will be preferentially sourced from treated produced water. To account for water losses to the reservoir and the plant, additional make-up water will be sourced from groundwater wells.

To minimize the make-up water and disposal requirements, the Company will use evaporators and concentrators to treat de-oiled water for use as boiler feedwater. The evaporator distillate water will have a very low concentration of dissolved solids that will be suitable for use in high pressure drum type boilers.

Prior to being sent to the steam generators, the boiler feedwater will be cross-exchanged with hot process fluids to attain maximum possible temperature, which in turn will minimize fuel consumption.

At the bitumen treating area, produced emulsion from the production well pads will be separated into bitumen, produced water and produced gases. After the produced gases are separated, the emulsion will be cooled. Separation of the bitumen and produced water streams will take place in the separator and treater vessels where diluent will be added to aid gravity separation. The diluted bitumen will then be cooled again before being transferred to the sales oil tanks for storage. Trim diluent will be added as required to ensure that viscosity and density specifications for pipeline transportation are met.

Remote Plants

As the production rates decline from pads surrounding the central plant, a remote steam plant will be constructed to access production farther afield. The remote plant will have the following functions: steam generation; produced water de-oiling; produced gas recovery; booster station; flare system; and utilities.

The remote plant will be integrated with the central plant, which allows key bitumen and water treating functions to remain at the central plant.

Access Roads, Pipelines and Utility Corridors

The development of the MacKay and Dover Oil Sands Projects will require infrastructure to connect the central plant to well pads. The main access road from existing right-of-ways will be a permanent 10 metre wide road and will be built for all weather conditions. The final routing of roads will be determined in consultation with government and regional stakeholders.

Above ground pipeline corridors will be required to connect the production well pads to the central or remote plants. These corridors will include an access road, above ground power line, and an above ground pipe rack containing steam, emulsion, annulus gas and fuel gas lines. In addition, buried pipeline corridors will be required to connect the source water wells and disposal wells to the central plant.

Regional Infrastructure Corridors

The MacKay and Dover Oil Sands Projects will also require connections to existing regional infrastructure for the transport of sales oil, diluent and electrical power. Both projects are located within reasonable proximity to this infrastructure.

Project Water Requirements

Water development is a key component to the SAGD process and is used primarily for steam generation, although it is also used for other plant and domestic functions. The plans for water use at the MacKay Oil Sands Project and the Dover Oil Sands Project result in the vast majority of water being recycled. However, because some of the water is consumed by the plant and reservoir processes, a replacement make-up water supply is required. The current plan is for both projects to acquire make-up water requirements from a network of groundwater wells.

CAPITAL SPENDING

Overview of SAGD Project Costs

A typical SAGD project requires several years and stages of exploration and development before commercial production. The process of exploring for and developing discovered resources requires considerable capital. However, a SAGD project is considerably less capital intensive than an oil sands mining project.

The initial exploration phase includes the acquisition of oil sands leases in identified areas, which can vary considerably in cost. As of December 31, 2009, Athabasca had spent an aggregate of approximately $316 million on the acquisition of oil sands leases and permits. Of this amount, approximately $178 million relates to oil sands leases and permits that form part of the MacKay Oil Sands Assets and Dover Oil Sands Assets, an indirect 60% working interest in which is owned by PetroChina International Subco on completion of the PetroChina Transaction.

Subsequent to acquiring oil sands leases, capital is often spent on acquiring 2-D seismic data over the acreage and on the drilling of initial exploration/appraisal wells. This initial phase is often followed by 3-D seismic data acquisition and infill drilling over promising hydrocarbon deposits. The average cost of Athabasca's delineation wells varies significantly depending on factors such as location, depth and complexity of the formation. Overall, Athabasca's clastic coreholes have ranged in depth from approximately 150 metres to 550 metres, with an average cost of approximately $385,000 per well. The amount of seismic data and the number of delineation wells required varies from project to project. However, these costs represent a small portion of the total capital cost of a commercial SAGD project.

Following the successful delineation of a bitumen resource base, an initial engineering assessment is conducted. Initial engineering assessments are used in connection with filing the required regulatory applications and environmental impact assessments that must be submitted to the ERCB. SAGD projects are typically undertaken in phases, each of which consists of approximately 30,000 to 60,000 bbls/d of production. The approval process generally requires approximately two years.

Detailed engineering work will usually be undertaken during the period of the ERCB and Alberta Environment review and approval process. The detailed engineering work is intended to outline specific development plans for the bitumen resource. The most important elements of the development plan are determining the number and location of SAGD well pairs required and the facilities that will be required to create steam, treat water and process the bitumen. When plans have been finalized and ERCB and Alberta Environment approvals have been received, the construction process begins with site preparation and road construction; major equipment is also procured and fabricated. The process continues with facility construction and the drilling of well pairs. It takes approximately 2.5 years to complete construction. This portion of the process is the most capital intensive. Athabasca estimates that its share of the costs for Phase 1 of the MacKay Oil Sands Project will be approximately $488 million. See "– Sources and Uses of Funds" below.

A SAGD project will typically require that additional well pairs be drilled in order to offset production declines over the project's producing life. The GLJ Report estimates total well related capital over the expected duration of Phase 1 of the MacKay Oil Sands Project to be approximately $720 million (undiscounted, net to the Company), or approximately $5.15 per barrel of Probable plus Possible Reserves.

Estimated MacKay Oil Sands Project Costs

Athabasca's most advanced SAGD project is the MacKay Oil Sands Project. The MacKay Joint Venture (in which Athabasca owns a 40% interest) intends to pursue a four-phase development project on this asset. Based on the GLJ Report, the Best Estimate total peak production at the MacKay Oil Sands Project is expected to reach 150,000 bbls/d by 2021. Athabasca has filed its initial application for regulatory approval with the ERCB for the Phase 1 development of the MacKay Oil Sands Project, which is planned to commence production in 2014 and result in peak production of 35,000 bbls/d (14,000 bbls/d Company Interest). Management's estimates of the future capital costs associated with the MacKay Oil Sands Project are set forth below.

Estimated Future Capital Costs of Phase 1 of the MacKay Oil Sands Project

	Company Share	Total	Total(1)
	(MM$)	(MM$)	$/bbl/d
Drilling and Seismic(2)	101	254	—
Facilities(3)	311	777(5)	—
Infrastructure(4)	76	189(5)	—
Total	**488**	**1,220**	**34,857**

Notes:

(1) Based on planned peak production of 35,000 bbls/d for Phase 1.

(2) Includes drilling and seismic capital costs associated with delineation, production and water wells.

(3) Includes capital costs associated with the engineering, design and construction of facilities.

(4) Includes capital costs associated with building the infrastructure required to support Phase 1 of the MacKay Oil Sands Project, including capital costs associated with building roads and power lines in the amount of approximately $60 million.

(5) Excludes approximately $43 million of facilities and infrastructure costs to be spent during Phase 1 development that relate to future project phases.

Estimated Capital Requirements for Athabasca's SAGD Projects Through 2014

Athabasca's asset portfolio is comprised of a series of SAGD projects and potential projects, each of which is at a different stage of development. The capital spending associated with each asset area has varied historically and each will have distinct future capital requirements. The following table identifies the capital costs that have been incurred to date and the additional capital that management currently anticipates spending through 2014. For information regarding the current development schedules for each of Athabasca's assets, see "Project Development".

Historical and Management's Projected Capital Spending Through 2014(1)(5)

($millions)	Working Interest	Pre-2010	Projected(2) 2010	2011	2012	2013	2014	Total
MacKay	40%	49.6(3)	14.4	50.6	130.2	343.4	42.4	**581.0**
Dover	40%	94.1(3)	16.6	14.3	120.2	193.2	477.5	**821.8**
Dover West	100%	68.6	28.2	60.6	38.9	348.5	381.3	**857.5**
Birch	100%	35.5	0.9	—	—	21.7	19.4	**42.0**
Hangingstone	100%	29.0	0.3	—	—	—	11.9	**12.2**
Grosmont	50%	33.9	11.6	10.2	10.4	10.6	10.8	**53.6**
Other(4)	100%	49.1	14.2	2.0	2.0	2.1	2.2	**22.5**
Total		**359.8**	**86.2**	**137.7**	**301.7**	**919.5**	**945.5**	**2,390.6**

Notes:

(1) Costs exclude non-cash amounts for asset retirement obligations, capitalized stock-based compensation and capitalized deferred borrowing costs.

(2) Anticipated capital requirements are based on management's estimates and reflect the costs associated with Athabasca's working interest. An annual inflation rate of 2% has been assumed for 2011 to 2014.

(3) Pre-2010 costs reflect Athabasca's actual costs incurred from inception of the Company to December 31, 2009. Costs are net of the indirect 60% working interest held by PetroChina International Subco on completion of the PetroChina Transaction.

(4) The 2010 capital spending figure includes approximately $4.7 million for water treatment engineering, $2.6 million for general stakeholder relations, $2.4 million for corporate capital, and the balance for miscellaneous studies not specific to any one asset area.

(5) The capital spending estimates in the table have been prepared by management and are not the capital spending estimates made by the Independent Evaluators in the Independent Reports. Over the five year period of the projected capital spending estimates for the projects identified in the table, management's capital spending estimates are $3.04 billion lower in aggregate than the capital spending estimates made by the Independent Evaluators in the Independent Reports. The difference between the Independent Evaluators' estimates and management's estimates can be attributed principally to the following factors: (i) the Independent Evaluators' evaluations assume in some instances that first production from future phases will commence earlier than management's current estimates; (ii) the Independent Evaluators' evaluations assume a limited amount of type well forecasts for Athabasca's project areas, whereas management's forecast includes more type wells ("type well" refers to the production profile of a well, that is the initial rate of production and subsequent rate of decline as measured over time, which is affected by the reservoir quality and thickness and its distribution throughout the reservoir. Due to the variation in forecasting type well curves, management's wells have a higher peak production rate and recovery factor, which means that fewer well-pairs would be drilled in management's estimates); and (iii) the Independent Evaluators' evaluations are generally more conservative than management's forecast in regards to the amount and cost of infrastructure required. In the case of the MacKay Oil Sands Project, for which more detailed cost estimates exist, management's estimates are within 10% of GLJ's estimates. See Appendix "G" for a reconciliation of management's capital spending estimates to those of the Independent Evaluators in the Independent Reports over the 2010 through 2014 period.

Capital spending to date has focused on acquiring oil sands leases and permits, purchasing 2-D and 3-D seismic data, drilling delineation wells to define the bitumen resources, and conducting water source and disposal exploration activities. See "Project Development".

At MacKay, delineation work for Phase 1 has largely been completed. Accordingly, capital spending from 2010 through 2012 is expected to focus on completion of environmental and other regulatory work and initial engineering assessments and detailed engineering for Phase 1. Following the anticipated receipt of the required ERCB and Alberta Environment approvals in late 2011, construction is expected to commence on project Phase 1. Beyond 2011 the capital requirements for the project will increase significantly due to the costs that will be incurred in respect of detailed engineering and construction work.

Upon receipt of MacKay Oil Sands Project Approval for the MacKay Oil Sands Project, Athabasca may, but is not required to, exercise the MacKay Put/Call Option. Upon receipt of MacKay Oil Sands Project Approval, or sooner in certain circumstances, PetroChina International Subco may, but is not required to, exercise the MacKay Put/Call Option. If the MacKay Put/Call Option is exercised by either the Company or PetroChina International Subco, the Company will not have any ongoing interest in the MacKay Joint Venture. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

The Dover Oil Sands Assets have also been well delineated through Athabasca's historic activities. The Dover Joint Venture incurred capital costs to complete the delineation program during the winter 2009-2010 drilling season. Additional capital spending during 2010 will focus on completing required environmental and regulatory work and commencing initial engineering assessments. Management expects that the initial filing of the Dover Phase 1 application will be complete by the end of 2010. In 2011 and 2012, the Dover Joint Venture expects to make capital expenditures of approximately $135 million (net to the Company) in connection with the completion of additional regulatory work and front-end engineering assessments. Athabasca anticipates receiving the requisite regulatory approvals in late 2012, following which construction is expected to commence. Management currently anticipates that the Dover Phase 1 development will be designed to achieve production in the range of 35,000 bbls/d to 50,000 bbls/d of bitumen. Management expects production to commence in late 2015. Future delineation drilling programs will be required to support further phases of development of the Dover Oil Sands Project.

Upon receipt of Dover Oil Sands Project Approval, Athabasca may, but is not required to, exercise the Dover Put Option. The Dover Put Option may only be exercised, however, if the MacKay Put/Call Option has been previously or is concurrently exercised by either the Company or PetroChina International Subco. PetroChina International Subco may, but is not required to, exercise the Dover Call Option at any time following the date of exercise of the MacKay Put/Call Option by either the Company or PetroChina International Subco, or without such MacKay Put/Call Option having been exercised in certain circumstances. If either the Dover Put Option or the Dover Call Option is exercised, the Company will not have any ongoing interest in the Dover Joint Venture or the Dover Oil Sands Project. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

At Dover West, capital spending will focus on further delineation of the bitumen resource in 2010 and 2011. Delineation work is required to further define both the Dover West Clastics and the Dover West Leduc Carbonates. The winter 2009-2010 program further delineated the resource potential at an aggregate estimated cost of approximately $28.2 million. Athabasca expects to file its Dover West Clastics environmental and regulatory application in late 2011 for an initial 35,000 to 50,000 bbls/d Phase 1 project. Capital spent in 2011 through 2013 would then be dedicated towards completing the required environmental and regulatory work, as well as completing initial engineering assessments. Upon receipt of the required regulatory approvals, Athabasca expects to commence construction of the Dover West Clastics Phase 1 project in 2014 and to complete construction in late 2016.

With respect to the Dover West Leduc Carbonates, Athabasca drilled 12 delineation wells in 2010 and plans to drill and case for short term production testing one slant well and one horizontal well in 2011. Athabasca then expects to file an application for the approval of an initial pilot project in 2011. Provided the required regulatory approvals are received in 2012, Athabasca expects to commence project construction shortly thereafter, with a view to completing pilot construction in 2013.

Earlier stage projects include Birch, Hangingstone and Grosmont, where activities will focus on additional exploration and delineation work required to define the bitumen resource. As such, capital requirements at these projects will continue to focus on the purchase of additional seismic data and the drilling of additional delineation wells. As Athabasca is the operator of each of these areas, it can determine the pace at which capital is deployed.

Sources and Uses of Funds

Athabasca intends to develop its projects in phases with staggered start dates for each project, which management expects will allow Athabasca to maximize the efficiency of its available capital. Athabasca's intention is that cash flows from the development of more mature projects will help to finance the capital requirements of subsequent project development work, thereby reducing Athabasca's requirement for additional external financing. Management believes that it is reasonable to assume the availability of external financing in the future, which financing could include one or more of the following: the exercise of the Put/Call Options; the replacement of the PetroChina Loans with alternative debt financing; project financing; asset dispositions; securing one or more joint venture partners to participate in the development of certain of the Company's assets; and additional equity financing. The following chart summarizes Athabasca's anticipated capital requirements and cash flows from its various projects for the periods indicated.

($ millions)	2010	2011	2012	2013	2014	Total 2010-2014
Uses of Capital(1)						
Capital Expenditures(2)	86.2	137.7	301.7	919.5	945.5	2,390.6
General and Administrative(2)	19.2	21.1	23.2	25.6	28.1	117.2
Interest Expense(3)	31.6	29.7	44.0	60.0	60.0	225.3
Total Uses	137.0	188.5	368.9	1,005.1	1,033.6	2,733.1
Sources of Capital(1)						
Net Offering Proceeds(4)	1,262.5	—	—	—	—	1,262.5
PetroChina Loans #2 and #3(5)	38.1	72.7	259.0	290.2	—	660.0
Interest Income	4.8	4.6	4.3	3.3	1.1	18.1
Future External Financing(6)	—	—	—	—	73.2	73.2
Total Sources	1,305.4	77.3	263.3	293.5	74.3	2,013.8
Pro Forma Cash at Beginning of period(7)	719.3	1,887.7	1,776.5	1,670.9	959.3	719.3
Cash at end of year	1,887.7	1,776.5	1,670.9	959.3	—	—

Notes:

(1) Assumes the Put/Call Options are not exercised.

(2) Anticipated capital and general and administrative requirements are based on management's estimates as at the date of this prospectus and reflect the costs associated with Athabasca's working interests. An annual inflation rate of 2% has been assumed for 2011-2014.

(3) Includes interest expense to be incurred in respect of the PetroChina Loans based on the assumption that the full principal amount of each loan is eventually drawn down. Interest expense for 2010 also includes approximately $8 million in respect of interest paid on the Senior Secured Notes prior to their redemption.

(4) Excludes cash received from exercise of the Over-Allotment Option, if any. If the Over-Allotment Option is exercised in full, Net Offering Proceeds would increase by $190.4 million, Future External Financing in 2014 and in Total 2010-2014 would be nil, and Cash at end of year in 2014 and in Total 2010-2014 would be $117.2 million.

(5) PetroChina Loan #1 is not included as a source of capital because the proceeds of the loan were used to repay the principal amount of the Senior Secured Notes and related costs.

(6) This five year sources and uses table assumes that the Put/Call Options are not exercised prior to the end of 2014. The exercise of the Put/Call Options would result in an additional source of cash of up to $2 billion, less any amounts due on the PetroChina Loans as of the date of exercise. Further capital spending on MacKay and Dover Oil Sands Projects would cease as of the date of exercise of the MacKay Put/Call Option or the Dover Call Option or the Dover Put Option, respectively. As a result, Athabasca's requirements for future external financing, if any, in the period from 2010 through 2014 would be reduced or eliminated if the Put/Call Options were exercised. Management believes this provides the Company with significant optionality in its future strategic choices.

(7) Includes cash and short term investments at December 31, 2009 of $141.0 million, plus the net proceeds received from the PetroChina Transaction in the amount of approximately $1.879 billion, plus the proceeds received from the exercise of all of the Purchase Warrants of $121.6 million, less the payment of the Special Dividend in the amount of $1.332 billion, less the payment of income taxes in the estimated amount of $90 million.

The following table sets forth additional detail regarding Athabasca's anticipated $2,390.6 million in capital spending on its various projects, broken down by expenditure type, through 2014. For information regarding the aggregate capital expenditures that Athabasca anticipates making by project area, see the table "Historical and Management's Projected Capital Spending Through 2014" under "Capital Spending – Estimated Capital Requirements for Athabasca's SAGD Projects Through 2014".

($ millions)	2010	2011	2012	2013	2014	Total 2010-2014
MacKay and Dover						
Delineation drilling	13.1	3.2	23.0	11.9	22.2	73.4
Production drilling	5.3	3.7	—	98.8	85.2	193.0
Central processing facility	10.3	47.6	172.2	291.7	242.2	764.0
Other(1)	2.3	10.4	55.2	134.2	170.3	372.4
	31.0	64.9	250.4	536.6	519.9	1,402.8
Dover West						
Delineation drilling	25.2	56.1	—	—	26.5	107.8
Production drilling	2.7	4.5	—	—	—	7.2
Central processing facility	—	—	23.3	318.9	354.8	697.0
Other(1)	0.3	—	15.6	29.7	—	45.6
	28.2	60.6	38.9	348.5	381.3	857.5
Other Areas(2)						
Delineation drilling	11.9	10.2	10.4	32.3	42.0	106.9
Production drilling	—	—	—	—	—	—
Central processing facility	—	—	—	—	—	—
Other(1)	15.1	2.0	2.0	2.1	2.2	23.4
	27.0	12.2	12.4	34.4	44.2	130.3
Total All Areas						
Delineation drilling	50.2	69.5	33.4	44.3	90.7	288.0
Production drilling	8.0	8.2	—	98.8	85.2	200.2
Central processing facility	10.3	47.6	195.5	610.5	597.1	1,461.0
Other(1)	17.6	12.4	72.8	166.0	172.5	441.4
	86.2	137.7	301.7	919.5	945.5	2,390.6

Notes:

(1) Includes lease rental costs, costs to build and maintain roads and power and other infrastructure, well pad construction costs, and flow line construction costs.

(2) Includes the Birch, Hangingstone and Grosmont areas.

(3) Totals may not add due to rounding.

Sources and Uses of Funds beyond 2014

Assuming that the Put/Call Options are not exercised, Athabasca's development schedule anticipates the Company achieving commercial production from the first phase of the MacKay Oil Sands Project in 2014 and from the first phase of the Dover Oil Sands Project in 2015. However, the terms of the PetroChina Loans require that 90% of the cash flow derived from commercial production of the MacKay and Dover Oil Sands Projects be used for repayment of outstanding balances under the PetroChina Loans. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The PetroChina Loan Agreements".

During the five year period from 2015 through 2019, the Company plans to undertake substantial capital expenditures to continue the development of its projects. The focus of these expenditures will be on: the development of additional phases of the MacKay and Dover Oil Sands Projects; the development of the first two commercial phases of the Dover West Clastics Oil Sands Project; and, provided that Athabasca has achieved a successful pilot project, the development of the first commercial phase of the Dover West Leduc Carbonates Oil Sands Project.

Accordingly, the Company expects to require significant additional sources of financing during the five years ended 2019. Although the sources of this financing cannot be determined at this time, management believes that it is reasonable to assume the availability of external financing in the future, which financing could include one or more of the following: the replacement of the PetroChina Loans with alternative debt financing; project financing; asset dispositions; securing one or more joint venture partners to participate in the development of certain of the Company's assets; and additional equity financing.

The exercise of the Put/Call Options would result in an additional source of cash of up to $2 billion, less any amounts due on the PetroChina Loans as of the date of exercise. Further capital spending on the MacKay and Dover Oil Sands Projects would cease as of the date of exercise of the MacKay Put/Call Option or the Dover Call Option or the Dover Put Option, respectively. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement". As a result, Athabasca's requirements for future external financing for the five years ended 2019 would be expected to be reduced and delayed, although they would not be eliminated entirely.

PRODUCTION ECONOMICS

Markets

Currently, bitumen blend competes primarily with other heavy crude oils to be refined in western and eastern Canada, and exported to refineries in the Midwest and Rocky Mountain regions of the United States. In the near term, factors such as ongoing refinery conversions to handle heavier crude oil and the decline of traditional heavy oil supply to refineries in the U.S. Gulf coast region, position the United States to be the primary consumer of incremental bitumen production. Over the medium to long term, Asia is expected to become a new market for Alberta bitumen blend, although at the present time transportation infrastructure is inadequate.

Athabasca intends to initially market its bitumen blend to traditional markets in western Canada and the United States. Athabasca will continue to monitor opportunities to access other markets, including the U.S. Gulf coast region and the Asia Pacific region. As production levels increase, Athabasca will also examine opportunities for downstream alliances and other solutions to process bitumen and bitumen products.

Athabasca is planning to build a field pipeline system to transport bitumen blend from the central plant at each project to a mainline pipeline system. The pipeline system will also contain lines to ship diluent (initially anticipated to be SCO) to the field for blending at the central plant for each project. In furtherance of Athabasca's transportation strategy, the Company is currently in discussions with several major pipeline companies regarding obtaining access to markets for bitumen blend and sourcing diluent. Management believes that Athabasca will be able to enter into reasonable commercial arrangements with one or more pipeline companies for the transport of the full amount of its diluent requirements and bitumen blend production.

Revenue

The revenue that a producer ultimately receives for one barrel of bitumen production is derived from the price of bitumen blend, less transportation and diluent costs.

The price for bitumen blend is benchmarked to conventional heavy oil at various locations, which in turn typically trades at a discount to light oil benchmarks such as WTI at Cushing, Oklahoma or Edmonton Par in Alberta. Historically, the heavy oil discount (or "differential") has been very volatile and has trended lower in recent years (see "Industry Background – Markets and Transportation for Bitumen Blend" for further details).

Bitumen revenue will be dependent on the cost of diluent and the blending ratio required to create bitumen blend. Athabasca is currently planning to use SCO as diluent at a ratio of 50% SCO and 50% bitumen per barrel of bitumen blend. The price per barrel of SCO varies depending on its quality attributes, although SCO typically trades at a price that is similar to WTI or Edmonton Par. The supply of SCO is currently abundant in the oil sands region and management expects to be able to source sufficient quantities of SCO to satisfy blending requirements for its planned bitumen production projects.

To the extent available, Athabasca will use condensate as diluent for bitumen blending. Athabasca anticipates a blending ratio of approximately 30% condensate and 70% bitumen per barrel of bitumen blend. Due to the high demand for and low supply of condensate in Alberta's oil sands region, the price of condensate typically trades at a premium to WTI or Edmonton Par. Current demand exceeds the locally produced supply of condensate in the oil sands region, which results in the requirement for condensate to be imported. The lower blending ratio required for condensate typically leads to enhanced bitumen revenue as compared to blending with SCO. An adequate supply of condensate to satisfy the Company's planned productions is not expected to be available on economic terms in the near term. While management believes that it is reasonable to assume that condensate will eventually be available as a diluent for most of the Company's bitumen production, the amount of condensate that will be available and the time frame in which it will be available cannot be determined at this time.

The following table provides a comparison of synbit and dilbit pricing using management estimates, including a flat US$70 per barrel WTI price assumption.

Estimated Bitumen Pricing

(All amounts are expressed in $/bbl, unless otherwise noted)	**Synbit**	**Dilbit**
U.S. Dollar WTI Price (US$/bbl)	$ 70.00	$ 70.00
U.S. Dollar per Canadian Dollar Exchange Rate (US$/Cdn$)	0.90	0.90
Canadian Dollar WTI Price	77.78	77.78
Edmonton Par(1)	76.78	76.78
Heavy Oil Discount to Edmonton Par(2)	(15.36)	(15.36)
Bitumen Blend Quality Premium (Discount)(3)	0.75	(1.25)
Bitumen Blend Value at Hardisty	62.17	60.17
Transportation Costs	(1.25)	(1.25)
Bitumen Blend Value at SAGD project site	60.92	58.92
Cost of Diluent ($/bbl of bitumen)(3)(4)(5)	(15.36)	(10.87)
Bitumen Value at SAGD project site ($/bbl of bitumen)	$ 45.56	$ 48.05

Notes:

(1) The Edmonton Par price is a US$0.90 discount to WTI for light, sweet 40 degree API gravity crude oil.

(2) Heavy oil discount assumes a 20% price discount for Lloyd Blend heavy oil at Hardisty to Edmonton Par.

(3) Provided by GLJ under long term US$70 WTI price forecast as of January 1, 2010.

(4) Synbit diluent cost assumes blending with SCO, which is priced at Fort McMurray using a $1.25/bbl discount to Edmonton Par and requires transportation to the project site at a cost of $0.75/bbl.

(5) Dilbit diluent cost assumes blending with Pentanes Plus (condensate), which is priced at a $1.50 premium to Edmonton Par at Edmonton and an additional premium of $6.00/bbl at the project site, including transportation costs.

Royalties

The Province of Alberta requires royalties be paid on the production of natural resources from lands for which it owns the mineral rights. The Government of Alberta's royalty share from oil sands production is price-sensitive. The royalty range applicable to price sensitivities changes depending on whether the project's status is pre-payout or post-payout. "Payout" is generally defined as the point in time when a project has generated enough net revenue to recover its costs and provide a designated return allowance. The base pre-payout royalty starts at 1% of gross revenue and increases for every dollar that the world oil price, as reflected by the WTI crude oil price in Canadian dollars, is priced above $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. The post-payout royalty is based on net revenue – it starts at 25% and increases for every dollar the WTI crude oil price is above $55 per barrel to a maximum of 40% when the WTI crude oil price is $120 per barrel or higher. Specified capital and operating costs may be deducted to arrive at net revenue for this calculation. The Government of Alberta has announced that it intends to review, and if necessary, revise current rules and enforcement procedures with a view to clearly defining what expenditures will qualify as specified allowed costs.

Operating Costs

SAGD operating costs can generally be separated into fuel and non-fuel costs, with non-fuel costs containing fixed and variable components. Fuel costs assume that natural gas is the source of fuel used to generate energy required to produce steam. Fixed non-fuel costs consist primarily of labour, maintenance, electricity, taxes and insurance. Variable non-fuel costs primarily consist of well workovers, chemicals and emissions taxes. Athabasca intends to construct its SAGD facilities to minimize carbon dioxide emissions. An assumed cost of $25.00 per tonne of carbon dioxide has been applied to all emissions in order to account for the potential impacts of any emissions legislation.

Athabasca has prepared an estimate of the operating costs associated with the MacKay Oil Sands Project based on similar projects, industry experience and work completed to date. Athabasca anticipates that when operating at a full production capacity of 60 mbbls/d Company Interest (150 mbbls/d gross), operating costs will be approximately $15.47 per barrel of bitumen, which consists of approximately $7.92 per barrel of bitumen of fuel costs and approximately $7.55 per barrel of bitumen of non-fuel costs. A detailed breakdown of Athabasca's anticipated operating costs and corresponding netbacks for the MacKay Oil Sands Project is set forth in the table below.

Estimated Operating Netback Calculation (in constant 2009 dollars)

(all amounts are expressed in $/bbl)	Synbit	Dilbit[6]
Bitumen Revenue at SAGD Project Site	45.56	48.05
Crown Royalties[1]	(7.78)	(8.53)
Non-Fuel Operating Costs[2]	(4.90)	(4.90)
Fuel Operating Costs[3]	(7.92)	(7.92)
Power Operating Costs[4]	(1.03)	(1.03)
Carbon Emission Costs[5]	(1.62)	(1.62)
Estimated Operating Netback[7]	$22.31	$24.05

Notes:

(1) Crown royalties are based on net revenue royalty on a post-payout basis, including an average sustaining capital cost of $4.40/bbl.

(2) Fixed non-fuel operating costs include labour, property, taxes, insurance, and shutdown and maintenance costs. Variable non-fuel operating costs include well workovers and chemicals.

(3) The long term CSOR is assumed by management to be 2.77, and the natural gas required to produce one barrel of steam is assumed to be 0.42 mcf/bbl. Natural gas is priced based on a ratio of 10 to 1 (WTI to Henry Hub), an AECO basis of US$1.00/mcf, and includes $0.14/mcf to transport gas from AECO to the project site.

(4) The Alberta power heat rate is assumed to be 8.16 MW/GJ of AECO gas, and the power consumption for the MacKay Oil Sands Project is assumed to be 20 kilowatt hours per barrel of bitumen.

(5) Carbon emission cost calculations are based on 23.36 kilograms of carbon dioxide per barrel of steam, and the costs of carbon to the Company is assumed to be $25.00/tonne of carbon dioxide emissions for each tonne emitted.

(6) The current demand for condensate in the Athabasca region for use as diluent exceeds regional supply. There can be no assurance that the quantities of condensate that the Company will require in the future will be available on economic terms, in which case the Company would use SCO as diluent. See "Risk Factors – Risks Relating to the Company's Business – Diluent and Natural Gas Supply".

(7) There is no defined method for calculating an "operating netback". The term operating netback is not a recognized measure under Canadian GAAP and does not have a standardized meaning prescribed by Canadian GAAP. Therefore, management's method of calculating Athabasca's estimated operating netback may not be comparable to the methods used by other companies to calculate their operating netback.

INDEPENDENT RESERVE AND RESOURCE EVALUATIONS

Reserves and Resources Classifications

As an in-situ bitumen project is developed the estimated recoverable volumes will be classified according to their stage of development. Before filing a regulatory application seeking approval to proceed with a development project, the associated estimated recoverable volumes are categorized as Contingent Resources and are sub-categorized in Low, Best and High estimate cases. Upon filing for regulatory approval, and assuming no other significant contingencies exist, the estimated volumes associated with the development project are categorized as Reserves and may be sub-categorized as Probable and Possible Reserves. Upon the receipt of regulatory and internal corporate approvals, and assuming no other significant contingencies exist, the estimated volumes associated with an in-situ bitumen development project may be sub-categorized as Proved Reserves.

On December 10, 2009, the Company submitted a regulatory application to the ERCB and Alberta Environment for the MacKay Oil Sands Project, a commercial development project with an ultimate planned production capacity of 150,000 bbls/d. Phase 1 of the MacKay Oil Sands Project contemplates a commercial development with an ultimate planned production capacity of 35,000 bbls/d. See "Project Development – MacKay Asset". Accordingly, GLJ, the evaluator of the MacKay asset, has categorized the estimated recoverable bitumen volumes associated with Phase 1 of the MacKay Oil Sands Project as Reserves. All other estimates of the Company's recoverable bitumen volumes are categorized as Contingent Resources.

Independent Reports

The Company engaged the Independent Evaluators to prepare the Independent Reports, which are independent assessments and evaluations of the Company's bitumen reserves and resources effective as of December 31, 2009. Specifically:

- ***GLJ Report*** – GLJ evaluated the Company's assets at MacKay, Dover, Dover West Clastics, Dover West Leduc Carbonates and Grosmont. The Reserve and Contingent Resource estimates set out below that are associated with the MacKay and Dover assets reflect only the Company's 40% working interests subsequent to the completion of the PetroChina Transaction on February 10, 2010. See "The PetroChina Transaction".

- ***DeGolyer Report*** – D&M evaluated the Company's Birch and Hangingstone assets. D&M assigned Contingent Resources to the Company's Birch and Hangingstone assets.

GLJ is a private Canadian company established in 1972, which provides independent engineering and geological consulting services to the petroleum industry. GLJ's services include economic evaluations, technical studies, advice, and opinions.

D&M is a subsidiary of DeGolyer and MacNaughton, which has been providing petroleum consulting services throughout the world for more than 70 years. The firm's professional engineers, geologists, geophysicists, petrophysicists, and economists are engaged in the independent appraisal of oil and gas properties, evaluation of hydrocarbon and other mineral prospects, basin evaluations, comprehensive field studies, equity studies, and studies of supply and economics related to the energy industry.

The information set forth below relating to the Company's reserves and resources constitutes forward-looking information which is subject to certain risks and uncertainties. See "Notice to Investors – Forward-Looking Statements" and "Risk Factors".

The preparation date of the information provided under "Independent Reserve and Resource Evaluations" is February 26, 2010. The preparation and disclosure of the reported reserve and resource estimates are the responsibility of the Company's management. The Independent Evaluators' responsibilities are to express opinions on the bitumen-in-place, reserve and contingent bitumen resources data including the associated net present values based on their respective evaluations. The Independent Evaluators carried out their evaluations in accordance with standards established by the Canadian Securities Administrators in NI 51-101. Those standards require that the bitumen-in-place, reserves and Contingent Resources data be prepared in accordance with the COGE Handbook. All of the Company's properties are located in the Province of Alberta and are described elsewhere in this prospectus.

GLJ's Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor and Report on Resources Data by Independent Qualified Reserves Evaluator or Auditor and D&M's Report on Resources Data by Independent Qualified Reserves Evaluator or Auditor are set forth in Appendices "A", "B" and "C", respectively, to this prospectus. The Company's Report of Management and Directors on Oil and Gas Disclosure in the form of National Instrument 51-101F3 is set forth in Appendix "D" to this prospectus.

The evaluation procedures employed by GLJ and D&M are in compliance with standards contained in the COGE Handbook, and the aggregate resource estimates and valuations presented in this section are arithmetic sums of the resource estimates and valuations contained in the GLJ and DeGolyer Reports, respectively.

The GLJ and DeGolyer Reports do not take into account taxes or other amounts that may be payable in the future by Athabasca pursuant to new or existing provincial and federal laws and regulations (including without limitation the *Climate Change and Emissions Management Act* (Alberta) and the Specified Gas Emitters Regulation) that restrict or otherwise regulate GHG emissions. See "Industry Background – Environmental Considerations", "Production Economics – Operating Costs", "Industry Regulation – Environmental Regulation" and "– Environmental Considerations", "– Greenhouse Gas Regulations" and "– United States Climate Change Legislation" under "Risk Factors".

Management Commentary on Key Assumptions

Athabasca has identified the following three key assumptions made by the Independent Evaluators which management believes merit additional context and comment.

Timing of Project Development

The Independent Evaluators have prepared their respective evaluations of each of Athabasca's properties on a stand-alone basis and assumed that each property will be developed without any constraints imposed by financial or human resources. Accordingly, all six properties were assumed by the Independent Evaluators to commence production within the 2014 to 2016 period.

However, Athabasca intends to develop each property in sequence commencing with MacKay, Dover and Dover West (in that order). In addition to accommodating the financial and human constraints Athabasca will face in developing its projects, this staged approach has the benefits of (i) allowing the possibility of funding later-phased projects with cash flows from earlier-phased projects, (ii) maintaining the size of the executive and technical teams at more manageable levels, and (iii) allowing future projects and phases to benefit from the experience and knowledge gained from developing the initial projects and phases.

To the extent that the Company develops its properties later than assumed by the Independent Evaluators, the associated discounted net present values of the future net revenue attributed to those properties in the Independent Evaluations will be reduced.

Source of Diluent

The Independent Evaluators assume that the Company will blend its bitumen production with condensate in order to meet pipeline transportation specifications. However, there is currently a shortage of condensate in the Athabasca region of Alberta and bitumen producers without access to condensate are using SCO as an alternative diluent which is in plentiful supply.

As discussed under "Production Economics", Athabasca would receive less revenue and a lower operating netback per barrel of bitumen production when using SCO as a diluent in comparison to using condensate. The per barrel netback assuming an SCO blend is estimated to be approximately 7% less than a condensate blend based on the assumptions set out under "Production Economics".

The industry is currently considering various options to bring new supplies of condensate into the Athabasca region including shipping from Asia and by pipeline or rail from the U.S. Gulf Coast. Athabasca management believes that if the economic incentives to finding alternatives to condensate are sufficient, the industry will respond. However, there is no certainty as to when or if adequate supplies of condensate will be available.

Dover West Leduc Carbonate Contingent Resources

Management believes that through further evaluation work the Contingent Resources at the Company's Dover West Leduc Carbonates asset can be increased. In 2010, Athabasca is conducting further delineation drilling, a 3-D seismic data acquisition program, laboratory measurements and simulation at the Dover West Leduc Carbonates asset with the objective of expanding the area of resource to which Contingent Resources could be estimated.

Pro Forma Reserve Estimates (MacKay Phase 1)

Athabasca's bitumen reserves are located in the MacKay area. Probable and Possible Reserves have been assigned by GLJ to Phase 1 of the MacKay Oil Sands Project, for which regulatory application has been made for development. The Company has no Proved Reserves.

Set out below is a summary of the bitumen reserves and the value of future net revenue of the Company from the bitumen reserves as at December 31, 2009 as evaluated by GLJ in the GLJ Report, reflecting the Company's 40% working interests in the MacKay and Dover properties after giving effect to the completion of the PetroChina Transaction on February 10, 2010. The pricing used in the forecast price evaluations is set forth below under "Independent Reserve and Resource Evaluations – Pro Forma Reserve Estimates (MacKay Phase 1) – GLJ Price Forecast".

All evaluations of future revenue are after the deduction of royalties, development costs, production costs and well abandonment costs but before consideration of indirect costs such as administrative, overhead and other miscellaneous expenses. The estimated future net revenues contained in the following tables do not necessarily represent the fair market value of the Company's reserves. There is no assurance that the forecast price and cost assumptions contained in the GLJ Report will be realized and variances could be material. Other assumptions and qualifications relating to costs and other matters are included in the GLJ Report. The recovery and reserves estimates of the Company's properties described herein are estimates only. The actual reserves on the Company's properties may be greater or less than those calculated.

MacKay Phase 1 Pro Forma Reserves Based on Forecast Prices and Costs(4)

	Bitumen Reserves	
	Gross(1)	Net(1)
	(mmbbls)	(mmbbls)
Total Probable(2)	113.9	88.4
Total Possible(3)	25.8	17.7
Total Probable Plus Possible(2)(3)	139.7	106.1

Pro Forma Net Present Value of Future Net Revenue (Pre-Tax) Based on Forecast Prices and Costs(4)

(MM$)	Discounted at 0%	5%	8%	9%	10%	12%	15%	20%	Net Unit Value Before Income Tax Discounted at 10%/year ($/bbl)
Total Probable(2)	2,973	1,238	750	634	537	382	221	67	4.71
Total Possible(3)	1,156	316	159	129	106	73	45	25	4.09
Total Probable Plus Possible(2)(3)(5)	4,129	1,554	909	764	642	455	266	92	4.60

Pro Forma Net Present Value of Future Net Revenue (After-Tax) Based on Forecast Prices and Costs(4)

(MM$)	Discounted at 0%	5%	8%	9%	10%	15%	20%	Net Unit Value After Income Tax Discounted at 10%/year ($/bbl)
Total Probable(2)	2,222	895	522	435	360	121	6	3.16
Total Possible(3)	867	238	121	99	81	36	21	3.15
Total Probable Plus Possible(2)(3)(5)	3,089	1,133	644	534	442	157	26	3.16

Pro Forma Future Net Revenue (Undiscounted) Based on Forecast Prices and Costs(4)(5)

(MM$)	Revenue	Royalties	Operating Costs	Development Costs	Abandonment Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
Total Probable(2)	8,534	1,961	2,404	1,181	16	2,973	751	2,222
Total Possible(3)	2,519	765	547	49	1	1,156	289	867
Total Probable Plus Possible(2)(3)	11,053	2,726	2,951	1,230	16	4,129	1,040	3,089

Pro Forma Future Net Revenue by Production Group Based on Forecast Prices and Costs(4)

	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/Year)	Net Unit Value
		(MM$)	($/bbl)
Total Probable(2)	Bitumen	537	4.71
Total Possible(3)	Bitumen	106	4.09
Total Probable Plus Possible(2)(3)(5)	Bitumen	642	4.60

Reconciliation of Company Pro Forma Reserves by Principal Product Type Based on Forecast Prices and Costs[4]

The following table sets forth a reconciliation of the changes of Athabasca's working interest, before royalties, of bitumen reserves as at December 31, 2009 against such reserves as at December 31, 2008 based on the forecast price and cost assumptions set forth in Note 4.

	Bitumen
	Gross Probable[1][2] (mmbbls)
At December 31, 2008	nil
Extensions and Improved Recovery	—
Technical Revisions	—
Discoveries	113.9
Acquisitions	—
Dispositions	—
Economic Factors	—
Production	—
At December 31, 2009	113.9

Notes:

(1) "**Gross Reserves**" are the Company's working interest (operating or non-operating) share before deducting royalties and without including any royalty interests of the Company. "**Net Reserves**" are the Company's working interest (operating or non-operating) share after deduction of royalty obligations, plus the Company's royalty interests in reserves.

(2) "**Probable Reserves**" are those additional reserves that are less certain to be recovered than Proved Reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved Reserves plus Probable Reserves.

(3) "**Possible Reserves**" are those additional reserves that are less certain to be recovered than Probable Reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of Proved Reserves plus Probable Reserves plus Possible Reserves.

(4) The pricing assumptions used in the GLJ Report with respect to values of future net revenue as well as the inflation rates used for operating and capital costs are set forth below under "– GLJ Price Forecast". GLJ is an independent qualified reserves evaluator appointed pursuant to NI 51-101.

(5) Totals may not add due to rounding.

GLJ Price Forecast

The price forecasts that formed the basis for the revenue projections and net present value estimates in the GLJ Report were based on GLJ's January 1, 2010 pricing models. A summary of selected price forecasts is set forth below.

GLJ – January 1, 2010 Pricing Assumptions [1] [2]

Year	Oil Sands Inflation %	Bank of Canada Average Noon Rate $US/$Cdn	WTI Crude Oil at Cushing Oklahoma Current $US/bbl	Light Sweet Crude Oil (40 API, 0.3%S) at Edmonton Current $Cdn/bbl	LLB Crude Oil Stream Quality at Hardisty Current $Cdn/bbl	Dilbit Quality Diff'l Current $Cdn/bbl	Diluent at Field Current[3] $Cdn/bbl	Bitumen Wellhead Current[4] $Cdn/bbl	Carbonates Bitumen Wellhead Current[4] $Cdn/bbl
2010	2.0	0.95	80.00	83.26	70.36	-4.25	90.93	50.47	49.59
2011	2.0	0.95	83.00	86.42	71.30	-3.25	94.15	51.87	50.93
2012	2.0	0.95	86.00	89.58	72.11	-2.25	97.37	53.07	52.09
2013	2.0	0.95	89.00	92.74	72.80	-1.25	100.59	54.10	53.08
2014	2.0	0.95	92.00	95.90	75.28	-1.25	103.82	56.26	55.22
2015	2.0	0.95	93.84	97.84	76.80	-1.25	105.80	57.59	56.53
2016	2.0	0.95	95.72	99.81	78.35	-1.25	107.81	60.01	58.96
2017	2.0	0.95	97.64	101.83	79.93	-1.25	109.87	61.39	60.32
2018	2.0	0.95	99.59	103.88	81.55	-1.25	111.96	63.52	62.45
2019	2.0	0.95	101.58	105.96	83.18	-1.28	114.08	64.90	63.82
2020	2.0	0.95	103.61	108.08	84.84	-1.30	116.24	67.03	65.95
2021	2.0	0.95	105.69	110.24	86.54	-1.33	118.44	68.47	67.38
2022	2.0	0.95	107.80	112.44	88.27	-1.35	120.69	69.95	68.83
2023+	2.0	0.95	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr

Notes:

(1) Blending Ratio = 1 bbl bitumen: 0.42857 bbl Diluent for Bitumen Netback pricing. This blending ratio equates to a bitumen blend (dilbit) comprised of 30% condensate and 70% bitumen.

(2) Blending Ratio = 1 bbl bitumen: 0.46 bbl Diluent for Carbonates Bitumen Netback pricing. This blending ratio equates to a bitumen blend (dilbit) comprised of 31.5% condensate and 68.5% bitumen.

(3) Includes diluent transportation and postings costs of Cdn$6.00/bbl.

(4) Net of transportation costs of Cdn$3.50/bbl from 2010 through 2015, Cdn$2.75/bbl from 2016 through 2017, Cdn$2.25 from 2018 through 2019, and Cdn$1.75/bbl thereafter.

Undeveloped Reserves

The GLJ Report estimates the Company's Probable Reserves to be 113.9 mmbbls of bitumen. All of the Company's Probable Reserves will be developed with the approval, construction, start up and commissioning of Phase 1 of the MacKay Oil Sands Project, which is scheduled for start up in late 2014, subject to regulatory approval.

The following table sets out the volumes of Probable undeveloped Reserves that were attributed for each of the Company's product types for each of the Company's most recent three financial years and in the aggregate before that time using forecast prices and costs:

Period	Bitumen (mmbbls)
Aggregate Prior to December 31, 2009	nil
December 31, 2009	113.9

Significant Factors or Uncertainties

The Company does not anticipate that any important economic factors or significant uncertainties would affect particular components of the reserves data. Notwithstanding the foregoing, a number of factors which are beyond the Company's control can significantly affect the reserves, including product pricing, royalty and tax regimes, changing operating and capital costs, surface access issues, receipt of regulatory approvals, availability of services and processing facilities and technical issues affecting well performance. See "Risk Factors".

Future Development Costs

The following table sets forth the development costs deducted in the estimation of future net revenue attributable to each of the following reserves categories contained in the GLJ Report.

(MM$)	Total Probable Future Development Costs Using Forecast Dollar Costs	Total Probable Plus Possible Future Developments Costs Using Forecast Dollar Costs
2010	10	10
2011	47	47
2012	159	159
2013	261	244
2014	16	16
Total for all remaining years	688	754
Total, undiscounted	1,181	1,230

Future development costs are expected to be funded as described under "Capital Spending – Sources and Uses of Funds".

Contingent Resource Estimates

The tables below reflect the Company's Contingent Resources and associated discounted future net revenues as of December 31, 2009, as evaluated by GLJ and D&M, reflecting the Company's 40% working interests in the MacKay and Dover properties after giving effect to the completion of the PetroChina Transaction on February 10, 2010. See "The PetroChina Transaction".

It should not be assumed that the estimates of recovery, production and net revenue presented in the tables below represent the fair market value of Athabasca's bitumen resources. There is no assurance that the forecast prices and cost assumptions will be realized and variances could be material. The recovery and production estimates of Athabasca's bitumen resources provided herein are only estimates and there is no guarantee that the estimated resources will be recovered or produced. Actual resources may be greater than or less than the estimates provided herein. The contingencies which currently prevent the classification of the Contingent Resources disclosed in the tables below as reserves consist of: further facility design, preparation of firm development plans, and regulatory applications (including associated reservoir studies and delineation drilling), and Company approvals. There is no certainty that it will be commercially viable for the Company to produce any portion of the Contingent Resources on any of its properties.

Of the Company's approximately 7.1 billion barrels of Contingent Resources (Best Estimate), approximately 1.8 billion barrels are contained in carbonate reservoirs in the Company's Dover West Leduc Carbonates and Grosmont assets. SAGD and CSS, the recovery processes proposed to develop these assets, are considered by GLJ to be "technology under development" in carbonate reservoirs. The successful development of the Company's carbonate reservoirs depends on, among other things, the successful development and application of SAGD and CSS or other recovery processes to carbonate reservoirs. Although the technology has been developed for application to non-carbonate reservoirs, there are no known successful commercial projects that use SAGD or CSS to recover bitumen from carbonate formations and there exists a large range in the expected recoverable volumes, the lower end of which may not be economically viable. The principal risks associated with SAGD and CSS recovery in carbonate reservoirs are (i) the possibility of unexpected steam channelling which would increase steam requirements resulting in increased costs and potentially reduced economically recoverable bitumen volumes, and (ii) potential mechanical operating problems due to production of fines which could cause wellbore plugging and reduced bitumen production rates and potential interruption of surface production operations. Although the technical risks associated with "technology under development" have been accounted for in the GLJ Report, the timeline for verification of "technology under development" has inherent uncertainty. Development will involve significant capital expenditures and a lengthy time to project payout and project payout is not assured. If a pilot project and/or the technology under development do not demonstrate potential commerciality in carbonate reservoirs then the Company's projects on these assets may not proceed and this may occur only after significant expenditures have been incurred by the Company. With respect to the Company's Grosmont asset, the Company's strategy is to continue delineation drilling efforts in the area in order to increase the resource base. The Company has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. See "Project Development – Other Assets – Grosmont Asset" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes."

Aggregated Pro Forma Contingent Resource Estimates

The following tables set forth arithmetic sums of (i) the Contingent Resource estimates contained in the GLJ Report with respect to MacKay, Dover, Dover West Clastics, Dover West Leduc Carbonates and Grosmont, and (ii) the Contingent Resource estimates contained in the DeGolyer Report with respect to Birch and Hangingstone. The evaluation procedures employed by GLJ and D&M are generally consistent with each other and in compliance with standards contained in the COGE Handbook, and both the GLJ Report and the DeGolyer Report are based on GLJ's January 1, 2010 pricing (See " – GLJ Price Forecast" above). The following tables do not include the Probable and Possible Reserves volumes and values that have been assigned by GLJ to Phase 1 of the MacKay Oil Sands Project. See " – Pro Forma Reserve Estimates (MacKay Phase 1)" above.

Contingent Resources(1)(10) – Low Estimate(2)

		Before Tax Net Present Value (MM$)								After Tax Net Present Value (MM$)						
	mmbbls	0%	5%	8%	9%	10%	12%	15%	20%	0%	5%	8%	9%	10%	15%	20%
GLJ Report(5)																
Established Technology																
MacKay(11)	345	7,456	2,680	1,494	1,231	1,013	682	360	80	5,531	1,896	1,007	812	651	174	(24)
Dover	760	18,305	5,502	2,848	2,295	1,847	1,183	561	41	13,648	3,914	1,921	1,508	1,175	228	(143)
Dover West Clastics	1,317	31,168	7,858	3,662	2,841	2,196	1,279	479	(113)	23,114	5,516	2,401	1,798	1,326	94	(306)
	2,422	56,929	16,040	8,004	6,367	5,056	3,143	1,400	8	42,292	11,326	5,329	4,118	3,152	496	(473)
Technology Under Development(8)																
Dover West Leduc Carbonates(9)		GLJ Report does not calculate – likely to be negative.(9)														
Grosmont(9)		GLJ Report does not calculate – likely to be negative.(9)														
Total GLJ Report(7)(11)(12)	2,422	56,929	16,040	8,004	6,367	5,056	3,143	1,400	8	42,292	11,326	5,329	4,118	3,152	496	(473)
DeGolyer Report(6)																
Established Technology																
Birch	131	1,723	549	258	194	142	64	(8)	(66)	1,249	365	149	102	64	(45)	(84)
Hangingstone	123	1,477	480	217	158	109	36	(33)	(86)	1,043	304	112	69	34	(68)	(103)
Total DeGolyer Report(7)(12)	254	3,200	1,029	475	352	251	100	(41)	(152)	2,292	669	261	171	98	(113)	(187)
TOTAL COMPANY(7)(11)(12) . .	2,676	60,129	17,069	8,479	6,719	5,307	3,243	1,359	(144)	44,584	11,995	5,590	4,289	3,250	383	(660)

Contingent Resources(1)(10) – Best Estimate(3)

		Before Tax Net Present Value (MM$)								After Tax Net Present Value (MM$)						
	mmbbls	0%	5%	8%	9%	10%	12%	15%	20%	0%	5%	8%	9%	10%	15%	20%
GLJ Report(5)																
Established Technology																
MacKay(11)	573	14,210	3,882	1,938	1,554	1,250	816	433	139	10,549	2,779	1,344	1,063	842	257	54
Dover	1,326	37,796	10,873	5,664	4,602	3,752	2,504	1,350	393	28,212	7,879	3,977	3,186	2,552	777	85
Dover West Clastics	2,012	51,797	13,310	6,397	5,044	3,982	2,470	1,149	160	38,542	9,506	4,373	3,377	2,599	553	(129)
	3,911	103,803	28,065	13,999	11,200	8,984	5,790	2,932	692	77,302	20,164	9,694	7,625	5,993	1,587	10
Technology Under Development(8)																
Dover West Leduc Carbonates	1,420	39,643	10,461	5,020	3,945	3,097	1,887	827	32	29,677	7,560	3,474	2,671	2,040	372	(188)
Grosmont(13)	396	7,520	1,769	682	472	310	86	(92)	(193)	5,602	1,181	367	213	95	(182)	(234)
	1,816	47,163	12,230	5,702	4,417	3,407	1,973	735	(161)	35,279	8,741	3,841	2,884	2,135	190	(422)
Total GLJ Report(7)(11)(12)	5,727	150,966	40,295	19,701	15,617	12,391	7,763	3,667	531	112,581	28,905	13,535	10,509	8,128	1,777	(412)
DeGolyer Report(6)																
Established Technology																
Birch	1,007	25,664	7,719	4,033	3,274	2,665	1,771	948	274	18,957	5,588	2,853	2,292	1,842	579	90
Hangingstone	412	11,027	4,324	2,525	2,115	1,771	1,240	715	247	8,168	3,148	1,804	1,497	1,241	456	112
Total DeGolyer Report(7)(12)	1,420	36,691	12,043	6,558	5,389	4,436	3,011	1,663	521	27,125	8,736	4,657	3,789	3,083	1,035	202
TOTAL COMPANY(7)(11)(12) . .	7,146	187,657	52,338	26,259	21,006	16,827	10,774	5,330	1,052	139,706	37,641	18,192	14,298	11,211	2,812	(210)

Contingent Resources[1][10] – High Estimate[4]

		Before Tax Net Present Value (MM$)								After Tax Net Present Value (MM$)						
	mmbbls	0%	5%	8%	9%	10%	12%	15%	20%	0%	5%	8%	9%	10%	15%	20%
GLJ Report[5]																
Established Technology																
MacKay[11]	983	27,032	6,634	3,188	2,533	2,024	1,311	700	245	20,131	4,790	2,243	1,763	1,392	439	123
Dover	1,743	53,119	15,321	8,014	6,530	5,343	3,607	2,012	697	39,736	11,187	5,710	4,602	3,717	1,250	294
Dover West Clastics	2,725	80,646	19,838	9,462	7,474	5,925	3,746	1,869	477	60,192	14,359	6,640	5,172	4,032	1,081	104
	5,451	160,797	41,793	20,664	16,537	13,292	8,664	4,581	1,419	120,059	30,336	14,592	11,537	9,141	2,770	521
Technology Under Development[8]																
Dover West Leduc Carbonates	3,380	118,300	31,670	15,975	12,890	10,458	6,977	3,884	1,458	88,641	23,325	11,560	9,255	7,442	2,574	811
Grosmont[13]	1,943	58,298	12,877	5,673	4,353	3,348	1,982	877	144	43,539	9,276	3,932	2,965	2,232	463	(30)
	5,323	176,598	44,547	21,648	17,243	13,806	8,959	4,761	1,602	132,180	32,601	15,492	12,220	9,674	3,037	781
Total GLJ Report[7][11][12]	10,774	337,395	86,340	42,312	33,780	27,098	17,623	9,342	3,021	252,239	62,937	30,084	23,757	18,815	5,807	1,302
DeGolyer Report[6]																
Established Technology																
Birch	1,826	56,811	17,055	8,973	7,316	5,988	4,044	2,259	795	42,164	12,519	6,490	5,254	4,265	1,492	414
Hangingstone	711	21,898	7,740	4,358	3,619	3,013	2,096	1,214	453	16,266	5,674	3,147	2,596	2,143	804	242
Total DeGolyer Report[7][12]	2,537	78,709	24,795	13,331	10,935	9,001	6,140	3,473	1,248	58,430	18,193	9,637	7,850	6,408	2,296	656
TOTAL COMPANY[7][11][12]	13,311	416,104	111,135	55,643	44,715	36,099	23,763	12,815	4,269	310,669	81,130	39,721	31,607	25,223	8,103	1,958

Notes:

(1) "**Contingent Resources**" are defined in the COGE Handbook as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as "Contingent Resources" the estimated discovered recoverable quantities associated with a project in the early evaluation stage. Contingent Resources are further classified in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status. The volumes of contingent bitumen resources in the above table were calculated at the outlet of the proposed extraction plant.

(2) "**Low Estimate**" is a classification of estimated resources described in the COGE Handbook as being considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the Low Estimate. If probabilistic methods are used, there should be a 90% probability (P90) that the quantities actually recovered will equal or exceed the Low Estimate.

(3) "**Best Estimate**" is a classification of estimated resources described in the COGE Handbook as being considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the Best Estimate. If probabilistic methods are used, there should be a 50% probability (P50) that the quantities actually recovered will equal or exceed the Best Estimate.

(4) "**High Estimate**" is a classification of estimated resources described in the COGE Handbook as being considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the High Estimate. If probabilistic methods are used, there should be a 10% probability (P10) that the quantities actually recovered will equal or exceed the High Estimate.

(5) Based on the GLJ Report dated effective as of December 31, 2009.

(6) Based on the DeGolyer Report dated effective as of December 31, 2009.

(7) These volumes are arithmetic sums of multiple estimates of contingent bitumen resources, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class as explained. In particular, readers should be aware that the likelihood of attaining the sum of the High Estimate is extremely low and of the Low Estimate quite high.

(8) The Company's resources at its Dover West Leduc Carbonates and Grosmont assets are contained in carbonate reservoirs. SAGD and CSS, the proposed recovery processes to develop these assets, are considered by GLJ to be "technology under development" in carbonate reservoirs. The successful development of the Company's carbonate reservoirs depends on, among other things, the successful development and application of SAGD and CSS or other recovery processes to carbonate reservoirs. Although the technology has been developed for application to non-carbonate reservoirs, there are no known successful commercial projects that use SAGD or CSS to recover bitumen from carbonate formations and there exists a large range in the expected recoverable volumes, the lower end of which may not be economically viable. The principal risks associated with SAGD and CSS recovery in carbonate reservoirs are (i) the possibility of unexpected steam channelling which would increase steam requirements resulting in increased costs and potentially reduced economically recoverable bitumen volumes, and (ii) potential mechanical operating problems due to production of fines which could cause wellbore plugging and reduced bitumen production rates and potential interruption of surface production operations. Although the technical risks associated with "technology under development" have been accounted for in the GLJ Report, the timeline for verification of "technology under development" has inherent uncertainty. Development will

involve significant capital expenditures and a lengthy time to project payout and project payout is not assured. If a pilot project and/or the technology under development do not demonstrate potential commerciality in carbonate reservoirs then the Company's projects on these assets may not proceed and this may occur only after significant expenditures have been incurred by the Company. With respect to the Company's Grosmont asset, the Company's strategy is to continue delineation drilling efforts in the area in order to increase the resource base. The Company has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. See "Independent Reserve And Resource Evaluations" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes".

(9) The GLJ Report does not calculate the discounted future net revenues associated with the Dover West Leduc Carbonates and Grosmont assets in the Low Estimate case because GLJ does not believe that a high certainty or Low Estimate case would be economic. Readers should be aware that if calculated, the discounted future net revenues associated with the Dover West Leduc Carbonates and Grosmont assets in the Low Estimate would likely be negative since the Low Estimate result would be realized only after considerable capital has been invested.

(10) There is no certainty that it will be commercially viable to produce any portion of the resources.

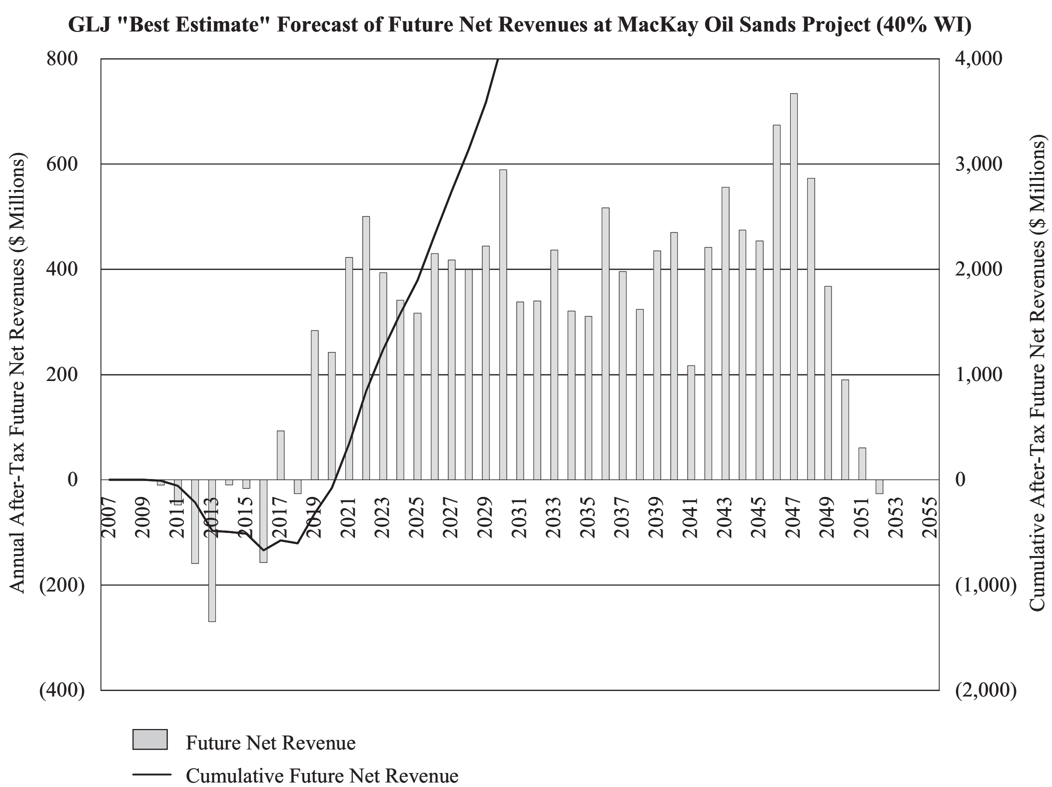
(11) These figures do not include the Probable and Possible Reserves volumes and values that have been assigned by GLJ to Phase 1 of the MacKay Oil Sands Project. See " – Pro Forma Reserve Estimates (MacKay Phase 1)" above.

(12) Totals may not add due to rounding.

(13) Athabasca's strategy is to continue delineation drilling efforts in the Grosmont area in order to increase the resource base at this asset. Athabasca has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. Other than as noted above, Athabasca has no current plans to pursue the development of the Grosmont asset and the net present value shown here should therefore not be considered to be a reasonable assessment of the current value of the Grosmont asset to the Company.

MacKay Oil Sands Project – Future Net Revenues

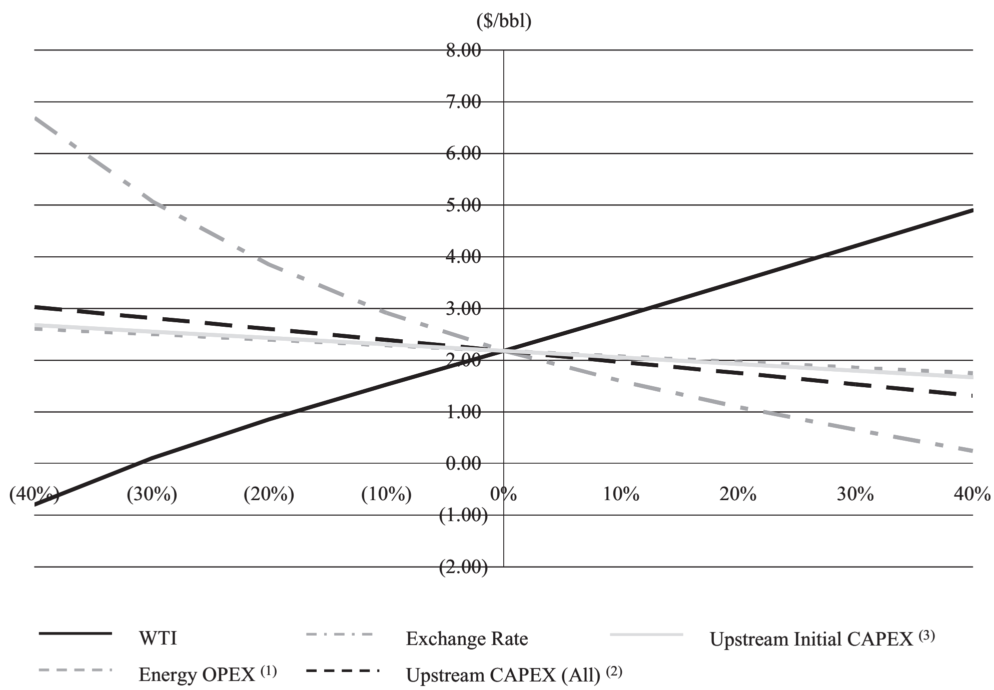
Based on the "best estimate" annual undiscounted estimates of after-tax future net revenues in the GLJ Report, the MacKay Oil Sands Project is forecast to generate negative net revenue during the initial years of development. Construction of Phase 1 is anticipated to commence in 2012 with the largest annual capital expenditure forecast to occur in 2013. Maximum cumulative negative future net revenue of $670 million is forecast by GLJ to occur in 2016 and cumulative net revenue is estimated to be positive by the end of 2020. Once construction is substantially complete, the MacKay Oil Sands Project is forecast by GLJ to generate average annual net revenue of approximately $400 million from 2019 through 2050 and total cumulative future net revenue of approximately $12.8 billion over the project life.



MacKay Oil Sands Project – Net Present Unit Value Sensitivities

The net present value of future net revenue from the MacKay Oil Sands Project as estimated in the GLJ Report is sensitive to a number of parameters including the WTI crude oil price, the Canadian to U.S. dollar exchange rate, operating energy costs, initial capital expenditures and total capital expenditures. As illustrated in a sensitivity analysis prepared by GLJ and summarized in the following chart, the MacKay Oil Sands Project after-tax net present unit value ($/bbl) discounted at 9% is most sensitive to the WTI crude oil price and the Canadian to U.S. dollar exchange rate. Management believes there has been a strong historic correlation observed between the Canadian to U.S. dollar exchange rate and the WTI crude oil price over the past 10 years. If the exchange rate relationship with the WTI crude oil price continues, this may provide bitumen producers, to some degree, with a natural hedge to varying oil prices. The net present unit value of the MacKay Oil Sands Project is less sensitive to capital and fuel or operating energy costs than to the WTI crude oil price and the Canadian dollar to U.S. dollar exchange rate.

GLJ "Best Estimate"After-Tax Net Present Value per Unit Sensitivity (9% Discount Rate)



Notes:

(1) "Energy OPEX" means the cost of natural gas required to generate steam

(2) "Upstream CAPEX" means project capital expenditures, including initial construction and sustaining capital requirements

(3) "Upstream Initial CAPEX" means project capital expenditures prior to first bitumen production

OTHER OIL AND GAS INFORMATION

Properties with No Attributed Reserves

The following table sets out the Company's undeveloped land position effective December 31, 2009.

	Undeveloped Acreage (Acres)	
	Gross[(1)]	Net[(1)]
Alberta	2,157,091	1,568,935
Total	2,157,091	1,568,935

Note:

(1) "**Gross**" means the total area of properties in which the Company has a working interest. "**Net**" means the total area in which the Company has an interest multiplied by the working interest owned by the Company.

The Company does not expect its rights to explore, develop and exploit any of its unproved property to expire within the next year.

Abandonment and Reclamation Costs

The Company follows the Canadian Institute of Chartered Accountants' standard for recording asset retirement obligations on its financial statements. This standard requires liability recognition for retirement obligations associated with long-lived assets, which would include abandonment of SAGD wells, related facilities, removal of equipment from leased acreage and returning such land to its original condition. At the time that the liability is created, an offsetting asset is also recorded on the Company's balance sheet. Under the standard, the estimated fair value of each asset retirement obligation is recorded in the period a well or related asset is drilled, constructed or acquired. Fair value is estimated using the present value of the estimated future cash outflows (adjusted for inflation) to abandon the asset at the Company's credit-adjusted risk-free interest rate. The obligation is reviewed regularly by management based upon current regulations, costs, technologies and industry standards. The discounted obligation is recognized as a liability and is accreted, for the time value of money, against income until it is settled or the property is sold. The asset retirement obligation asset is depleted on the same basis as the asset it is associated with and is included as a component of depletion and depreciation expense. Actual restoration expenditures are charged against the accumulated liability as incurred.

The delineation wells that the Company drills each winter are generally abandoned during that winter, and therefore no asset retirement obligation is required to be recorded for such wells.

As at September 30, 2009, the estimated total undiscounted amount required to settle the asset retirement obligations in respect of the Company's 20 wells, net of estimated salvage recoveries, was $883,265. These obligations will be settled over the useful lives of the assets, which currently extend up to five years. The 10% discounted present value of this amount is $575,206. The 14% discounted present value of this amount is $490,000. Over the next three years, the Company does not expect to incur any expenditures related to these liabilities.

In the GLJ Report, well abandonment costs for total Probable plus Possible Reserves, on a Gross Lease basis, were estimated to be $41 million, undiscounted, and $4 million, discounted at 10%. These estimates are in respect of well costs only and include the abandonment of 183 net wells. The Company does not currently have any pipelines or facilities and therefore does not currently have any pipeline or facility abandonment and reclamation costs. Therefore, there is currently no amount of abandonment and reclamation costs relating to pipelines or facilities to deduct from the undiscounted future net revenue estimated by GLJ.

Tax Horizon

The Company did not pay any current income taxes in its fiscal year ended December 31, 2008. As at September 30, 2009, the Company had approximately $571.5 million of tax pools available to be applied against future income for tax purposes. The Company will utilize a large portion of its existing tax pools to reduce taxes otherwise payable in 2009 and 2010 following the PetroChina Transaction. With revenues from commercial SAGD operations not anticipated to commence before 2014, assuming the Put/Call Options are not exercised, and based on the Company's anticipated levels of operations, the Company's remaining tax pools after utilization as described above, the Company's anticipated capital spending, which will augment its available tax pools, the Company's current structure, the current tax regime and the current commodity price forecast, the Company does not expect to pay Canadian income taxes during the next five years. In addition to the foregoing factors, this estimate will be affected by, among other factors, exercise of the Put/Call Options, changes in or to the scope or costs of Phase 1 of the MacKay Oil Sands Project or the Company's other exploration and development activities, foreign exchange rates, operating costs, interest rates and the Company's other business activities. Changes in these factors from estimates used by the Company could result in the Company paying income taxes earlier or later than expected.

Costs Incurred

The following table sets forth costs incurred by the Company for the year ended December 31, 2008 and the nine months ended September 30, 2009:

Period	Property Acquisition Costs	Exploration Costs	Development Costs
Year ended December 31, 2008	$66.2 million	$101.2 million	$11.9 million
Nine Months ended September 30, 2009	$ 9.3 million	$ 68.6 million	$15.0 million

Exploration and Development Activities

As at December 31, 2009, 344 exploratory and no development wells had been drilled by the Company from inception. See "Project Development" and "Capital Spending" for a description of the Company's current and anticipated exploration and development activities.

Environmental Considerations

The environmental issues and stakeholder concerns to be managed by the Company in developing its assets are similar to those currently being managed by existing oil sands operators and communities and encompass the health of local and regional residents and employees, surface disturbance on the terrestrial ecosystem, effects on traditional land use and historical resources, local and regional air quality, GHG emissions, water quality, health of the aquatic ecosystem in rivers and cumulative effects on wildlife populations and aquatic resources. The Company has committed to both site-specific and regional monitoring programs that will track the effects of its projects and the cumulative effects of regional development on environmental components and ecosystems.

The Company is committed to operating its projects to achieve compliance with applicable statutes, regulations, codes, regulatory approvals and, to the extent practicable, government guidelines. Where the applicable laws are not clear or do not address all environmental concerns, management expects to apply appropriate internal standards and guidelines to address such concerns. In addition to complying with applicable statutes, regulations, codes and regulatory approvals and exercising due diligence, the Company will strive to continuously improve the overall environmental performance of the operation and products.

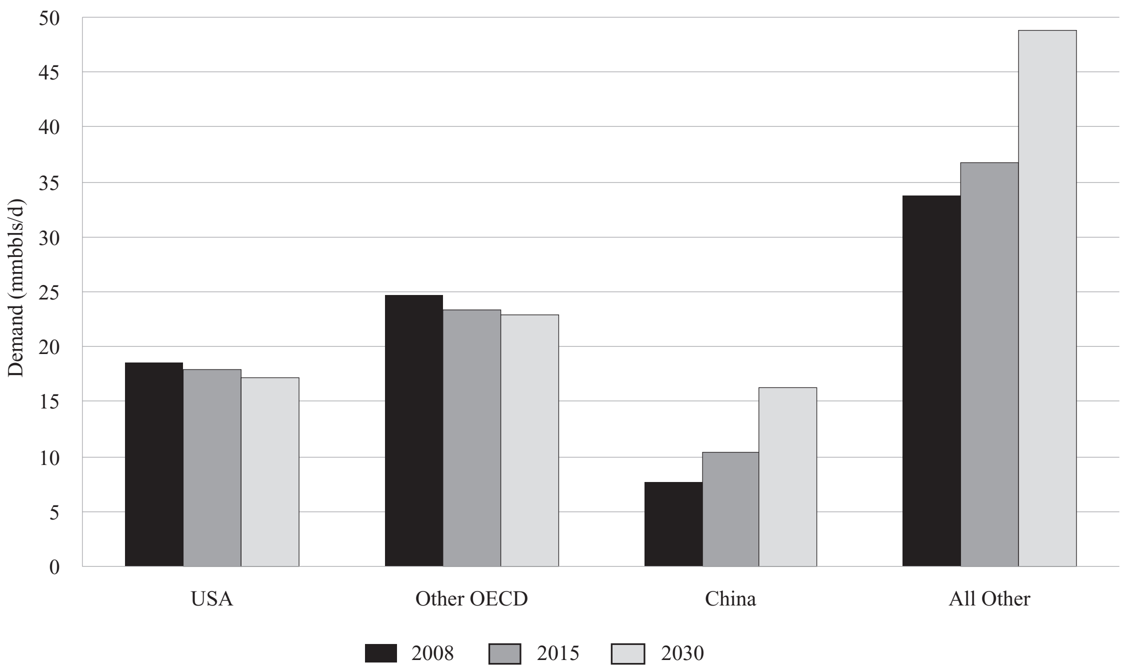
INDUSTRY BACKGROUND

Supply and Demand in Global Oil Markets[1]

Owing principally to its role as a transportation fuel, oil is a critical input to global economic growth. According to the IEA, worldwide demand for oil was 84.7 mmbbls/d in 2008 and approximately 51% of the total was consumed in OECD nations, including 22% within the United States, which is the largest single oil market in the world. Among non-OECD nations, China was the largest consumer and accounted for 9% of global consumption.

The IEA estimates that between 2008 and 2030, global oil demand will grow at a compounded annual rate of approximately 1%. While OECD markets are expected to drop by 0.3% annually over this period, yearly growth in non-OECD markets is forecast to average 2.2% (and 3.5% in China), more than offsetting the contraction among today's largest consuming nations.

Primary Oil Demand by Region (1)(2)



Notes:

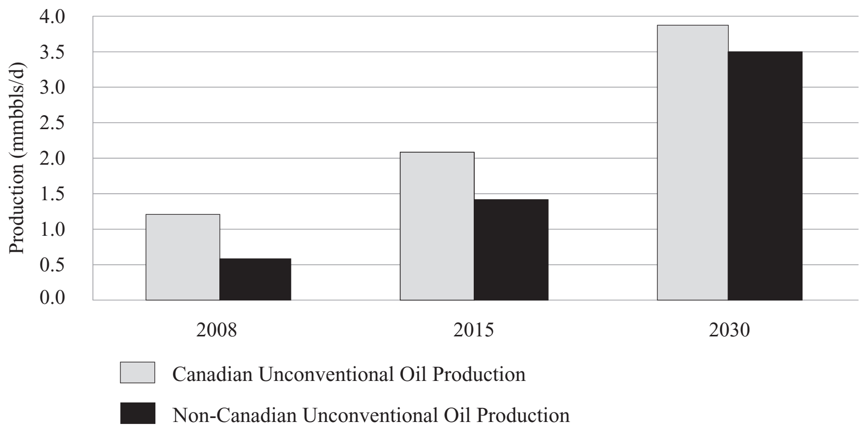
(1) Source: World Energy Outlook© OECD/IEA, 2009.

(2) Excludes biofuels demand, which is projected to rise from 0.8 mmbbls/d in 2008 to 1.6 mmbbls/d in 2015 and to 2.7 mmbbls/d in 2030.

1 Source: World Energy Outlook© OECD/IEA, 2009.

To satisfy future market demand, global oil production is expected to undergo a shift from current sources. In particular, growth in the production of unconventional oil (which includes oil sands production in Canada) is anticipated to contribute disproportionately to global oil production growth. In 2008, 1.8 mmbbls/d (2.1% of the total) of global oil production was classified as unconventional and 1.2 mmbbls/d of this was Canadian bitumen. By 2030, unconventional oil production of 7.4 mmbbls/d is expected to account for 7.0% of global supply. Canada is expected to contribute 3.9 mmbbls/d, representing a growth rate of 5.4% annually during that period.

Unconventional Oil Production (1)(2)



Notes:

(1) "Unconventional oil" means extra heavy oil (excluding extra heavy oil sourced from Venezuela), natural bitumen derived from oil sands, chemical additives, gas-to-liquids and coal-to-liquids (and excluding biofuels).

(2) Source: World Energy Outlook© OECD/IEA, 2009.

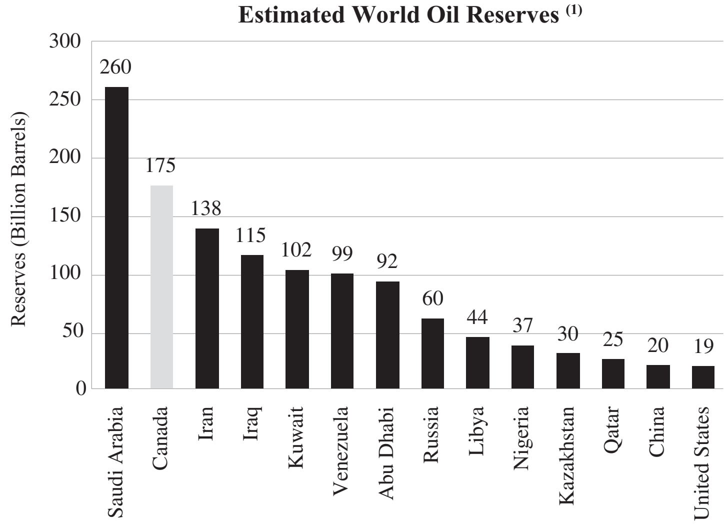
Oil Sands

Oil sands contain crude deposits that are substantially heavier (more viscous) than other crude oils. Oil sands consist of sand, bitumen, mineral rich clays and water. Bitumen is a product of the oil sands that is viscous and requires blending with lighter hydrocarbons or upgrading to SCO before it can be transported in traditional petroleum pipelines.

Alberta's oil sands are sources of crude oil that underlie approximately 140,200 square kilometres (54,131 square miles) of the province. These deposits are separated into three regions: Athabasca (Fort McMurray area); Peace River (near Peace River, northwest of Grand Prairie); and Cold Lake (north of Lloydminster). The Athabasca region is the largest area, representing approximately 72% of the total Alberta oil sands areas.

According to the Oil & Gas Journal and the EIA, Canada ranks second only to Saudi Arabia in terms of proved world crude oil reserves, most of which is attributable to the Alberta oil sands, which are the largest in the world. Alberta's oil sands deposits contain approximately 1.7 trillion barrels of bitumen in-place. The ERCB estimates that approximately 170 billion barrels of the total bitumen initially-in-place are remaining established reserves that can be recovered using current technology, and that up to 315 billion barrels may ultimately be recoverable. In comparison, Alberta has approximately 68 billion barrels of conventional crude oil initially-in-place, of which it is estimated approximately 1.5 billion barrels are remaining established reserves that can be recovered using current technologies. (Source: ERCB ST98-2009, "Alberta's Energy Reserves 2008 and Supply/Demand Outlook/Overview". The Company cannot confirm that this information was prepared by a qualified reserves evaluator within the meaning of NI 51-101. "Established reserves" are not equivalent to Proved Reserves or Proved Reserves plus Probable Reserves within the meaning of NI 51-101.)

Estimated World Oil Reserves (1)



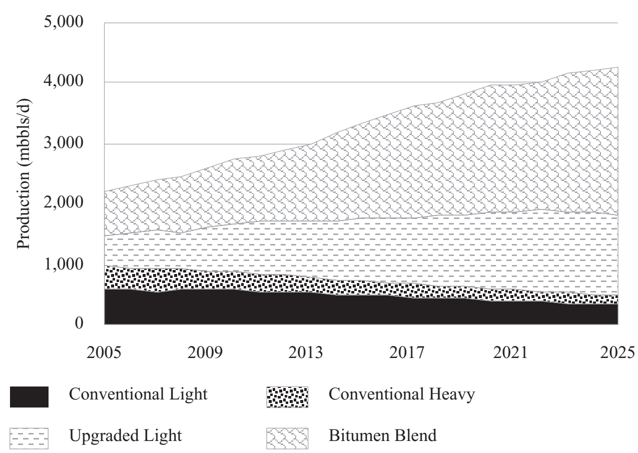
Note:

(1) Source: Oil & Gas Journal (December 2009) and EIA.

Current and Projected Oil Sands Production

Companies have been producing from Canada's oil sands since the 1960s and according to CAAP, production from the oil sands accounted for approximately 45% of Canada's total crude oil output in 2008. By 2015, oil sands production is expected to account for 67% of Canadian crude oil output. Projections based on announced projects indicate the potential for the production of bitumen to grow to 2.8 mmbbls/d by 2018. CAPP estimates that oil sands reserves could sustain production of 3.0 mmbbls/d for more than 150 years.

Canadian Oil Sands and Conventional Production (1)



Note:
(1) Source: CAPP.

Oil Sands Production Methods

There are two general types of oil sands production methods: in-situ and mining. The type of production method used depends on the depth of the oil sands reservoir.

In most cases, if the reservoir is more than approximately 75 metres deep, oil sands are extracted utilizing a form of in-situ or "in place" recovery method. The ERCB estimated in 2009 that 80% of the total bitumen ultimately recoverable in Canada will be with in-situ techniques. In general, the heavy, viscous nature of the bitumen means that it will not flow under normal conditions. In-situ oil sands production is similar to enhanced production of conventional oil where oil is stimulated and recovered through wells. Numerous in-situ technologies have been developed that apply thermal energy to heat the bitumen and allow it to flow to the well bore. Commercially proven processes to date include thermal (steam) injection through vertical or horizontal wells such as SAGD and CSS.

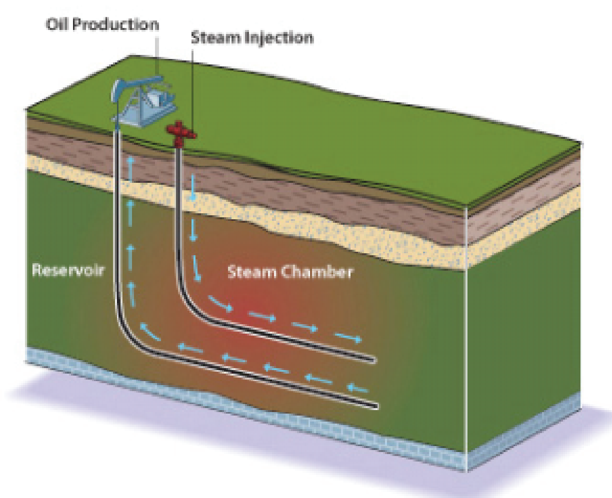
In contrast, if the reservoir is less than approximately 75 metres deep, the oil sands are typically extracted using an open pit mine operation.

Steam Assisted Gravity Drainage (SAGD)

The SAGD process was developed in the 1970s and the first test of the process took place near Fort McMurray in the 1980s. With the advent of horizontal well technology in the 1980s, well pairs could be drilled from the surface in the same manner that wells are drilled in conventional enhanced oil operations. The SAGD process has been commercialized through the development of a number of projects during the last 15 years.

In SAGD, two horizontal wells are drilled into the oil sands, one near the bottom of the formation and another about five metres above it. The wells are typically drilled in groups from central pads and can extend over one kilometre horizontally from the surface location. In each well pair, steam is injected into the upper well and the heat melts the bitumen, which allows it to flow into the lower well, where it is pumped to the surface. Recovery factors achieved using SAGD are typically 40-50%. The Firebag (Suncor), MacKay River (Suncor) and Christina Lake (Cenovus) projects have achieved recovery factors of this magnitude and their operators have predicted that these projects will recover in excess of 60% in certain well patterns.

Steam Assisted Gravity Drainage (SAGD) Process (1)

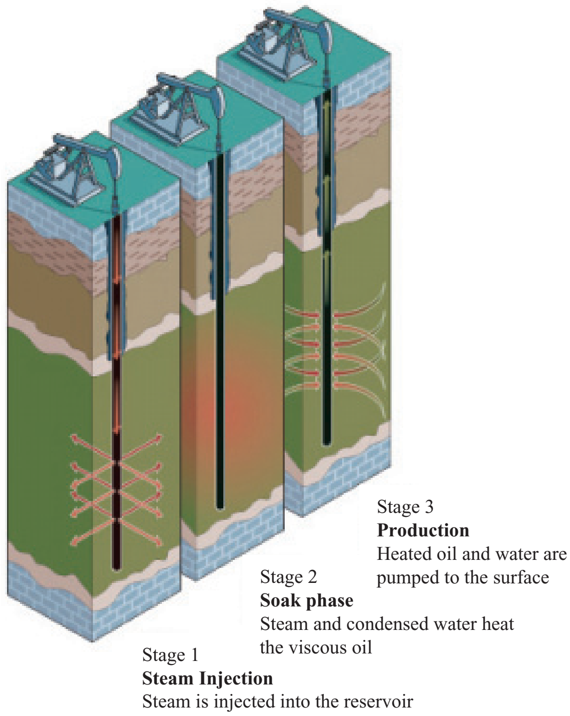


Note:
(1) Source: © Canadian Centre for Energy Information 2009.

Cyclic Steam Stimulation (CSS)

CSS has been employed commercially by Imperial Oil Limited at Cold Lake, Alberta since the 1980s. CSS is also used by CNRL at Primrose and Wolf Lake, Alberta and by Shell Canada at Peace River, Alberta. CSS differs from SAGD in that the steam is injected and bitumen production is lifted through the same wellbore. The well alternates through cycles of steam injection, a soak period and then bitumen production. First, steam is injected into a well for a period of months. The well is then shut in to allow heat to soak into the formation. Lastly, the hot bitumen is pumped out of the well for a period of months. Once production falls below a predetermined level, the cycle is repeated. This process continues until production rates drop below an economic threshold. Although the CSS method is capable of achieving recovery factors that compare favourably to the recovery factors realized from conventional oil production operations, the CSS method has historically achieved lower recovery factors than the SAGD method. Recovery factors achieved using the CSS method are typically 20% to 30%, although Imperial Oil Limited has reported that its Cold Lake CSS project has achieved recovery factors in excess of 50% on certain well pads.

Cyclic Steam Stimulation (CCS) Process [(1)]



Note:

(1) Source: © Canadian Centre for Energy Information 2009.

Evolving Technologies

There are several evolving in-situ recovery methods that are focussed on improving bitumen recovery factors (i.e. the percentage of the PIIP that can be produced) and the efficiency of the SAGD process. Some of these improvements involve the enhancement of proven processes, including: the injection of a steam additive into the reservoir in order to increase bitumen recovery factors and reduce fuel requirements; the combination of SAGD and CSS in-situ methods in order to accelerate the recovery process; and the use of low pressure in-situ methods in order to improve the energy efficiency of the recovery process. Some methods are based on different technology than SAGD, such as high-pressure air injection and electrical conduction heating. Other evolving process improvements involve the utilization of alternate well configurations in order to improve sweep efficiency and bitumen recovery factors, including "wedge wells", which are infill horizontal wells drilled between established producing SAGD well pairs in order to increase the recovery of bitumen located between the SAGD well pairs. Innovations are also under investigation that target improved recovery efficiency late in the in-situ process, or as a follow up to the in-situ process.

Upgrading

Upgrading is a process that transforms bitumen from an extremely heavy oil to a series of higher value hydrocarbon products. The primary end product is SCO, which is comparable to conventional light crude oil. All currently producing oil sands mining projects upgrade bitumen production either onsite or at associated upgraders. Recent market conditions involving high capital and operating costs and lower heavy-light oil differentials have limited the economic attractiveness of upgrading bitumen. In the absence of an upgrading alternative, bitumen must be blended with a lower-viscosity product in order to facilitate transportation.

Natural Gas and Diluent Supply

Extracting bitumen using SAGD and blending bitumen to make it transportable by pipeline requires the use of natural gas and diluent. Natural gas is used as an energy input, primarily to produce steam from water at the in-situ extraction site. The amount of steam required to extract one barrel of oil is commonly referred to as the steam-oil-ratio (or SOR). A higher SOR indicates that more steam is required, and therefore more natural gas.

The NEB estimates in a report released in 2009 that Canada has a remaining marketable natural gas resource base of approximately 439 trillion cubic feet. Western Canada natural gas production was approximately 16.2 billion cubic feet per day in 2008 according to the NEB and is expected to increase in the long-run as technologies to extract tight and shale gas continue to improve and arctic or frontier gas becomes accessible. Based on supply projections made by the NEB, Athabasca believes that a sufficient supply of natural gas will be available on a cost effective basis over the long term.

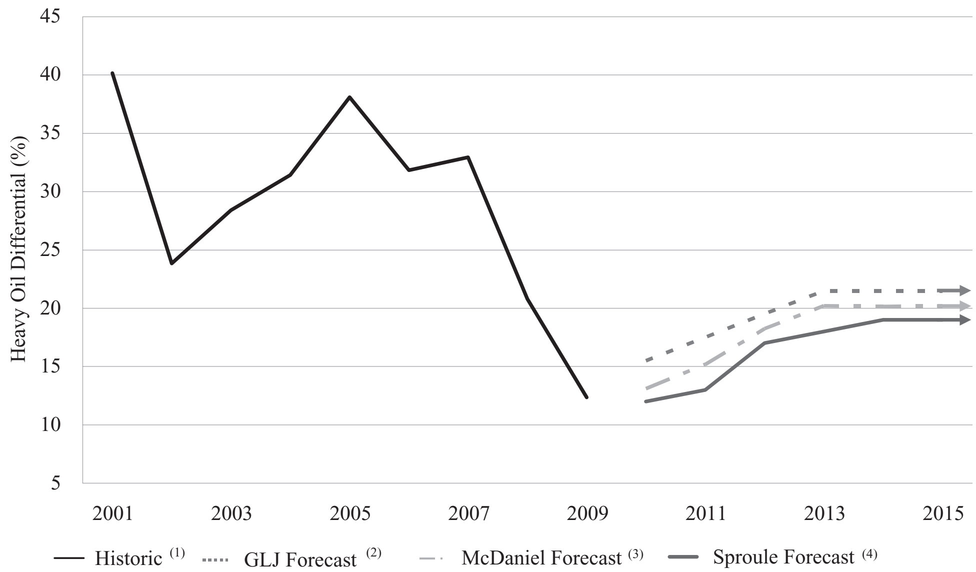
Diluent is used to create bitumen blend, which has a lower viscosity than bitumen and is able to flow in a pipeline to markets. Condensate, a by-product of natural gas processing, is currently the most commonly used diluent. If condensate is used as a diluent, the resulting marketable bitumen blend (dilbit) is composed of approximately 30% condensate and 70% bitumen. The current demand for condensate in Western Canada for use as diluent exceeds regional supply. Currently 63,000 bbls/d of condensate is imported to augment regional supply. An alternative diluent to condensate is SCO, which is plentiful and available in the Athabasca region. If SCO is used as a diluent, the resulting marketable blend (synbit) is composed of approximately 50% SCO and 50% bitumen. The lower blending ratio for condensate to produce dilbit typically leads to enhanced revenue for the bitumen producer when compared to blending with SCO to produce synbit. See "Production Economics".

CAPP's Base Case Canadian Crude Oil Production Forecast (the "**CAPP Forecast**") dated June 2009 estimates in-situ bitumen production of 835 mbbls/d in 2012. Based on condensate and SCO forecasts in the CAPP Forecast and the Company's internal projections, management believes that there will be adequate supplies of diluent available to blend approximately 1.3 mmbbls/d of bitumen in 2012. Although there can be no guarantee that the Company will be able to obtain sufficient diluent supply for all of its planned production, management believes that the current supply of diluent in Alberta, coupled with the additional supplies that are anticipated to be made available through import projects that are either currently under construction or that have been proposed, will be sufficient to satisfy the future diluent requirements of bitumen producers in Alberta. See "Risk Factors – Risks Relating to the Company's Business – Diluent and Natural Gas Supply and Costs".

Markets and Transportation for Bitumen Blend

Bitumen blends are priced using several benchmarks in Alberta, the most common being Lloyd Blend at Hardisty, Bow River at Hardisty and more recently Western Canada Select at Hardisty. Bitumen blends trade at quality discounts to conventional light oil such as West Texas Intermediate or Edmonton Par. The discount of heavy oil to light oil (referred to as the "heavy oil differential") has narrowed considerably over the last two years and is currently forecast by the petroleum engineering firms referenced below to average between 19% and 22% through 2015.

Historic and Forecasted Heavy Oil Differential



Notes:

(1) The historic differential shows the average of the monthly Lloyd Blend differential from 2001 to 2009, inclusive (source: Bloomberg). It is calculated by dividing Lloyd Blend by Light Sweet Crude at Edmonton, and subtracting that number from one.

(2) The GLJ forecast is as of January 1, 2010. The differential is calculated by dividing Lloyd Blend Crude Oil Stream Quality at Hardisty by Light, Sweet Crude Oil (40 API, 0.3% sulphur) at Edmonton, and subtracting that number from one.

(3) The McDaniel & Associates Consultants Ltd. forecast is as of January 1, 2010. The differential is calculated by dividing Alberta Bow River Hardisty Crude Oil by Edmonton Light Crude Oil, and subtracting that number from one.

(4) The Sproule Associates Limited forecast is as of December 31, 2009. The differential is calculated by dividing Hardisty Lloyd Blend (22.3 API) by Edmonton Par Price, and subtracting that number from one.

Canada produces more crude oil than it can process in its own refineries, with excess supply being exported primarily to the U.S. According to the NEB, in 2008 Canada exported approximately 1.8 mmbbls/d of crude oil and condensate to markets in the U.S. and elsewhere. Bitumen blend accounted for approximately 19% of the total, and including conventional oil production, heavy oil represented over 50% of total exports. The NEB expects that exports of Canadian crude oil will continue to rise and that bitumen blend and SCO from the oil sands will more than offset decreases in conventional oil supply.

The U.S. Midwest (PADD II) is currently Canada's largest market for bitumen blend and conventional heavy oil, followed by the Rocky Mountain region (PADD IV) for conventional heavy oil and the U.S. Gulf Coast (PADD III) for bitumen blend. Enbridge Inc. and TransCanada Corp. have announced a number of new pipelines to increase transportation capacity of bitumen blend to PADD II and PADD III with in service dates ranging from 2010 to 2014. Several refineries have announced expansions or conversions at PADD II and PADD III to accommodate heavy crude oil, including bitumen blend. In addition to the growing market for bitumen blend in the U.S. in the near term, bitumen from the Alberta oil sands may be exported to Asia beyond 2015 with the anticipated completion of Enbridge Inc.'s Gateway pipeline and a terminal on the west coast of Canada at Kitimat, British Columbia. The nautical distance between Kitimat and Asia is comparable to the distance between Asia and the Persian Gulf and is shorter than the distance between Asia and South America, which are sources of competing products.

Existing Export Pipelines[1]

Name	Destination	Capacity (mbbls/d)
Enbridge Pipeline	Eastern Canada U.S. East Coast U.S. Midwest	1,899
Kinder Morgan (Express)	U.S. Rocky Mountains U.S. Midwest	282
Milk River Pipeline	U.S. Rocky Mountains	118
Rangeland Pipeline	U.S. Rocky Mountains	85
Kinder Morgan (Trans Mountain)	British Columbia U.S. West Coast (offshore)	300

Proposed Export Pipelines[1]

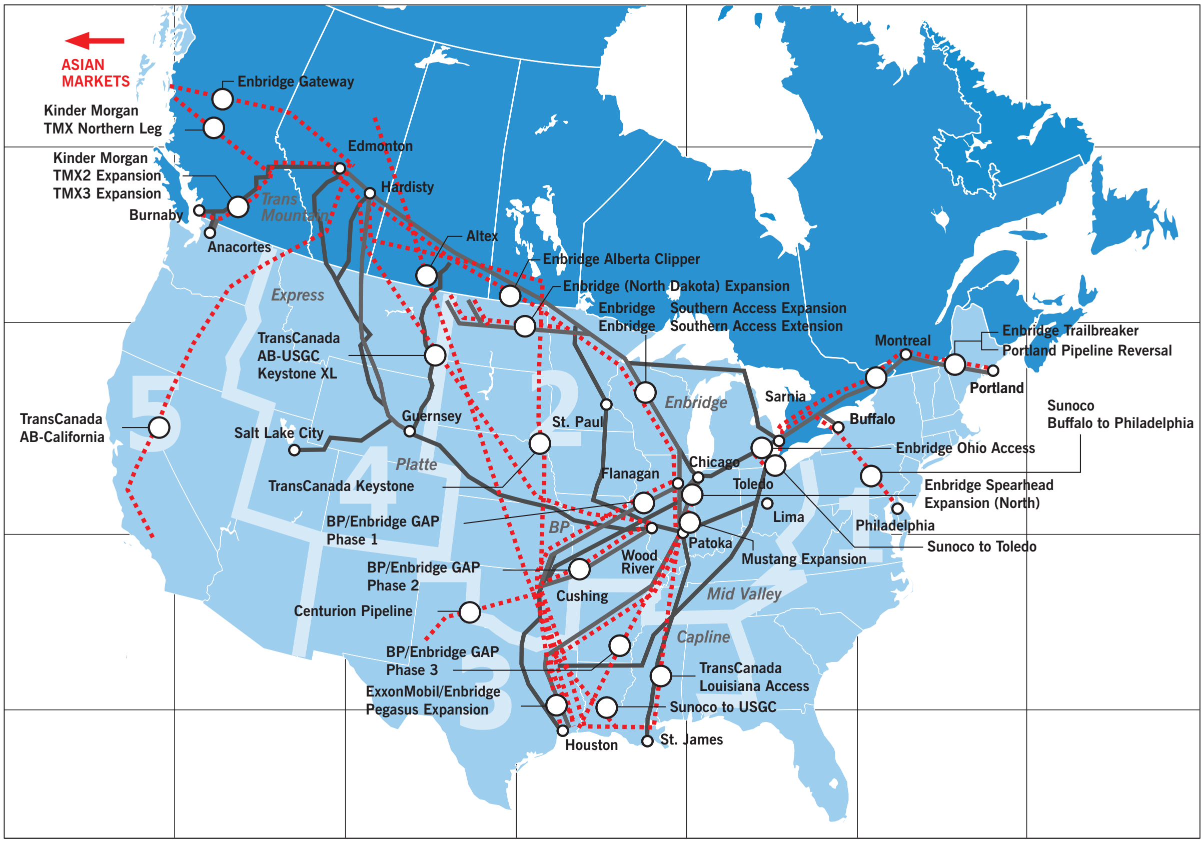
Name	Destination	Capacity (mbbls/d)	Start-Up Date
Enbridge			
Gateway Pipeline	Pacific Markets	400	2012 – 2014
Southern Access	U.S. Midwest	400	2008 – 2009[2]
Alberta Clipper Pipeline	U.S. Midwest	450	2010
Kinder Morgan			
Trans Mountain (TMX)			
TMX2	British Columbia	100	2011
TMX3	U.S. West Coast (offshore)	300	2012
TransCanada Pipeline			
Keystone Pipeline	U.S. Midwest	590	2010
Keystone Pipeline Expansion	U.S. Gulf Coast	500	2012 – 2013
Altex Energy Ltd.			
Altex Pipeline	U.S. Gulf Coast	250	2012

Notes:

(1) Source: ERCB – Alberta's Energy Reserves 2008 and Supply/Demand Outlook 2009-2018.

(2) The first stage of Enbridge's Southern Access pipeline commenced operation on April 1, 2008 and the second stage commenced operation on April 1, 2009.

Existing and Proposed Pipelines



Existing pipeline

Proposed pipeline

5 Petroleum administration district (PADD)

Western Canadian Crude Oil Demand

PADD 2008 Refining Capacity		2008 Actual Demand	Additional Demand	2015 Forecasted Demand
			2015 Potential	
Area	mbbls/d	mbbls/d	mbbls/d	mbbls/d
PADD 1	1,796	68	74	142
PADD 2	3,746	1,155	2,005	3,160
PADD 3	8,378	89	380+	469+
PADD 4	612	255	257	512
PADD 5	2,708	149	171	320

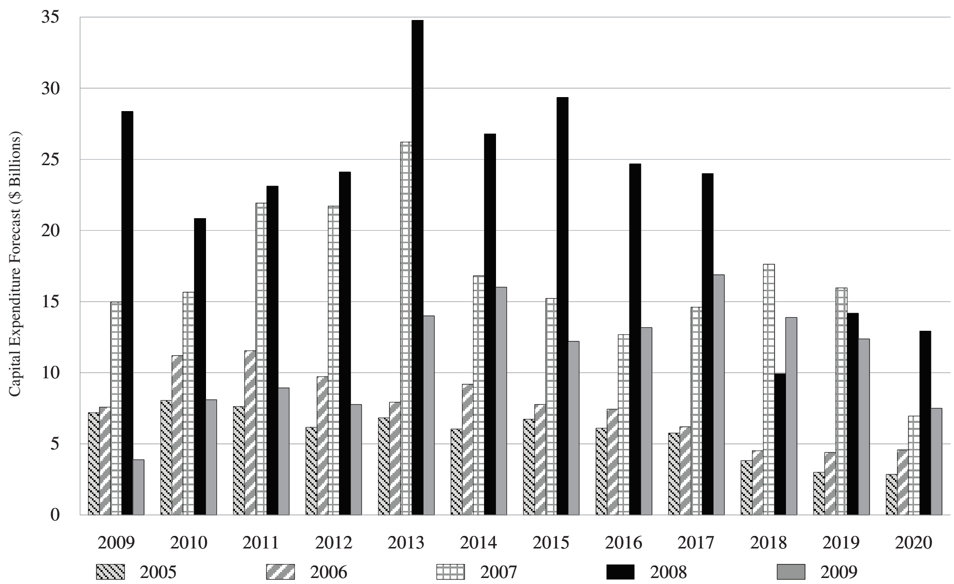
Source: CAPP, ERCB

Oil Sands Capital Cost Trends

For several years prior to the second half of 2008, oil sands developers experienced significant inflation in capital costs related to worldwide competition for the skilled labour and materials used in constructing oil sands projects. These rising costs were brought on by sustained global economic growth, rising commodity prices and an abundance of liquidity in equity and credit markets. The demand for construction inputs in Alberta was exacerbated by the fact that several oil sands producers sanctioned development of very large projects, in most cases involving the construction of an upgrader. Management believes that the peak of this inflationary period occurred in 2008 when oil prices reached nearly US$150 per barrel.

As a result of the financial crisis of late 2008 and early 2009, the global recession and a decrease in oil prices from record highs, a number of planned oil sands developments had been withdrawn or postponed by early 2009, pending an improvement in macroeconomic conditions and/or cost reductions. The slowdown in project development has resulted in lower capital spending for the oil sands industry. The figure below shows the evolution of CERI's forecasts for aggregate capital expenditures by oil sands developers from 2005 to 2009.

Capital Expenditures Forecast [(1)]



Note:

(1) Source: CERI.

Management believes that industry trends and the experience gained during recent years has caused changes in the way that oil sands projects are likely to be developed. First, management believes that most projects that will be developed in the future will not involve the construction of an upgrader. Second, management believes that a trend towards smaller and more manageable phases, or 'modular' growth in production, is underway among in-situ producers. Finally, management believes that access to capital has become a differentiating factor and that resource owners who are not well funded or who do not have large partners are increasingly unable to pursue their development objectives.

The major input costs for the Company's projects are expected to be labour, materials (such as steel and concrete), equipment and engineering. In light of decreased industry spending and lower levels of employment in Alberta, management believes that costs have trended downward in recent months. Management believes that this trend is driven by factors such as increased productivity due to improved access to better skilled labour and engineering services, a reduction in the cost of engineeering services, and more competitive bidding by suppliers. All of these factors can change rapidly and are dependent on the economic environment at the time of construction. The Company's first project is not expected to enter the construction phase until 2012. See "Risk Factors".

Environmental Considerations

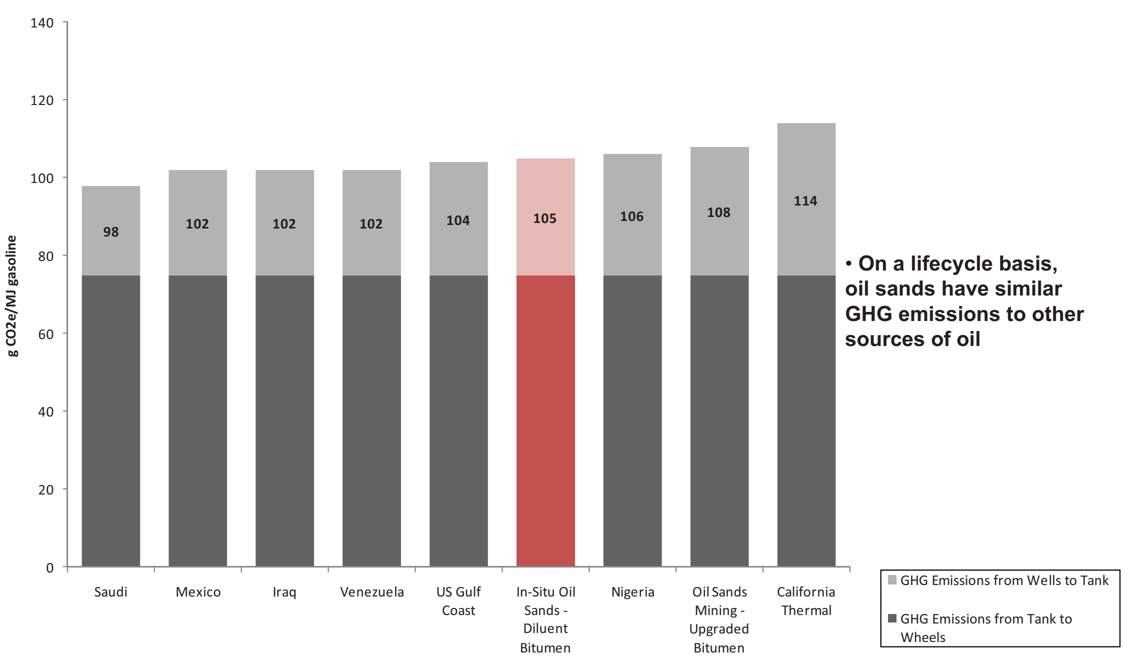
As with the production of all hydrocarbons, oil sands development faces environmental challenges that must be considered. A number of concerns have been raised, the most common being: (i) the environmental footprint of development sites; (ii) the amount of fresh water consumed; and (iii) GHG emissions.

The footprint of an in-situ project is much smaller than that of an open pit mine and is comparable to conventional oil and gas operations. In addition, reclamation costs for in-situ projects are less than reclamation costs for mining projects, and due to the smaller environmental disturbance, reclamation can occur earlier in the development cycle. As part of the planning and development process for each asset area, Athabasca has allocated capital expenditures for abandonment and reclamation costs in order to restore sites as required by Provincial regulation. The regulatory applications submitted to date and to be submitted in the future for project developments also include a reclamation and abandonment plan that would form part of the project approval.

Both mining and in-situ oil sands production use water as part of the extraction process. Mining requires fresh water to separate bitumen from sands. In-situ production using SAGD or CSS requires water to produce steam that is injected into the reservoir. Water treatment facilities at in-situ project sites enable a large quantity of the water to be recycled (in excess of 90%). To minimize the use of fresh water, SAGD and CSS oil sands projects may also use saline and other non-potable water sources. In addition, in-situ development does not require tailings ponds, whereas mines require large ponds to settle the fine particles remaining in the water following the bitumen separation process. Evolving water treatment technology is expected to reduce water demand even further in the future.

The expected growth in oil sands production will add to GHG emissions in Canada. Production from oil sands causes higher GHG emissions than production from most conventional, light oil sources, although GHG emissions from oil sands production is comparable to GHG emissions from the production of many other oil sources around the globe. Representatives of industry and government are currently focussing their efforts on finding technological solutions to reduce GHG emissions.

Carbon Dioxide (CO_2) From Wells to Wheels (1)(2)



Note:

(1) Source: Jacobs Consultancy, Life Cycle Assessment of North American and Imported Crudes, June 2009 and CAAP presentation titled "Achieving Balance: The Canadian Oil Sands Story".

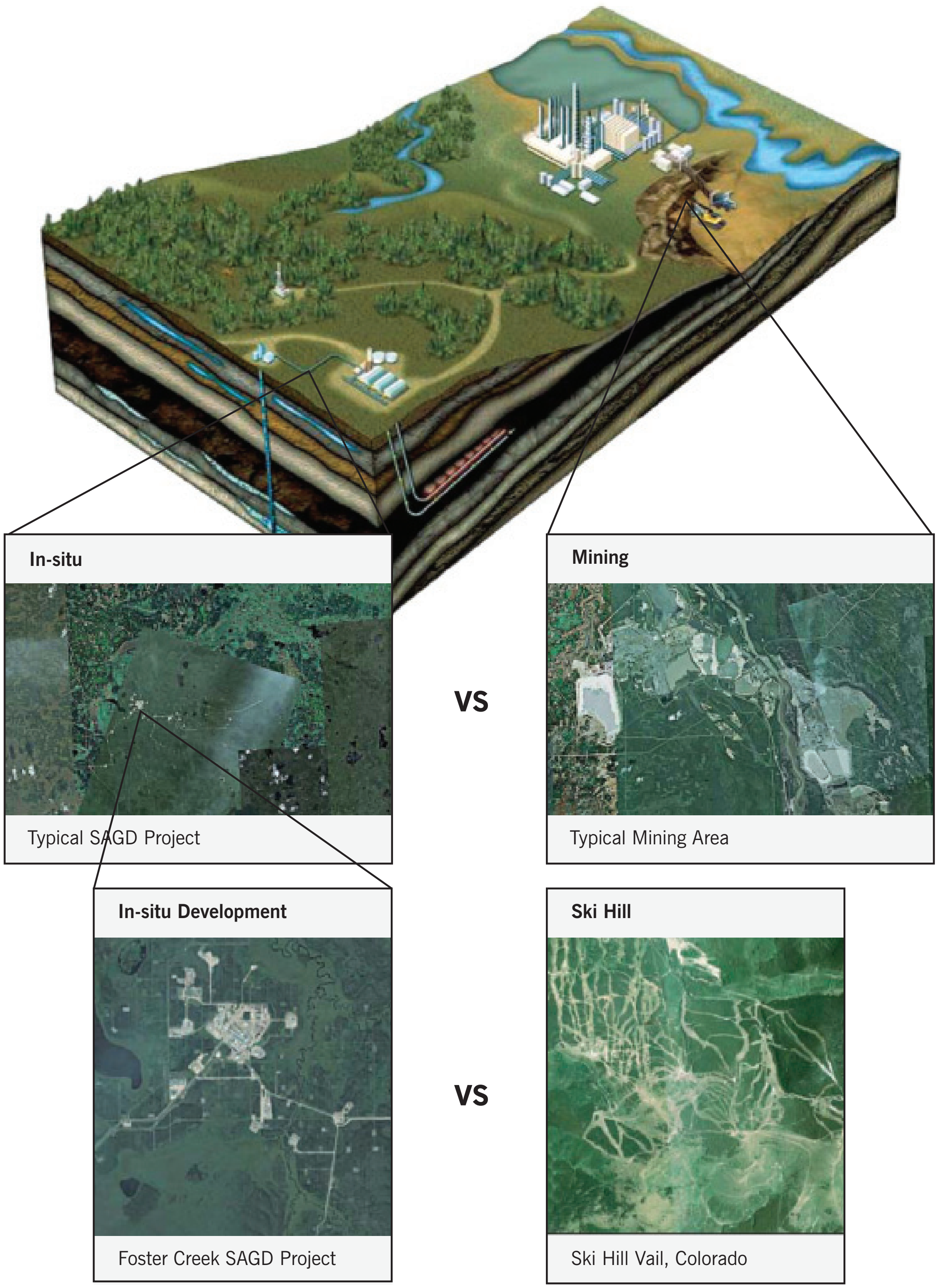
(2) The term "gCO_2e/MJ" means grams of carbon dioxide equivalent per megajoule.

According to a report released by CAPP in 2009, total GHG emissions from the oil sands account for approximately 5% of Canada's total GHG emissions – that amount is equal to 0.5% of total U.S. GHG emissions and 0.1% of global GHG emissions. Provincial and Federal governments, together with oil sands producers, are taking several steps to reduce GHG emissions from the oil sands, including introducing new government regulations and making investments in carbon capture and storage projects. The Government of Alberta has stated its intention to invest $2 billion in carbon capture and sequestration in Alberta, and to invest $2 billion in energy efficiency projects. In-situ projects will likely see new technologies and methods to reduce the industry's reliance on natural gas. New methods being developed include the use of solvents, underground combustion and geothermal and potentially nuclear energy sources.

The Government of Alberta implemented GHG regulations in 2007 that will eventually apply to Athabasca and will require a 2% annual reduction in emissions intensity over a six-year period based on a baseline established in Athabasca's third year of commercial operations. GHG emitters that cannot meet the targets must either pay a fee to the Climate Change and Emissions Management Fund, the proceeds of which are directed to research and technology development focused on reducing GHG emissions, or purchase emissions offset credits. The Federal Government is also developing a carbon pricing system that is intended to drive further reductions in GHG emissions and create additional funds for technology development. The details of the Federal Government's proposed regulations have not been released but it is now expected that federal GHG emissions reduction requirements will include an absolute cap on emissions rather than the emissions intensity approach used in Alberta. See "Industry Regulation – Environmental Regulation – Greenhouse Gases and Industrial Air Pollutants".

The following illustration compares the surface environmental impact of a typical SAGD project with a typical mining project and other land uses.

Oil Sands Environmental Footprint



THE PETROCHINA TRANSACTION

Overview of the PetroChina Transaction

Sale of Interest in MacKay and Dover Oil Sands Assets

On February 10, 2010, pursuant to the PetroChina Share Purchase Agreement, the Company sold all of the issued and outstanding shares of AOSC Newco, a wholly-owned subsidiary of the Company, to PetroChina International Subco for consideration of $1.9 billion. PetroChina International Subco also agreed to reimburse the Company for 60% of the expenditures in respect of the oil sands assets of AOSC Newco incurred by the Company during the period commencing November 1, 2009 and ending on the closing date of the PetroChina Transaction.

AOSC Newco is the owner of an undivided 60% interest in the MacKay Oil Sands Assets and the Dover Oil Sands Assets. Following the sale of the shares of AOSC Newco to PetroChina International Subco pursuant to the PetroChina Share Purchase Agreement: (i) AOSC Newco amalgamated with PetroChina International Subco, a wholly-owned subsidiary of PetroChina International, under the name "Cretaceous Oilsands Holdings Limited"; (ii) PetroChina International Subco and AOSC (MacKay) formed the MacKay Joint Venture for the development of the MacKay Oil Sands Project; and (iii) PetroChina International Subco and AOSC (Dover) formed the Dover Joint Venture for the development of the Dover Oil Sands Project.

AOSC (MacKay) is the owner of an undivided 40% interest in the MacKay Oil Sands Assets and AOSC (Dover) is the owner of an undivided 40% interest in the Dover Oil Sands Assets. AOSC (MacKay) and AOSC (Dover) are both wholly-owned subsidiaries of the Company.

PetroChina International Subco and AOSC (MacKay) incorporated and organized MacKay JV Operator to act as the operator for the MacKay Joint Venture and PetroChina International Subco and AOSC (Dover) incorporated and organized Dover JV Operator to act as the operator for the Dover Joint Venture. MacKay JV Operator has delegated its duties and responsibilities under the MacKay Joint Venture Agreement to Dover JV Operator pursuant to the Operating Services Agreement. Dover JV Operator has initially delegated its duties and responsibilities under the Dover Joint Venture Agreement and the Operating Services Agreement to the Company (as Contractor) until April 30, 2010, unless extended or reduced pursuant to the Dover Contractor Agreement.

The PetroChina Loans

PetroChina Loan #1

Concurrent with the sale of the shares of AOSC Newco to PetroChina International Subco, PetroChina International Subco provided to the Company a non-revolving loan in the amount of $430 million, on a full recourse security basis to the assets of the Company and its material subsidiaries, to enable the Company to payout its indebtedness to the Senior Secured Noteholders.

PetroChina Loan #2

PetroChina International Subco has also agreed to loan to the Company under a second non-revolving multi-draw credit facility, from time to time, as required, up to $100 million, on a limited recourse basis to the assets of AOSC (MacKay) and AOSC (Dover) to enable the Company to provide funds to each of AOSC (MacKay) and AOSC (Dover), to fund their respective 40% share of the Initial MacKay JV Period Activities and the Initial Dover JV Period Activities.

PetroChina Loan #3

If the Put/Call Options are not exercised and have expired and the MacKay Oil Sands Project Approval has been obtained on terms and conditions acceptable to PetroChina International Subco, acting reasonably, PetroChina International Subco has agreed to loan to the Company, from time to time, as required, up to $560 million, on a limited recourse basis to the assets of AOSC (MacKay) and AOSC (Dover), to enable the Company to provide funds to each of AOSC (MacKay) and AOSC (Dover) to fund their respective 40% share of the funds required for the MacKay First Phase and the Dover First Phase, respectively, as cash-called from time to time by the MacKay Joint Venture and the Dover Joint Venture, as the case may be.

See "– Summary of the PetroChina Transaction Agreements – The PetroChina Loan Agreements" below.

The Put/Call Options

The Company, AOSC MacKay Corp., AOSC Dover Corp., AOSC (MacKay), AOSC (Dover) and PetroChina International Subco also entered into the Put/Call Option Agreement in respect of the grant of the Put/Call Options. Pursuant to the Put/Call Options, PetroChina International Subco may be required to purchase or may exercise the right to acquire, as the case may be, the Company's remaining 40% working interest in one or both of the MacKay Oil Sands Assets and the Dover Oil Sands Assets by acquiring the assets or shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof), for aggregate cash consideration of up to \$2 billion. See "– Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement" below.

Summary of the PetroChina Transaction Agreements

The following is a summary of the material attributes of the PetroChina Transaction Agreements.

The PetroChina Share Purchase Agreement

Purchase and Sale

On February 10, 2010, the Company sold all of the issued and outstanding shares of AOSC Newco to PetroChina International Subco for a purchase price of \$1.9 billion. PetroChina International Subco also agreed to reimburse the Company for 60% of the expenditures in respect of the oil sands assets of AOSC Newco incurred by the Company during the period commencing November 1, 2009 and ending on the closing date of the PetroChina Transaction.

Representations and Warranties

The PetroChina Share Purchase Agreement contains industry standard representations and warranties of the Company and PetroChina International Subco having regard to the nature of the MacKay Oil Sands Assets and the Dover Oil Sands Assets and the interest of AOSC Newco therein. The representations and warranties of the parties survive closing for a period of 24 months.

Indemnification

Subject to certain limitations of liability set out in the PetroChina Share Purchase Agreement, including a limitation of liability of the Company to a maximum of 80% of the purchase price for all claims, other than claims related to environmental liabilities or certain claims connected with the shares of AOSC Newco, the MacKay Oil Sands Assets or the Dover Oil Sands Assets owned by AOSC Newco that occurred prior to the closing date of the PetroChina Transaction, the Company agreed to indemnify and save harmless PetroChina International Subco and its affiliates, and their respective directors, officers, employees and agents, from, among other things, all liabilities associated with the AOSC Newco shares and AOSC Newco's interest in the MacKay Oil Sands Assets and the Dover Oil Sands Assets that occured prior to the closing date of the PetroChina Transaction, including environmental liabilities. PetroChina International Subco agreed to indemnify and save harmless the Company and its affiliates, and their respective directors, officers, employees and agents, from, among other things, all liabilities associated with the AOSC Newco shares and AOSC Newco's interest in the MacKay Oil Sands Assets and the Dover Oil Sands Assets that occur after the closing date of the PetroChina Transaction, including environmental liabilities.

The MacKay Joint Venture Agreement and the Dover Joint Venture Agreement

On February 10, 2010, PetroChina International Subco and AOSC (MacKay) entered into the MacKay Joint Venture Agreement and formed the MacKay Joint Venture and PetroChina International Subco and AOSC (Dover) entered into the Dover Joint Venture Agreement and formed the Dover Joint Venture. The terms and provisions of the MacKay Joint Venture Agreement and the Dover Joint Venture Agreement are substantially the same, and the material terms are summarized below.

Management Committees

PetroChina International Subco and AOSC (MacKay) have established a Management Committee that has responsibility for the overall supervision, management and direction of the MacKay Joint Venture, excluding those matters specifically designated in the MacKay Joint Venture Agreement to be within the power of MacKay JV Operator. The Management Committee also has responsibility for overseeing and supervising the actions of MacKay JV Operator and any person to which MacKay JV Operator's authority is delegated (MacKay JV Operator has delegated its duties to Dover JV Operator under the Operating Services Agreement). The representatives of PetroChina International Subco and AOSC (MacKay) on the Management Committee have that number of votes equal to the Participating Interest in the MacKay Joint Venture of the nominating Participant (i.e., initially PetroChina International Subco as to a 60% voting interest and AOSC (MacKay) as to a 40% voting interest). The MacKay Joint Venture Agreement identifies a number of specific decisions or approvals required to be made by the Management Committee and the basis upon which they may be made, whether by Majority Approval or Unanimous Approval. If, at any time, there are more than two non-affiliated Participants, certain decisions previously requiring Unanimous Approval will be made by the approval of two or more Participants holding Participating Interests of 70% or more. Decisions or approvals of the Management Committee that are not specifically identified in the MacKay Joint Venture Agreement are made by Majority Approval. The Management Committee may not transact business at a meeting unless a quorum is present, which consists of one representative of each Participant, except in certain limited circumstances.

Similarly, PetroChina International Subco and AOSC (Dover) have established a Management Committee that has responsibility for the overall supervision, management and direction of the Dover Joint Venture, excluding those matters specifically designated in the Dover Joint Venture Agreement to be within the power of Dover JV Operator. The Management Committee also has responsibility for overseeing and supervising the actions of Dover JV Operator and any person to which Dover JV Operator's authority is delegated (Dover JV Operator has delegated its duties under both the Dover Joint Venture Agreement and the Operating Services Agreement to the Contractor under the Dover Contractor Agreement until April 30, 2010). The representatives of PetroChina International Subco and AOSC (Dover) on the Management Committee have that number of votes equal to the Participating Interest in the Dover Joint Venture of the nominating Participant (i.e., initially PetroChina International Subco as to a 60% voting interest and AOSC (Dover) as to a 40% voting interest). The Dover Joint Venture Agreement identifies a number of specific decisions or approvals required to be made by the Management Committee and the basis upon which they may be made, whether by Majority Approval or Unanimous Approval. If, at any time, there are more than two non-affiliated Participants, certain decisions previously requiring Unanimous Approval will be made by the approval of two or more Participants holding Participating Interests of 70% or more. Decisions or approvals of the Management Committee that are not specifically identified in the Dover Joint Venture Agreement are made by Majority Approval. The Management Committee may not transact business at a meeting unless a quorum is present, which consists of one representative of each Participant, except in certain limited circumstances.

Unanimous Approval of the Management Committee is required for, but is not limited to, the following matters: (a) any annual budget, prepared and submitted by the MacKay JV Operator or Dover JV Operator, as applicable, to the Management Committee for approval; (b) revisions to any approved budget: (i) in respect of 2010, that are greater than 15% of such approved budget or greater than $50 million in the applicable calendar year; or (ii) in respect of all other years, that are in the aggregate equal to 20% or greater of such approved budget in any calendar year; (c) approval of authorities for expenditures that are equal to $10 million or greater; (d) specific work programs and projects pertaining to the exploitation, development or operations of the MacKay Oil Sands Assets or the Dover Oil Sands Assets; (e) revision to a work program or project that results in a change in a bitumen production rate of 10,000 bbls/d or more; (f) approval of contracts (other than contracts with affiliates), settlement of litigation or sale of MacKay Oil Sands Assets or Dover Oil Sands Assets where the aggregate cost, proceeds or reasonably foreseeable liability is equal to or greater than $10 million; (g) amendments to the MacKay Joint Venture Agreement and/or the Dover Joint Venture Agreement; (h) contracts with affiliates where the aggregate cost is equal to or greater than $5 million; (i) the use by persons other than the Participants of any facilities or other equipment that comprise the MacKay Oil Sands Assets or Dover Oil Sands Assets; (j) the issue of any shares or other securities of MacKay Joint Opco or Dover Joint Opco and the admission of any person as a shareholder, including the terms of their admission; (k) the declaration of any dividends to shareholders of MacKay Joint Opco or Dover Joint Opco; (l) any changes to the fiscal year of MacKay Joint Opco or Dover Joint Opco; (m) the appointment of auditors; (n) an increase or decrease in the authorized or issued capital of MacKay Joint Opco or Dover Joint Opco or the alteration of their share capital in any way; (o) a decision to merge or amalgamate with any person; (p) a decision to sell all or substantially all of the assets of MacKay Joint Opco or Dover Joint Opco; (q) the taking or instituting of any proceedings for the winding up, reorganization or dissolution of MacKay Joint Opco or Dover Joint Opco; (r) approval of insurance and risk management policies; and (s) any other matter not expressly provided for above or otherwise provided for in the MacKay Joint Venture Agreement or the Dover Joint Venture Agreement or Dover Contractor Agreement or any other PetroChina Transaction Agreement and that, under the ABCA, requires the approval of the shareholders of a corporation (regardless of the threshold therefor).

The Umbrella Agreement provides that if, at any time, there are more than two non-affiliated Participants, then except for those matters described in paragraphs (g), (n), (o), (p) and (q) above, decisions previously requiring Unanimous Approval will instead require the approval of two or more Participants holding Participating Interests of 70% or more.

Majority Approval of the Management Committee is required for, but is not limited to, the following matters: (a) revisions to any approved budget in respect of 2010 that is equal to or less than 15% of such approved budget, not to exceed $50 million in the applicable calendar year; (b) approval of authorities for expenditures that are equal to or greater than $5 million and less than $10 million; (c) revision to a work program or project that results in a change in bitumen production rate of less than 10,000 bbls/d; (d) approval of contracts (other than contracts with affiliates), settlement of litigation or sale of MacKay Oil Sands Assets or Dover Oil Sands Assets where the aggregate cost, proceeds or reasonably foreseeable liability is equal to or greater than $5 million but less than $10 million; (e) contracts with affiliates where the aggregate cost is equal to or greater than $2.5 million but less than $5 million; and (f) the appointment of officers (other than the President and Chief Executive Officer and the Chief Financial Officer, who are nominees of PetroChina International Subco, and the Executive Senior Vice President, who is a nominee of the Company) and management of MacKay Joint Opco and Dover Joint Opco.

Certain Deemed Approvals

The Management Committee for the MacKay Joint Venture has approved the 2009 and 2010 budgets and work programs associated therewith. This includes budgets and work programs associated with preparing and submitting to the ERCB and Alberta Environment, applications for the MacKay Oil Sands Project Approval and associated technical work to support the applications, as well as related stakeholder consultations and other regulatory requirements.

The Management Committee for the Dover Joint Venture has approved the 2009 and 2010 budgets and work programs associated therewith. This includes budgets and work programs associated with preparing and submitting to the ERCB and Alberta Environment, applications for the Dover Oil Sands Project Approval and associated technical work to support the applications, as well as related stakeholder consultations and other regulatory requirements.

Operator and Contractor

MacKay Joint Opco, the corporation established by PetroChina International Subco and AOSC (MacKay) to operate the MacKay Oil Sands Assets, has been appointed as the MacKay JV Operator, with responsibility for administering, managing and conducting all operations (including approved work programs) in relation to the MacKay Oil Sands Assets. MacKay JV Operator has delegated its duties and responsibilities to Dover JV Operator under the Operating Services Agreement.

Dover Joint Opco, the corporation established by PetroChina International Subco and AOSC (Dover) to operate the Dover Oil Sands Assets, has been appointed as the Dover JV Operator, with responsibility for administering, managing and conducting all operations (including approved work programs) in relation to the Dover Oil Sands Assets. Dover JV Operator has initially delegated its duties and responsibilities under the Dover Joint Venture Agreement and the Operating Services Agreement to the Company (as Contractor) under the Dover Contractor Agreement.

Participant Security

Subject to the prior rights granted by AOSC (MacKay) under the PetroChina Loan Agreements and any security interests arising in favour of any other person on account of working capital indebtedness, each of PetroChina International Subco and AOSC (MacKay) have granted to one another a first and prior security interest in and to: (i) its Participating Interest share in the MacKay Oil Sands Assets; (ii) its Participating Interest share of all bitumen recovered from the MacKay Oil Sands Leases; and (iii) the proceeds of sale of the foregoing, to secure the payment and performance of all indebtedness, liabilities and obligations owing by the Participant granting the security interest to the other Participant or the MacKay JV Operator under the MacKay Joint Venture Agreement.

Subject to the prior rights granted by AOSC (Dover) under the PetroChina Loan Agreements and any security interests arising in favour of any other person on account of working capital indebtedness, each of PetroChina International Subco and AOSC (Dover) have granted to one another a first and prior security interest in and to: (i) its Participating Interest share in the Dover Oil Sands Assets; (ii) its Participating Interest share of all bitumen recovered from the Dover Oil Sands Leases; and (iii) the proceeds of sale of the foregoing, to secure the payment and performance of all indebtedness, liabilities and obligations owing by the Participant granting the security interest to the other Participant or the Dover JV Operator under the Dover Joint Venture Agreement.

The MacKay Joint Opco Shareholder Agreement and the Dover Joint Opco Shareholder Agreement

Unanimous Shareholder Agreement

PetroChina International Subco and AOSC (MacKay), as to a 60% Share Ratio and 40% Share Ratio, respectively, are the shareholders of MacKay Joint Opco, which was incorporated to act as the operator of the MacKay Joint Venture. The duties and responsibilities of MacKay JV Operator are set out in the MacKay Joint Venture Agreement. The MacKay Joint Opco Shareholder Agreement addresses matters related to the management of MacKay Joint Opco and is a "unanimous shareholder agreement" for the purposes of the ABCA.

PetroChina International Subco and AOSC (Dover), as to a 60% Share Ratio and 40% Share Ratio, respectively, are the shareholders of the Dover Joint Opco, which was incorporated to act as the operator of the Dover Joint Venture. The duties and responsibilities of Dover JV Operator are set out in the Dover Joint Venture Agreement. The Dover Joint Opco Shareholder Agreement addresses matters related to the management of Dover Joint Opco and is a "unanimous shareholder agreement" for the purposes of the ABCA.

Restrictions on Carrying on Business

MacKay Joint Opco is responsible for administering, managing and conducting all operations and activities relating to the MacKay Joint Venture as "MacKay JV Operator" pursuant to the terms of the MacKay Joint Venture Agreement and the MacKay Joint Opco Shareholders Agreement and is not entitled to carry on any other business or own any other assets.

Dover Joint Opco is responsible for administering, managing and conducting all operations and activities relating to the Dover Joint Venture as "Dover JV Operator" pursuant to the terms of Dover Joint Venture Agreement and the Dover Joint Opco Shareholders Agreement and for carrying out the duties and responsibilities of MacKay JV Operator pursuant to the terms of the Operating Services Agreement and is not entitled to carry on any other business or own any other assets.

Board of Directors

The board of directors of MacKay Joint Opco consists of five directors. PetroChina International Subco is entitled to nominate three directors and AOSC (MacKay) is entitled to nominate two directors. On any matter to be acted on by the board of directors, any one or more of the nominee directors of each of PetroChina International Subco and AOSC (MacKay) will be entitled to cast the number of votes equal to the respective Share Ratios of the shareholders that nominated them. The Chairman of the board of directors is a PetroChina International Subco nominee.

The board of directors of Dover Joint Opco consists of five directors. PetroChina International Subco is entitled to nominate three directors and AOSC (Dover) is entitled to nominate two directors. On any matter to be acted on by the board of directors, any one or more of the nominee directors of each of PetroChina International Subco and AOSC (Dover) is entitled to cast the number of votes equal to the respective Share Ratios of the shareholders that nominated them. The Chairman of the board of directors is a PetroChina International Subco nominee.

Officers

The President and Chief Executive Officer and the Chief Financial Officer are nominees of PetroChina International Subco. The Executive Senior Vice President is a nominee of the Company. All other officers are determined by Majority Approval of the Management Committee.

Approvals and Approval Thresholds

The boards of directors of each of MacKay Joint Opco and Dover Joint Opco are subject to the direction of the respective Management Committees except in respect of certain decisions and approvals that are within the exclusive jurisdiction of the boards of directors. Each of the MacKay Joint Opco Shareholder Agreement and the Dover Joint Opco Shareholder Agreement identify a number of specific decisions or approvals required to be made by the boards of directors and the basis upon which they may be made, whether by Majority Approval or Unanimous Approval.

Decisions or approvals of the board of directors that are not specifically identified are made by Majority Approval. Unanimous Approval of the board of directors is required for, but is not limited to, the following matters: (a) revisions to any approved budget, other than the approved budgets for 2010, that in the aggregate are equal to or greater than 10% of such approved budget in any calendar year, but less than 20%; (b) approval of authorities for expenditures that are equal to or greater than $2.5 million and less than $5 million; (c) approval of contracts (other than contracts with affiliates), settlement of litigation or sale of MacKay Oil Sands Assets or Dover Oil Sands Assets where the aggregate cost, proceeds or reasonably foreseeable liability is equal to $2.5 million or greater, but less than $5 million; (d) contracts with affiliates where the aggregate cost is equal to $1.25 million or greater, but less than $2.5 million; and (e) the establishment of guidelines, policies and directives binding on MacKay JV Operator or Dover JV Operator in respect of the conduct of operations in addition to, and not in conflict with, those set out in the MacKay Joint Venture Agreement and the Dover Joint Venture Agreement and the Dover Contractor Agreement, as applicable. The Umbrella Agreement provides that if at any time there are more than two non-affiliated shareholders, decisions previously requiring Unanimous Approval will be made by the approval of directors nominated by shareholders having Share Ratios of 70% or more.

Majority Approval of the board of directors is required for, but is not limited to, the following matters: (a) revisions to any approved budget, other than the approved budgets for 2010, that in the aggregate are less than 10% of such approved budget in any calendar year; (b) approval of authorities for expenditures that are greater than $1.25 million and less than $2.5 million; (c) approval of contracts (other than contracts with affiliates), settlement of litigation or sale of MacKay Oil Sands Assets or Dover Oil Sands Assets where the aggregate cost, proceeds or reasonably foreseeable liability is greater than $500,000 but less than $2.5 million; and (d) contracts with affiliates where the aggregate cost is greater than $250,000, but less than $1.25 million.

The Operating Services Agreement and the Dover Contractor Agreement

Under the MacKay Joint Venture Agreement, MacKay JV Operator is required to delegate its duties and responsibilities under the MacKay Joint Venture Agreement to Dover JV Operator pursuant to the Operating Services Agreement. Under the Dover Joint Venture Agreement, Dover JV Operator is required to delegate its duties and responsibilities under the Dover Joint Venture Agreement and the Operating Services Agreement to the Company (as Contractor pursuant to the Dover Contractor Agreement) until April 30, 2010, unless extended or reduced pursuant to the Dover Contractor Agreement.

Operator Transition Plan and Transition Services

In addition to undertaking the duties and activities of Dover JV Operator, the Company is required to assist Dover JV Operator to prepare and complete a transition plan to address the transition of operatorship from the Company to Dover JV Operator. The transition plan may require the Company to provide certain transitional services for Dover JV Operator following termination of the Dover Contractor Agreement. The Company will enter into a separate transitional services agreement with Dover JV Operator for that purpose.

Term

The Operating Services Agreement will continue in force until terminated on not less than 30 days prior written notice. The Dover Contractor Agreement terminates on April 30, 2010, unless extended or reduced by mutual agreement of the parties. Upon termination, subject to the provision of additional transitional services that may be required, the Company will transfer the administration, management and conduct of operations of the MacKay Joint Venture and the Dover Joint Venture to Dover JV Operator.

The Put/Call Option Agreement

Put and Call Options

MacKay Put Option

PetroChina International Subco has granted to the Company the sole and exclusive right, exercisable at the Company's option prior to the 31st day following receipt of MacKay Oil Sands Project Approval, to require

PetroChina International Subco to acquire or nominate an affiliate to acquire, the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is greater than US$70.00) or the assets of AOSC (MacKay) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is less than US$70.00), for a purchase price of $680 million if exercised in 2010, 2011 or 2012, $646 million if exercised in 2013, $612 million if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the assets or shares, as applicable, of AOSC (MacKay) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014.

Dover Put Option

PetroChina International Subco has granted to the Company the sole and exclusive right, exercisable at the Company's option prior to the 31st day following receipt of Dover Oil Sands Project Approval, if the MacKay Put/Call Option is exercised, to require PetroChina International Subco to acquire or nominate an affiliate to acquire, the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is greater than US$70.00) or the assets of AOSC (Dover) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is less than US$70.00), for a purchase price of $1.32 billion if exercised in 2010, 2011 or 2012, $1.254 billion if exercised in 2013, $1.188 billion if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the assets or shares, as applicable, of AOSC (Dover) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014.

MacKay Call Options

The Company has granted to PetroChina International Subco the sole and exclusive right, exercisable at PetroChina International Subco's option, to acquire the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof), in the following circumstances, for the applicable purchase price, as follows:

(a) prior to the 31st day following receipt of MacKay Oil Sands Project Approval, for a purchase price of $680 million if exercised in 2010, 2011 or 2012, $646 million if exercised in 2013, $612 million if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014;

(b) prior to the fifth business day following December 31 in any calendar year commencing 2012 (and provided the MacKay Put/Call Event has not occurred prior thereto), for a purchase price of $680 million if exercised in 2013, $612 million if exercised in 2014, $544 million if exercised in 2015, and the product of a 0.8 multiple of the fair market value of the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2015;

(c) prior to the 61st day following receipt of notice of the occurrence of an insolvency event or change of control of the Company or AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof), for a purchase price of $680 million; and

(d) prior to the fifth business day following March 31, 2011, if Dover JV Operator has not filed an application for Dover Oil Sands Project Approval with the ERCB and Alberta Environment on or by March 31, 2011, for a purchase price of $578 million.

Dover Call Options

Except as set forth below, provided that the MacKay Put/Call Option has been exercised, the Company has granted to PetroChina International Subco the sole and exclusive right, exercisable at PetroChina International Subco's option, to acquire the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof), in the following circumstances, for the applicable purchase price, as follows:

(a) prior to the 31st day following receipt of Dover Oil Sands Project Approval, for a purchase price of $1.32 billion if exercised in 2010, 2011 or 2012, $1.254 billion if exercised in 2013, $1.188 billion if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014;

(b) prior to the fifth business day following December 31 in any calendar year commencing 2012 (and, except for the option exercisable following December 31, 2012, concurrently with the exercise of the corresponding MacKay Put/Call Option by PetroChina International Subco), for a purchase price of $1.32 billion if exercised in 2013, $1.1888 billion if exercised in 2014, $1.056 billion if exercised in 2015, and the product of a 0.8 multiple of the fair market value of the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2015;

(c) prior to the 61st day following receipt of notice of the occurrence of an insolvency event or change of control of the Company or AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof), for a purchase price of $1.32 billion; and

(d) prior to the fifth business day following March 31, 2011, if Dover JV Operator has not filed an application for Dover Oil Sands Project Approval with the ERCB and Alberta Environment on or by March 31, 2011, for a purchase price of $1.122 billion;

provided that, if the MacKay Put/Call Option is exercised during a given calendar year, the AOSC (Dover) purchase price will be determined as of the date of the closing of the MacKay Put/Call Option transaction, irrespective of the date of the closing of the Dover Call Option or the Dover Put Option. There will be an adjustment for working capital between the date of exercise of the applicable option and the closing date.

Conditions to Closing

The Put/Call Option Agreement contains certain conditions to the closing of the Option Purchase Agreements for the benefit of the Company and PetroChina International Subco and their respective applicable affiliates, respectively, including that the respective representations and warranties of the parties contained in the Option Purchase Agreement must be true and correct at closing, that the obligations of the parties to be performed prior to closing have been performed and that the transactions do not contravene any applicable laws, which contravention would reasonably be expected to have a materially adverse effect.

The obligation of PetroChina International Subco to complete the contemplated transactions is subject to the additional condition that, if required by applicable law, approval under the Competition Act shall have been obtained.

In addition, if, for any reason, further approval of the securityholders of the Company is required to be obtained, and the Company is unable to obtain such approval, PetroChina International Subco is entitled to acquire 50% of the applicable shares and/or assets pursuant to the Option Purchase Agreement for 40% of the applicable purchase price.

Competition Act approval for the Put/Call Option Transactions was received by the parties on September 22, 2009. However, unless the Put/Call Option Transactions are completed within one year of the issuance of the ARC, the Competition Bureau could review the Put/Call Option Transactions, or either of them, under the merger provisions of the Competition Act at the time they are completed and for one year thereafter.

Representations and Warranties

The Option Purchase Agreements will contain industry standard representations and warranties of the Company and the applicable Company Vendor and PetroChina International Subco or its affiliate having regard to the nature of the MacKay Oil Sands Assets and the Dover Oil Sands Assets and the existing interest of PetroChina International Subco therein. The representations and warranties of the parties will survive closing for a period of 24 months.

Indemnification

Subject to certain limitations of liability to be set out in the Option Purchase Agreements, including a limitation of liability of the Company to a maximum of 80% of the purchase price for all claims, other than claims related to environmental liabilities that occurred prior to February 10, 2010, the Company and the Company Vendor will indemnify and save harmless PetroChina International Subco or its affiliate, as applicable, as the purchaser, for a breach of its representations, warranties and covenants in the Option Purchase Agreement. All environmental liability occurring from and after February 10, 2010 will be assumed by PetroChina International Subco or its affiliate, as applicable.

Umbrella Agreement

Umbrella Agreement

The Company, AOSC MacKay Corp., AOSC (MacKay), AOSC Dover Corp., AOSC (Dover), PetroChina International, PetroChina International Subco, MacKay Joint Opco and Dover Joint Opco, entered into the Umbrella Agreement setting out and/or providing for: (i) post-closing covenants of the parties pertaining to, among other things, access to books and records and confidentiality and privacy; (ii) the obligations of the Company to provide Secondees to MacKay Joint Opco and Dover Joint Opco; (iii) cross-default provisions among the PetroChina Transaction Agreements; (iv) default disposition offer provisions pursuant to which the Defaulting Participant must offer to sell to the non-Defaulting Participant, the Defaulting Participant's Participating Interest for 80% of the Capital Costs and operating costs incurred by it prior to commercial production, and for 80% of the fair market value thereof, after commercial production; (v) rights of set-off; (vi) assignment and disposition provisions for all of the PetroChina Transaction Agreements; (vii) a right of first refusal for dispositions other than certain specified Permitted Dispositions (as defined in the Umbrella Agreement); and (viii) restrictions on change of control of AOSC (MacKay) (or a wholly-owned subsidiary thereof), AOSC (Dover) (or a wholly-owned subsidiary thereof) or PetroChina International Subco.

Secondees

After the termination of the Dover Contractor Agreement, the Company is obligated to make available between 10 and 15 qualified Secondees to MacKay JV Operator and Dover JV Operator that have approximately two years or greater experience with the MacKay Oil Sands Assets and the Dover Oil Sands Assets. If PetroChina International Subco exercises the MacKay Call Option prior to the MacKay Put/Call Event, or the Dover Call Option prior to the Dover Put/Call Event, the Company must use commercially reasonable efforts to make its Secondees available to MacKay JV Operator and/or Dover JV Operator until the earlier of: (i) 6 months following the completion of the transaction contemplated by the option purchase transaction; and (ii) the receipt of MacKay Oil Sands Project Approval or Dover Oil Sands Project Approval, as applicable.

Default and Remedies

If an Event of Default (as defined in each of the relevant PetroChina Transaction Agreements) occurs under a PetroChina Transaction Agreement, then in addition to customary and industry standard remedies set out in each such PetroChina Transaction Agreement, the Defaulting Participant is deemed to have offered to sell to the Non-Defaulting Participant, the Defaulting Participant's Participating Interest in the MacKay Joint Venture and the Dover Joint Venture for: (a) prior to commercial production, 80% of the Capital Costs and operating costs incurred by the defaulting party (and this amount shall be set-off against indebtedness owing by the Company or its affiliates to PetroChina International Subco under the PetroChina Loan Agreement(s) in respect of PetroChina Loan #1, PetroChina Loan #2 and, if applicable, PetroChina Loan #3, not to exceed the purchase price therefor); and (b) after commercial production, 80% of the fair market value of the defaulting party's Participating Interest (and this amount shall be set-off against indebtedness owing by the Company or its affiliates to PetroChina International Subco under the PetroChina Loan Agreement(s) in respect of PetroChina Loan #1, PetroChina Loan #2 and, if applicable, PetroChina Loan #3, not to exceed the purchase price therefor).

Dispositions and Right of First Refusal

Dispositions of interests in the MacKay Joint Venture and the Dover Joint Venture, with certain exceptions, require the consent of the non-disposing party, not to be unreasonably withheld, and are subject to a 45 day right of first refusal in favour of the non-disposing party. Dispositions of portions of interests must generally be in increments of 20%. Dispositions of interests are not permitted prior to the expiry of the period within which the Put/Call Options may be exercised. Dispositions to affiliates must be for 100% of the Participating Interest of a Participant.

The PetroChina Loan Agreements

PetroChina Loan #1 Agreement

PetroChina International Subco has provided to the Company a non-revolving loan in the principal amount of $430 million, the proceeds of which were used to repay the Company's indebtedness to the Senior Secured Noteholders and to fund related costs under the Senior Secured Note Indenture. Interest on PetroChina Loan #1 is payable semi-annually at a rate equal to the LIBOR Rate plus 450 basis points. The PetroChina Loan #1 is repayable as to principal and outstanding interest in full on the earlier of June 30, 2022, a change of control of the Company (but only if PetroChina International Subco accepts the Company's offer to repay the loan on the occurrence of such change of control, which offer PetroChina International Subco may refuse in its sole discretion) and the date the MacKay Put/Call Option is exercised by either the Company or PetroChina International Subco. If none of the Put/Call Options are exercised, the PetroChina Loan #1 is repayable as to principal and outstanding interest on a pro rata basis with indebtedness owing under PetroChina Loan #2 and PetroChina Loan #3 from 90% of the following: (a) revenues of AOSC (MacKay) and AOSC (Dover), less (b) certain costs of AOSC (MacKay) and AOSC (Dover).

Monies loaned under the PetroChina Loan Agreement in respect of PetroChina Loan #1 are secured by guarantees from the Company's material subsidiaries and a security interest in all of the present and after-acquired property, assets and undertakings of the Company and its material subsidiaries. The Company has provided certain negative and positive covenants in favour of PetroChina International Subco that are similar to those covenants that would be given to a Schedule 1 Canadian chartered bank in the same position as PetroChina International Subco.

PetroChina Loan #2 Agreement

PetroChina International Subco has agreed to provide to the Company a limited recourse non-revolving multi-draw credit facility of up to a maximum principal amount of $100,000,000 to be used, as required from time to time, to enable the Company to provide funds to each of AOSC (MacKay) and AOSC (Dover) to fund their share of the capital required for the Initial MacKay JV Period Activities and Initial Dover JV Period Activities prior to the date of closing any transaction resulting from the exercise of a Put/Call Option. The Company will pay interest semi-annually at a rate equal to the LIBOR Rate plus 450 basis points. The loan will be repaid as to principal and outstanding interest in full on the earlier of June 30, 2024, a change of control of the Company (but only if PetroChina International Subco accepts the Company's offer to repay the loan on the occurrence of such change of control, which offer PetroChina International Subco may refuse in its sole discretion) and the date one or both of the Put/Call Options is exercised by either the Company or PetroChina International Subco. If none of the Put/Call Options are exercised, the loan will be repaid as to principal and outstanding interest on a pro rata basis with indebtedness owing under PetroChina Loan #1 and PetroChina Loan #3, if applicable, from 90% of the following: (a) revenues of AOSC (MacKay) and AOSC (Dover), less (b) certain costs of AOSC (MacKay) and AOSC (Dover).

Monies loaned under the PetroChina Loan Agreement in respect of PetroChina Loan #2 will be secured by guarantees of AOSC (MacKay) and AOSC (Dover) and their respective subsidiaries and by a security interest in all of the present and after-acquired property, assets and undertakings of AOSC (MacKay) and AOSC (Dover) and their respective subsidiaries.

The Company has provided certain negative and positive covenants in favour of PetroChina International Subco that are similar to those covenants that would be given to a Schedule 1 Canadian chartered bank in the same position as PetroChina International Subco.

PetroChina Loan #3 Agreement

If the Put/Call Options are not exercised and have expired and the MacKay Oil Sands Project Approval has been obtained, PetroChina International Subco will provide to the Company a limited recourse non-revolving multi-draw credit facility of up to a maximum principal amount of $560,000,000 to be used, as required from time to time, to enable the Company to provide funds to each of AOSC (MacKay) and AOSC (Dover) to fund their share of the capital required for the business and activities of the MacKay Joint Venture (but only in respect of MacKay First Phase) and the Dover Joint Venture (but only in respect of Dover First Phase), respectively, as cash-called from time to time by the MacKay Joint Venture or the Dover Joint Venture, as the case may be. The Company will pay interest semi-annually at a rate equal to the LIBOR Rate plus 450 basis points. The loan will be repaid as to principal and outstanding interest in full on the earlier of June 30, 2024 and a change of control of the Company (but only if PetroChina International Subco accepts the Company's offer to repay the loan on the occurrence of such change of control, which offer PetroChina International Subco may refuse in its sole discretion). The loan will be repaid as to principal and outstanding interest on a pro rata basis with indebtedness owing under PetroChina Loan #1 and PetroChina Loan #2 from 90% of the following: (a) revenues of AOSC (MacKay) and AOSC (Dover), less (b) certain costs of AOSC (MacKay) and AOSC (Dover).

Monies loaned under the PetroChina Loan Agreement in respect of PetroChina Loan #3 will be secured by guarantees of AOSC (MacKay) and AOSC (Dover) and their respective subsidiaries and by a security interest in all of the present and after-acquired property, assets and undertakings of AOSC (MacKay) and AOSC (Dover) and their respective subsidiaries.

The Company has agreed that if PetroChina Loan #3 becomes effective, it will provide certain negative and positive covenants in favour of PetroChina International Subco that are similar to those covenants that would be given to a Schedule 1 Canadian chartered bank in the same position as PetroChina International Subco.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The following table sets out (i) selected consolidated historical financial information as at and for the periods indicated, and (ii) selected unaudited pro forma consolidated financial information as at and for the periods indicated after giving effect to the completion of the PetroChina Transaction, the completion of the Offering, the payment of the Special Dividend, the exercise of all of the Purchase Warrants, and the exercise of all of the Performance Warrants.

The selected consolidated historical financial information set out below as at December 31, 2008 and 2007, and for each of the years then ended and for the period ended December 31, 2006, has been derived from the Company's audited consolidated financial statements and related notes appearing elsewhere in this prospectus. The Company's audited consolidated financial statements appearing elsewhere in this prospectus have been audited by the Company's auditors, Ernst & Young LLP. Ernst & Young LLP's auditor's report on these consolidated financial statements is included elsewhere in this prospectus. The selected consolidated historical financial information set out below as at September 30, 2009 and for the nine month period ended September 30, 2009 has been derived from the Company's unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial information presented has been prepared on a basis consistent with the Company's audited consolidated financial statements. Investors should read the selected consolidated historical financial information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's audited and unaudited consolidated financial statements and the accompanying notes, which financial statements are included elsewhere in this prospectus.

The selected unaudited pro forma consolidated financial information set out below has been derived from the Company's unaudited pro forma consolidated financial statements and accompanying notes included elsewhere in this prospectus. Investors should read the selected pro forma consolidated financial information in conjunction with the Company's unaudited pro forma consolidated financial statements and the consolidated financial statements and accompanying notes of the Company from which the unaudited pro forma consolidated financial statements are derived, which financial statements are included elsewhere in this prospectus. The Company's unaudited pro forma consolidated financial statements have been prepared by management of Athabasca in accordance with Canadian generally accepted accounting principles. In the opinion of management, the unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation in accordance with Canadian GAAP. The unaudited pro forma consolidated financial statements are not necessarily indicative of either the financial position or results of operations that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results that may be obtained in the future. The unaudited pro forma consolidated financial statements do not contemplate future changes in accounting policies due to the adoption of International Financial Reporting Standards.

($ thousands, except per share amounts)	Unaudited pro forma as at and for the nine months ended September 30, 2009	As at and for the nine months ended September 30, 2009	As at and for the years ended December 31, 2008	2007	As at and for the period from inception on August 23, 2006 to December 31, 2006
Cash and cash equivalents	2,105,453(1)	174,152	117,705	107,250	3,334
Investments	154,135(2)	—	—	—	—
Property and equipment	189,327(3)	343,462	473,681	286,189	89,053
Total assets	2,455,029(4)	826,208	768,376	395,260	124,915
Long term debt	430,000(5)	392,041	378,906	—	—
Shareholders' equity	1,896,696(6)	381,535	362,266	384,070	123,822
Cash dividends declared per Common Share	$ 4.25(7)	—	—	—	—

Notes:

(1) Cash and cash equivalents have been adjusted to reflect: receipt of the proceeds from the sale of all of the shares of AOSC Newco to PetroChina International Subco; the payment of the Special Dividend; receipt of the proceeds from the Offering (less the Underwriters' commission and estimated expenses of the Offering and assuming that the Over-Allotment Option is not exercised); the exercise of all of the Purchase Warrants; and the exercise of all of the Performance Warrants.

(2) Investments have been adjusted to account for the remaining 40% interest in the MacKay and Dover Oil Sands Assets that continue to be held by the Company. These assets are held in subsidiaries which are considered variable interest entities of which Athabasca is not a primary beneficiary under Canadian GAAP and are therefore accounted for using the equity method.

(3) Property and equipment has been adjusted to reflect the reclassification of the remaining 40% interest in the MacKay and Dover Oil Sands Assets that continue to be held by the Company to “Investments”.
(4) Total assets have been adjusted in accordance with notes (1), (2) and (3) above.
(5) Long term debt has been adjusted to reflect PetroChina Loan #1, which was used to redeem the Senior Secured Notes.
(6) Shareholders’ equity has been adjusted in accordance with note (3).
(7) On March 22, 2010, Athabasca paid the Special Dividend in the aggregate amount of approximately $1.332 billion ($4.25 per Common Share) pursuant to the Plan of Arrangement utilizing a portion of the proceeds of the PetroChina Transaction. In addition, all outstanding Purchase Warrants were deemed to be exercised on March 22, 2010 pursuant to the Plan of Arrangement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This management's discussion and analysis of financial condition and results of operations has been prepared as at the date of this prospectus and should be read in conjunction with the audited and unaudited historical consolidated financial statements that appear elsewhere in this prospectus. The audited and unaudited consolidated financial statements of the Company included in this prospectus have been prepared in accordance with Canadian GAAP. Except as otherwise noted, all financial measures are expressed in Canadian dollars and tabular amounts are expressed in thousands of dollars.

The following management's discussion and analysis of financial condition and results of operations, particularly under the heading "Outlook", contains forward-looking information that involves various risks, uncertainties and other factors. The forward-looking information is not historical fact, but rather is based on the Company's current plans, objectives, goals, strategies, estimates, assumptions and projections about the Company's industry, business and future financial results. The Company's actual results could differ materially from those discussed in such forward-looking information as a result of these risks and uncertainties, including those set forth in this prospectus under the headings "Notice to Investors – Forward-Looking Statements" and "Risk Factors".

The Company's financial condition and the results of operations discussed in this management's discussion and analysis of financial condition and results of operations will not necessarily be indicative of the Company's future performance, as they reflect the start-up nature of the Company's activities to date. The Company expects that its general and administrative expenses as a public company will be higher than those reflected in the financial statements and management's discussion and analysis of financial condition and results of operations included in this prospectus.

This management's discussion and analysis has been prepared for the years ended December 31, 2008 and 2007, the period ended December 31, 2006, and the nine month periods ended September 30, 2009 and 2008.

Business Overview

The Company was incorporated on August 23, 2006 under the ABCA and is focused on the exploration for, and the sustainable development and production of, bitumen from oil sands in the Athabasca region of northeastern Alberta, Canada. The Company does not currently have any commercial operations.

The Company expects to produce its recoverable bitumen using in-situ recovery methods. At September 30, 2009, the Company had more than 1.7 million acres (net) of oil sands leases and permits in the Athabasca area.

Operational Highlights for the Nine Months Ended September 30, 2009

Drilling Program

The following table shows the location of delineation wells drilled by the Company by area during the winter 2009 core hole drilling program and since inception:

Asset area	Delineation wells drilled – 2009	Delineation wells drilled – from inception to December 31, 2009
MacKay	41	132
Dover	20	124
Dover West Clastics	1	22
Dover West Leduc Carbonates	10	12
Birch	—	—
Hangingstone	—	47
Grosmont	5	5
Firebag	—	2
Total	**77**	**344**

Effective December 31, 2009, the Independent Reports were completed by the Independent Evaluators. The Independent Reports indicate that, after giving effect to the PetroChina Transaction, the Company has 114 million barrels of Probable Reserves, 26 million barrels of Possible Resources and 7.1 billion barrels of Best Estimate Contingent Resources. See "Independent Reserve and Resource Evaluations" and "Risk Factors – Risks Relating to the Company's Business – Bitumen Recovery Processes."

MacKay and Dover Projects

From inception to December 31, 2009, more than 130 delineation wells have been drilled in the MacKay area and over 120 delineation wells have been drilled in the Dover area. These wells are evaluation/exploratory, vertical wells that were drilled to determine the location and extent of the bitumen resource and cannot be used for the production of bitumen. All of these evaluation/exploratory wells must be abandoned after reservoir data is obtained. The MacKay Oil Sands Project and the Dover Oil Sands Project are expected to employ the SAGD method of extracting bitumen, which is a thermal production method for heavy oil and bitumen that involves a horizontal well pair consisting of a steam injection well and a production well. See "Project Development".

PetroChina Transaction

On August 28, 2009, the Company entered into a principles of joint venture agreement with PetroChina International, a wholly owned subsidiary of PetroChina, providing for the negotiation and execution of the PetroChina Transaction Agreements pursuant to which PetroChina International or a wholly-owned subsidiary would acquire all of the shares of AOSC Newco for cash consideration of $1.9 billion. The PetroChina Transaction Agreements also provide for certain financing arrangements for the Company. The PetroChina Transaction closed on February 10, 2010.

The financing arrangements forming part of the PetroChina Transaction include a loan facility (PetroChina Loan #1) to the Company to repay the Senior Secured Notes. PetroChina International Subco provided the Company with a non-revolving loan of $430.0 million, which was used to repay the Company's $400.0 million of Senior Secured Notes together with accrued interest and certain related costs. Interest on PetroChina Loan #1 is payable semi-annually at a rate equal to the LIBOR Rate plus 450 basis points. PetroChina Loan #1 is repayable, on a pro rata basis with PetroChina Loan #2 and PetroChina Loan #3, if applicable, from 90% of cash flow (as provided for in the PetroChina Loan Agreements) of the MacKay Joint Venture and Dover Joint Venture, and any amount remaining outstanding on June 30, 2022 is required to be repaid in full at that time.

The financing arrangements for the PetroChina Transaction also include two loan facilities to the Company (PetroChina Loan #2 and PetroChina Loan #3) to provide up to $100 million and up to $560 million, respectively, for development expenditures on the MacKay Joint Venture and Dover Joint Venture projects, provided that PetroChina Loan #3 is only available if the Put/Call Options are not exercised and expire and the MacKay Oil Sands Project Approval is obtained. Interest on both loans is payable semi-annually at a rate equal to the LIBOR Rate plus 450 basis points. The amounts drawn on both loans are repayable, on a pro rata basis with PetroChina Loan #1, from 90% of cash flow (as provided for in the PetroChina Loan Agreements) of the MacKay Joint Venture and Dover Joint Venture and any amount remaining outstanding under either loan on June 30, 2024, is required to be repaid in full at that time.

The PetroChina Transaction includes the Put/Call Option Agreements pursuant to which, in certain circumstances, PetroChina International Subco may be required to purchase or may exercise the right to acquire, as the case may be, the Company's remaining 40% working interest in one or both of the MacKay Oil Sands Assets and the Dover Oil Sands Assets by acquiring the assets or shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof), for aggregate cash consideration of up to $2 billion.

See "The PetroChina Transaction" for a more detailed description of the PetroChina Transaction and the PetroChina Transaction Agreements.

Financial Highlights

The following table summarizes selected consolidated financial information of the Company as at and for the periods indicated:

($ thousands, except per share amounts)	As at and for the three months ended September 30,		As at and for the nine months ended September 30,		As at and for the years ended December 31,		As at and for the period from inception on August 23, 2006 to December 31,
	2009	2008	2009	2008	2008	2007	2006
Balance Sheet Items:							
Total assets	$826,208	$775,089	$826,208	$775,089	$768,376	$395,260	$124,915
Long term debt	392,041	376,964	392,041	376,964	378,906	—	—
Shareholders' equity	381,535	368,538	381,535	368,538	362,266	384,070	123,822
Income Statement Items:							
Revenue	160	1,652	2,436	2,764	5,451	1,996	15
Net income (loss)	26,063	(9,701)	7,074	(14,789)	(24,647)	(13,827)	(16,228)
Net income (loss) per share – basic	0.13	(0.05)	0.04	(0.08)	(0.14)	(0.09)	(0.15)
Net income (loss) per share – diluted	0.09	(0.05)	0.02	(0.08)	(0.14)	(0.09)	(0.15)

The changes to total assets from inception on August 23, 2006 to September 30, 2009 are due primarily to spending on property and equipment to acquire, explore, evaluate and develop the Company's oil sands assets. See "– Capital Expenditures" below and "Athabasca Oil Sands Corp. – History" for a description of the Company's acquisition, exploration, evaluation and development activities and expenditures, and related financing activities, during these periods. Several private placement equity financings during 2006 and 2007, and issuance of long term debt in July 2008, were completed in order to obtain funds to acquire and develop the Company's oil sands assets. The proceeds were invested in cash and cash equivalents, and short-term investments. Revenue from interest income fluctuated as the proceeds were spent, primarily on property and equipment, and amounts invested in cash, cash equivalents and short-term investments declined. Net loss and net loss per share has trended higher primarily due to increased financing costs from debt financing, higher general and administrative costs resulting from hiring additional employees to further develop the Company's assets and additional rent and office costs. Net income and net income per share during the three and nine months ended September 30, 2009 results from a future income tax recovery on property and equipment assets held for sale pursuant to the PetroChina Transaction.

Summary of Quarterly Results

The following table summarizes selected consolidated financial information for the Company for the preceding eight quarters:

($ thousands, except per share amounts)	2009			2008				2007
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	$ 160	$ 916	$ 1,360	$ 2,686	$ 1,652	$ 196	$ 917	$ 1,233
Net income (loss)	26,063	(6,012)	(12,977)	(9,857)	(9,701)	(3,227)	(1,861)	(4,017)
Net income (loss) per share – basic	0.13	(0.03)	(0.07)	(0.05)	(0.05)	(0.02)	(0.01)	(0.03)
Net income (loss) per share – diluted	0.09	(0.03)	(0.07)	(0.05)	(0.05)	(0.02)	(0.01)	(0.03)

The changes over the past eight quarters are due primarily to spending on property and equipment. An equity financing in December 2007 and a debt financing in July 2008 were completed in order to obtain funds to acquire, explore, evaluate and develop the Company's oil sands assets. The proceeds were invested in cash and cash equivalents, and short-term investments. Quarterly revenue from interest income fluctuated as the proceeds were spent, primarily on property and equipment, and amounts invested in cash and cash equivalents, and short-term investments declined. Net loss and net loss per share has trended higher over the past eight quarters primarily due to increased financing costs from debt financing, higher general and administrative costs resulting from hiring additional employees to further develop the Company's projects and additional rent and office costs. Net income and net income per share during the three months ended September 30, 2009 results from a future income tax recovery on property and equipment assets held for sale.

Results of Operations

The following table summarizes the Company's results of operations for the periods indicated:

($ thousands, except per share amounts)	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008	Years ended December 31, 2008	Years ended December 31, 2007	Period from inception on August 23, 2006 to December 31, 2006
Revenue							
Interest and other income	$ 160	$ 1,652	$ 2,436	$ 2,764	$ 5,451	$ 1,996	$ 15
Expenses							
General and administrative	3,750	2,371	8,488	5,212	7,381	3,887	190
Stock-based compensation	661	1,359	1,893	6,574	7,136	10,696	15,951
Financing and interest	14,108	10,279	34,701	10,315	23,100	335	—
Depreciation and accretion	72	48	205	117	169	52	4
Research and development	29	77	521	97	139	—	—
Future income tax expense (recovery)	(44,523)	(2,781)	(50,446)	(4,762)	(7,827)	853	98
Net income (loss) and comprehensive income (loss)	**26,063**	**(9,701)**	**7,074**	**(14,789)**	**(24,647)**	**(13,827)**	**(16,228)**

Three and Nine Months Ended September 30, 2009 compared to Three and Nine Months Ended September 30, 2008

Interest and other income

Interest and other income is primarily comprised of interest income earned on cash and cash equivalents and short-term investments. For the three and nine months ended September 30, 2009, interest income decreased by $1.5 million and $0.3 million, respectively, compared to the same periods in 2008. The decrease resulted from interest earned on lower cash and cash equivalent and short-term investment balances during 2009, as well as an overall decline in interest rates earned on these balances.

General and administrative expense

General and administrative expense includes salaries, consulting fees, rent, and other office related costs. For the three and nine months ended September 30, 2009, general and administrative expense increased by $1.4 million and $3.3 million, respectively, compared to the same periods in 2008. The increase resulted primarily from the addition of staff and office space.

Stock-based compensation expense

For the three and nine months ended September 30, 2009, stock-based compensation expense decreased by $0.7 million and $4.7 million, respectively, compared to the same periods in 2008. The decrease resulted from Incentive Shares granted early in the Company's history becoming fully vested and expensed prior to 2009. There was also a decrease in grants of Incentive Shares and Performance Warrants in favour of stock options, which have a lower estimated fair value.

Financing and interest expense

For the three and nine months ended September 30, 2009, financing and interest expense increased by $3.8 million and $24.4 million, respectively, compared to the same periods in 2008. The increase resulted from higher interest costs and deferred borrowing cost amortization related to the $400.0 million principal amount of Senior Secured Notes issued in July 2008.

Depreciation and accretion expense

For the three and nine months ended September 30, 2009, depreciation and accretion expense increased by $nil million and $0.1 million, respectively, compared to the same periods in 2008. The increase resulted from recording an initial asset retirement obligation in the first quarter of 2009 on delineation wells that had not yet been abandoned and the associated accretion expense, as well as depreciation on higher corporate asset balances in 2009 compared to 2008.

Research and development expense

For the three months ended September 30, 2009, research and development expense decreased by $0.1 million compared to the same period in 2008. The decrease resulted from lower activity levels by Company personnel on research and development activities. For the nine months ended September 30, 2009, research and development expense increased by $0.4 million compared to the same period in 2008. The increase resulted from the Company's involvement in joint industry projects and internal Company employee work on research and development activities.

Future income tax expense (recovery)

For the three and nine months ended September 30, 2009 and 2008, the Company was not taxable. The Company's future income tax recovery of $44.5 million and $50.4 million, respectively, results from differences between the tax and book values of property and equipment due to certain property and equipment assets being held for sale

At September 30, 2009, the Company had approximately $571.5 million of tax pools available for deduction against future taxable income. The Company has non-capital losses of $293.4 million which begin to expire in 2026.

Year Ended December 31, 2008 compared to Year Ended December 31, 2007

Interest and other income

Interest and other income is primarily comprised of interest income earned on cash and cash equivalents and short-term investments. For the year ended December 31, 2008, interest income increased by $3.5 million compared to 2007. The increase results from interest earned on higher cash and cash equivalent and short-term investment balances during 2008 that were primarily obtained from financing activities conducted in December 2007 and July 2008, although the increase was partially offset by an overall decline in interest rates earned on these balances.

General and administrative expense

General and administrative expense includes salaries, consulting fees, rent, and other office related costs. For the year ended December 31, 2008, general and administrative expense increased by $3.5 million compared to 2007. The increase resulted primarily from the addition of staff and office space.

Stock-based compensation expense

For the year ended December 31, 2008, stock-based compensation expense decreased by $3.6 million compared to 2007. The decrease resulted from Incentive Shares granted early in the Company's history becoming fully vested and expensed prior to 2008. There was also a decrease in grants of Incentive Shares and Performance Warrants in 2008 in favour of stock options, which have a lower estimated fair value.

Financing and interest expense

For the year ended December 31, 2008, financing and interest expense increased by $22.8 million compared to 2007. The increase resulted from higher interest costs and deferred borrowing cost amortization related to the issuance of $400.0 million principal amount of Senior Secured Notes in July 2008.

Depreciation and accretion expense

For the year ended December 31, 2008, depreciation and accretion expense increased by $0.1 million compared to 2007. The increase resulted from additions to corporate assets and the depreciation recorded on higher corporate asset balances.

Research and development expense

For the year ended December 31, 2008, research and development expense increased by $0.1 million compared to 2007. The increase resulted from the Company's involvement in joint industry projects and internal Company employee work on research and development activities.

Future income tax expense (recovery)

For the years ended December 31, 2008 and 2007, the Company was not taxable. The Company's future income tax expense (recovery) is consistent with the change in the Company's tax and book values, and the expected future tax rate at the time of reversal.

At December 31, 2008, the Company had approximately $448.5 million of tax pools available for deduction against future taxable income. The Company has non-capital losses of $194.9 million that begin to expire in 2026.

Year Ended December 31, 2007 compared to Period From Inception on August 23, 2006 to December 31, 2006

References below to "the period ended December 31, 2006" refer to the period from the Company's inception on August 23, 2006 to December 31, 2006.

Interest and other income

Interest and other income is primarily comprised of interest income earned on cash and cash equivalents and short-tem investments. For the year ended December 31, 2007, interest income increased by $2.0 million compared to the period ended December 31, 2006. The increase resulted from interest earned on higher cash and cash equivalent balances during 2007 that were obtained from financing activities conducted in August and December 2007, although the increase was partially offset by an overall decline in interest rates earned on these balances.

General and administrative expense

General and administrative expense includes salaries, consulting fees, rent, and other office related costs. For the year ended December 31, 2007, general and administrative expense increased by $3.7 million compared to the period ended December 31, 2006. The increase resulted primarily from the addition of staff and office space, as well as due to a full year of these costs in 2007.

Stock-based compensation expense

For the year ended December 31, 2007, stock-based compensation expense decreased by $5.3 million compared to the period ended December 31, 2006. The decrease resulted from a reduction in the number of Incentive Shares and Performance Warrants granted in 2007 to new employees compared to 2006.

Depreciation and accretion expense

For the year ended December 31, 2007, depreciation expense increased by $0.1 million compared to the period ended December 31, 2006. The increase results from depreciation on higher corporate asset balances.

Future income tax expense (recovery)

For the year ended December 31, 2007 and the period ended December 31, 2006, the Company was not taxable. The Company's future income tax expense is consistent with the Company's change in income after adjustments for non-deductible items.

At December 31, 2007, the Company had approximately $292.3 million of tax pools available for deduction against future taxable income. At December 31, 2007, the Company had non-capital losses of $35.0 million which begin to expire in 2027.

Capital Expenditures

The following table summarizes the consolidated capital expenditures of the Company for the periods indicated:

($ thousands)	Three months ended September 30, 2009	Nine months ended September 30, 2009	Year ended December 31, 2008
Oil sands properties	$ 3,604	$ 9,297	$ 66,209
Exploration and evaluation – delineation drilling	1,914	58,237	85,067
Exploration and evaluation – geological and geophysical	1,464	10,353	16,108
Engineering and development	7,574	14,969	11,898
Corporate assets	296	559	647
Total capital expenditures	**14,852**	**93,415**	**179,929**

Three and Nine Months Ended September 30, 2009

Oil sands properties

At September 30, 2009, the Company had an interest in more than 1.7 million net acres of oil sands leases in the Athabasca region of Alberta. Effective with the closing of the PetroChina Transaction on February 10, 2010, the Company owned in excess of 1.5 million net acres of oil sands leases.

For the three and nine months ended September 30, 2009, capitalized costs associated with mineral property expenditures included lease acquisitions and lease rental payments. During the nine months ended September 30, 2009, the Company acquired small leases to complement the existing asset areas.

Exploration and evaluation – delineation drilling

Expenditures for the three and nine months ended September 30, 2009, related to the drilling of 77 wells during the 2009 winter core hole delineation drilling program. This included 72 wells in the core areas of MacKay, Dover and Dover West. In addition, the Company drilled five wells during the first quarter of 2009 in the Grosmont area where the Company holds operatorship and a 50% working interest on approximately 778,000 acres (gross). The results of the delineation drilling program were utilized by the Independent Evaluators to produce the Independent Reports effective as at December 31, 2009.

Exploration and evaluation – geological and geophysical

Expenditures for the three and nine months ended September 30, 2009, included core analysis and seismic data acquisition. The Company obtained core analysis on certain wells drilled during the 2009 winter core hole delineation drilling program. In addition, the Company acquired approximately 124 kilometres of 2-D seismic data, acquired 5.3 square kilometres of 3-D seismic data, and purchased approximately 327 kilometres of 2-D seismic data over Company lands and characterizations of these seismic shoots were developed.

Engineering and development

Expenditures for the three and nine months ended September 30, 2009, were concentrated around the MacKay and Dover pilot and commercial projects. Work focused around the pilot project's detailed environmental impact assessments for both areas, and the commercial project's government application and environmental impact assessments for both areas. Detailed engineering on the pilot and commercial plants and structures continued including engineering studies and construction management. Engineering on roads and site development continued, including airborne surveys for aggregate, clay, and subsurface channels for use in construction. The purchase and planning for long-lead items required for pilot project construction was also initiated, however, as a result of the PetroChina Transaction, the Company has suspended the pilot project design and planning activities and instead is focusing on the commercial development of both areas.

Corporate assets

Corporate asset expenditures during the three and nine months ended September 30, 2009 included office furniture, fixtures, leasehold improvements, and information technology assets.

For the three and nine months ended September 30, 2009, $4.8 million and $12.9 million, respectively, of capitalized interest on borrowing costs is included in capital expenditures.

Year Ended December 31, 2008

Oil sands properties

At December 31, 2008, the Company owned in excess of 1.3 million net acres of oil sands leases (mineral rights) in the Athabasca region of northern Alberta. Capitalized costs associated with the Company's 2008 mineral property expenditures included lease acquisitions and lease rental payments.

Exploration and evaluation – delineation drilling

Delineation drilling expenditures for the year ended December 31, 2008 related to the drilling of 230 wells during the 2008 winter core hole delineation drilling program. This included wells drilled in the MacKay, Dover, Hangingstone, and Dover West areas.

Exploration and evaluation – geological and geophysical

Geological and geophysical expenditures for the year ended December 31, 2008, included core analysis and seismic data acquisition. The Company obtained core analysis on certain wells drilled during the 2008 winter core hole delineation drilling program. In addition, the Company acquired approximately 327 kilometres of 2-D seismic data and purchased approximately 2,778 kilometres of 2-D seismic data over Company lands and characterizations of these seismic shoots were developed. An updated independent resource evaluation was commissioned in the spring of 2008 using the winter's delineation drilling program results. The Company also undertook further enhancement of its reservoir modeling and mapping using the new information acquired from the drilling results and seismic data acquisition.

Engineering and development

Expenditures for the year ended December 31, 2008 were concentrated around the MacKay and Dover pilot and commercial projects. This included spending on preliminary and detailed engineering on the pilot and commercial plants and structures, including engineering studies and construction management. Preliminary costs for detailed environmental impact assessments were incurred for commercial projects on both areas. In addition there were supplemental environmental impact assessment costs on the pilot projects and for the winter drilling program. There were also preliminary costs associated with engineering on roads and site development, including airborne surveys for aggregate, clay, and subsurface channels for use in construction.

Corporate assets

For the year ended December 31, 2008, corporate asset expenditures included the acquisition of office furniture, fixtures, leasehold improvements, and information technology assets.

For the year ended December 31, 2008, $2.5 million of capitalized interest on borrowing costs is included in capital expenditures.

Liquidity and Capital Resources

Working Capital

At September 30, 2009, the Company had working capital of $161.1 million, including $178.6 million of cash and short-term investments.

At September 30, 2009, short-term investments included banker's acceptances and bank notes with terms ranging from 171 to 181 days and bearing interest at rates of 0.45%.

The following table summarizes the Company's cash and short-term investments position at September 30, 2009:

($ thousands)	Term (days)	Interest rate (%)	Amount
Cash			$174,152
Short term investments	171-181	0.45	4,490
Total			**178,642**

The interest rate on amounts invested in Company cash accounts is the bank prime rate minus 2%, or 0.25% as at September 30, 2009.

On February 10, 2010, the Company closed the PetroChina Transaction and received a cash payment of $1.9 billion. Upon completion of the PetroChina Transaction, the Senior Secured Notes were called by Athabasca for redemption and all amounts owing under the Senior Secured Note Indenture were paid to Olympia Trust Company, trustee under the Senior Secured Note Indenture, on behalf of the holders of the Senior Secured Notes from the proceeds of PetroChina Loan #1. Upon receipt of such payment, the trustee discharged its security in respect of the Senior Secured Notes and released Athabasca from its obligations under the Senior Secured Note Indenture in respect of the Senior Secured Notes. See "– Long term Debt" below. On March 22, 2010, pursuant to the Plan of Arrangement, Athabasca paid the Special Dividend in the aggregate amount of approximately $1.332 billion ($4.25 per Common Share) utilizing a portion of the proceeds of the PetroChina Transaction. The Company's remaining funds are currently invested in cash and cash equivalents and short-term investments.

Management believes that the proceeds from the PetroChina Transaction, the PetroChina Loans and the Offering, combined with the Company's remaining working capital less the Special Dividend, are sufficient to fund the Company's expenditures for at least 2010 and 2011. Excess cash will be invested in low risk instruments such as banker's acceptances with a focus on capital preservation.

Expenditures for the development of the initial commercial phases of both the MacKay Oil Sands Project and the Dover Oil Sands Project are expected to be substantially provided for by working capital, PetroChina Loan #2 and, if the MacKay Put/Call Option is not exercised, by PetroChina Loan #3.

Long term Debt

On July 30, 2008, the Company issued $400.0 million principal amount of Senior Secured Notes with a term of three years, maturing July 30, 2011. The Senior Secured Notes carried an interest rate of 13% payable semi-annually in arrears on December 31 and June 30. The Senior Secured Notes also included an early payout feature depending on various conditions, which would result in payout between 105% and 110% of face value. The Senior Secured Notes were secured by a floating charge and a general security interest over all of the Company's and its material subsidiaries' present and after acquired real and personal property, including their oil sands leases.

Net proceeds from the issue of the Senior Secured Notes were partially used to fund the winter 2009 core hole drilling program, business development, and Company operations.

In accordance with the Senior Secured Note Indenture governing the Senior Secured Notes, the Company set aside funds for the payment of the first two interest payments on the Senior Secured Notes, which funds were held in trust. The first interest payment of $22.1 million was made on December 31, 2008 and the second interest payment of $26.0 million was made on June 30, 2009.

The financing arrangements that comprise a part of the PetroChina Transaction included the advance of PetroChina Loan #1 to the Company to repay the Senior Secured Notes. PetroChina International Subco provided the Company with a non-revolving loan facility of $430.0 million, all of which was used to repay the Company's Senior Secured Notes and related costs under the Senior Secured Note Indenture, including the principal amount of $400.0 million, an early redemption premium of $28.0 million, and a portion of the accrued interest. Interest on PetroChina Loan #1 is payable semi-annually at a rate equal to the LIBOR Rate plus 450 basis points. PetroChina Loan #1, on a pro rata basis with PetroChina Loan #2 and PetroChina Loan #3, if applicable, is repayable from 90% of cash flow (as provided for in the PetroChina Loan Agreements) of the MacKay Joint Venture and Dover Joint Venture, and any amount remaining outstanding on June 30, 2022 is required to be repaid in full at that time.

The financing arrangements that comprise a part of the PetroChina Transaction also included the provision of PetroChina Loan #2 and PetroChina Loan #3 to the Company to provide up to $100 million and up to $560 million, respectively, for initial development expenditures on the MacKay Joint Venture and Dover Joint Venture projects. Interest on both loans is payable semi-annually at a rate equal to the LIBOR Rate plus 450 basis points. The amounts drawn on both loans, on a pro rata basis with PetroChina Loan #1, are repayable from 90% of cash flow (as provided for in the PetroChina Loan Agreements) of the MacKay Joint Venture and Dover Joint Venture and any amount remaining outstanding under either loan on June 30, 2024 is required to be repaid in full at that time. No amounts have been drawn to date on PetroChina Loan #2. PetroChina Loan #3 is only available if the Put/Call Options are not exercised and expire and the MacKay Oil Sands Project Approval is obtained.

Equity Instruments

At September 30, 2009, the Company had 97.6 million Purchase Warrants outstanding with an exercise price of $1.25 per warrant. All Outstanding Purchase Warrants were subsequently exercised or deemed to be exercised pursuant to the Plan of Arrangement resulting in proceeds of approximately $122.0 million. See "– Subsequent Events – Special Dividend" below.

At September 30, 2009, the Company also had 5.0 million Series I Performance Warrants and 5.0 million Series II Performance Warrants outstanding with an exercise price of $0.01 per warrant. Subsequent to September 30, 2009, all 10.0 million Performance Warrants were exercised resulting in the issuance of 10.0 million Common Shares for total cash consideration of $0.1 million.

Commitments

The following table summarizes the Company's estimated future commitments as of September 30, 2009:

($ thousands)	2009	2010	2011	2012	2013	2014	Thereafter	Total
Long term debt repayment	—	—	400,000	—	—	—	—	**400,000**
Interest payments on long term debt	26,000	52,000	29,918	—	—	—	—	**107,918**
Office leases	597	2,375	2,375	2,375	1,111	480	920	**10,233**
Other	53	200	200	200	200	800	—	**1,653**
Total commitments	**26,650**	**54,575**	**432,493**	**2,575**	**1,311**	**1,280**	**920**	**519,804**

Upon completion of the PetroChina Transaction, the Senior Secured Notes were called by Athabasca for redemption and all amounts owing under the Senior Secured Note Indenture were paid to Olympia Trust Company, trustee under the Senior Secured Note Indenture, on behalf of the holders of the Senior Secured Notes from the proceeds of PetroChina Loan #1. Upon receipt of such payment, the trustee discharged its security in respect of the Senior Secured Notes and released Athabasca from its obligations under the Senior Secured Note Indenture in respect of the Senior Secured Notes. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The PetroChina Loan Agreements – PetroChina Loan #1 Agreement".

Off-Balance Sheet Arrangements

The Company has certain lease and industry group agreements, all of which are reflected in the table above under the heading "Commitments", which were entered into in the normal course of operations. The leases, which have been treated as operating leases, and industry group commitments have been treated as general and administrative expenses. No asset or liability value has been assigned to these agreements on the Company's balance sheet as of September 30, 2009.

Related Party Transactions

Three and Nine Months Ended September 30, 2009

There were no related party transactions during the periods.

Year Ended December 31, 2008

There were no related party transactions during the year.

Year Ended December 31, 2007

There were no related party transactions during the year.

Period Ended December 31, 2006

As part of the original capitalization of the Company, Avenir transferred the right to acquire certain oil sands leases to the Company in exchange for 20,000,000 Common Shares valued at $0.001 per share, 9,500,000 Series I Performance Warrants and 9,500,000 Series II Performance Warrants. The transaction was valued based on the exchange amount identified and agreed to in the agreements governing the transfer. No value was ascribed to the Performance Warrants at the time of issuance.

Of the total number of securities obtained by Avenir, 2,500,000 Common Shares, 1,250,000 Series I Performance Warrants and 1,250,000 Series II Performance Warrants were held in trust for the benefit of certain current and future employees of the Company. Avenir has been appointed the trustee of the trust.

The financial statement effects of the non-monetary transaction referenced above include an increase of $0.1 million to the Company's property, plant and equipment account; an increase of $0.1 million to the Company's future income tax liabilities; and a $0.1 million increase to the Company's share capital account. Since there are no tax pools associated with the transfer, the $0.1 million asset increase reflects and offsets the future income tax liability created by the transaction.

Avenir transferred certain oil sands leases to the Company in exchange for 17,869,617 Common Shares and 17,869,617 share purchase warrants (collectively referred to as the "units") valued at $1.00 per unit. The purchase price of the transaction and the number of units issued was based on the cost of the leases originally paid by Avenir. The full value of each unit issued was allocated to Common Share capital.

Outstanding Share Data

The following table summarizes the number of share capital instruments outstanding at the date indicated:

	At March 29, 2010
Basic Common Shares	313,482,144
Convertible securities:	
Stock options – granted and unexercised	604,200
RSUs	17,400
Fully diluted Common Shares	314,103,744

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to pursue the acquisition, exploration and development of its oil sands properties or potential other business and to maintain a flexible capital structure to undertake projects for the benefit of its stakeholders. The Company considers the items included in shareholders' equity, long term debt and bank debt as capital. The Company is currently in the development stage and earns no operating revenue; as such the Company is dependent on external financing to fund its activities. At September 30, 2009, the Company had a $25 million credit line with a Canadian chartered bank. Immediately prior to the closing of the PetroChina Transaction, the credit line was cancelled. Immediately following the closing of the PetroChina Transaction, the Senior Secured Notes were redeemed with the proceeds of PetroChina Loan #1.

Capital managed by the Company is as follows:

($ thousands)	September 30, 2009	December 31, 2008
Bank credit facility	—	—
Senior Secured Notes	392,041	378,906
Shareholders' equity	381,535	362,266
Capital managed	**773,576**	**741,172**

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, obtain or repay bank debt, or enter into joint exploration and development arrangements with other parties.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary and which are approved by the Board of Directors. Longer term financial models are also utilized to schedule and forecast anticipated cash requirements. Excess cash is invested in accordance with an investment policy, which is reviewed periodically, with the objective that cash is invested in highly liquid short-term interest-bearing investments, possessing pre-approved risk profiles, and is available as required. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2009.

The Company is not subject to externally imposed capital requirements.

Financial Instruments

The Company has classified its financial instruments as follows:

Financial Assets and Liabilities	Classification
Cash and cash equivalents	Held-for-trading
Short-term investments	Held-for-trading
Cash held in trust	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Short-term credit facility	Other financial liabilities
Long term debt	Other financial liabilities

Fair Value

The carrying values of the Company's financial instruments approximate their fair value, with the exception of the Senior Secured Notes.

Because no observable market existed, the fair value for the Senior Secured Notes was estimated based on discounted cash flow analysis using an estimated discount rate, with consideration for changes in economic and market conditions since issuance. Changes in the discount rate will impact the fair value of the Senior Secured Notes. A 1% change in the discount rate will impact the fair value of the Senior Secured Notes by approximately $6.5 million. At September 30, 2009, the fair value of the Senior Secured Notes was estimated at $428.0 million. Immediately following the closing of the PetroChina Transaction, PetroChina International Subco provided the Company with a non-revolving loan facility of $430.0 million, which was used to repay the Senior Secured Notes.

The Company's risk exposure associated with its financial instruments is summarized below.

(a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they become due. The Company's financial position could be adversely affected if it failed to arrange financing for its capital expenditure programs. The Company strives to maintain sufficient financial liquidity by forecasting cash flows for current and subsequent years to identify financing requirements on an ongoing basis. Liquidity risk is currently low due to the cash and short-term investments held by the Company as well as the joint ventures and related financing agreements with PetroChina International Subco pursuant to the PetroChina Transaction.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. The Company's credit risk is primarily attributable to its holdings of cash equivalents, short-term investments and accounts receivable. Approximately $0.8 million of accounts receivable and accrued receivables are due from joint venture participants. The Company attempts to mitigate the risk from joint venture receivables by obtaining participant approval of significant capital expenditure budgets prior to expenditure.

Cash and cash equivalents and short-term investments held by the Company are only invested with counterparties meeting credit quality requirements and issuer 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. Therefore, the Company's management believes that credit risk associated with these investments is low.

(c) Market Risk

The three components of market risk are interest rate risk, price risk, and currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of any of its cash and cash equivalents is minimal because the Company's investment policy requires that the investments acquired be highly liquid, short term in nature and generally that investments are held through to maturity.

The Company is exposed to changes in interest rates on its PetroChina Loans as the facilities bear interest on any drawn amounts at the LIBOR Rate plus 450 basis points. Interest rate risk may increase in the future if the Company draws on the facilities to fund future project expenditures.

(ii) Price risk

Although the Company is not yet a producing entity, it is exposed to price risk with respect to commodity and equity prices to some extent by virtue of their impacts on the value of the Company's prospects and the resulting impact on the Company's share price and ability to access capital on favourable terms, if at all. The Company's ability to raise capital to fund future development activities is subject to risks associated with fluctuations in the price of oil, natural gas and construction inputs such as steel and labour, as well as movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity and equity prices to determine the appropriate course of actions to be taken by the Company.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial instruments held by the Company are denominated in Canadian dollars and, as such, there is currently no currency risk associated with the financial instruments.

The Company is exposed to changes in foreign exchange rates as capital expenditures may fluctuate due to changing U.S. dollar and Euro currency rates.

Outlook

A charge to stock-based compensation for approximately $5.6 million related to amendments to certain of the Company's employee incentive plans will be recognized in the fourth quarter of 2009.

The completion of the PetroChina Transaction affords the Company substantially increased financial flexibility. The Company intends to use that flexibility to support the acceleration of its growth strategy and its exploration and development activities on several of its asset areas.

The regulatory application for the MacKay Oil Sands Project was filed on December 10, 2009 and the regulatory application for the Dover Project is expected to be filed late in 2010.

Financial Reporting Update

Initial Application of New Accounting Policies

During the first quarter of 2009, the Company incurred asset retirement obligations ("**ARO**") and applied the provisions of CICA Handbook section 3110 "Asset Retirement Obligations" to account for them. The estimated fair value of the statutory, contractual or legal liability associated with the retirement and reclamation of tangible long-lived assets is recorded when incurred, with a corresponding increase to the carrying amount of the related assets, when a reasonable estimate of the fair value can be made. The increase to capitalized costs is amortized to net income on a basis consistent with depletion, depreciation, and accretion ("**DD&A**") of the underlying assets. On a periodic basis, management will review these estimates, and changes, if any, in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the consolidated balance sheet of the Company at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included in DD&A. Actual expenditures incurred are charged against the accumulated obligation. Any difference between the recorded ARO and the actual retirement costs incurred is recorded as a gain or loss in the settlement period.

Future Accounting Pronouncements

Business Combinations

In January 2009, the CICA issued a new accounting standard, section 1582 "Business Combinations", which prospectively establishes principles and requirements of the acquisition method for business combinations and related disclosures that will be effective for the Company's 2011 reporting period. These recommendations are effective for business combinations occurring after January 1, 2011, although early adoption is permitted. The adoption of these recommendations is not expected to have a material impact on the Company.

Consolidated Financial Statements

In January 2009, the CICA issued a new accounting standard, section 1601 "Consolidated Financial Statements", which establishes standards for the preparation of consolidated financial statements that will be effective for the Company's 2011 reporting period. The adoption of these recommendations is not expected to have a material impact on the Company.

Financial Instruments – Disclosures

In June 2009, the CICA revised section 3862 "Financial Instruments – Disclosures", to include a hierarchy concept in measuring financial instruments, a requirement to provide disclosure concerning the fair value measurements of assets and liabilities for each hierarchy level and amendments to the liquidity disclosure requirements. The recommendations are effective for the Company's 2009 annual reporting period. The adoption of these recommendations is not expected to have a material impact on the Company.

International Financial Reporting Standards

In February 2008, Canada's Accounting Standards Board confirmed the changeover to International Financial Reporting Standards ("**IFRS**") for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. The changeover to IFRS represents a change to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking which may materially affect the Company's reported financial position and results of operations. The Company has drafted an IFRS Transition Plan ("**IFRS Plan**") and an assessment of the impact of IFRS on the entity, its processes and its financial reporting is underway.

The first phase of the IFRS Plan was to perform a diagnostic review, the purpose of which was to analyze, identify and assess the overall effort required by the Company to produce financial information on an IFRS basis. Areas which will likely be significantly impacted by the adoption of IFRS were identified and a qualitative overview of likely financial statement impacts and potential difficulties with systems or processes which may arise when addressing the differences between IFRS and current Canadian GAAP was performed. The first phase of the IFRS Plan was completed in March of 2009.

The second phase of the IFRS Plan is currently being undertaken. This involves the preparation of a work plan by internal staff for the areas of significance identified in the first phase. Component evaluations for each significant area are currently being undertaken. Each component evaluation will consist of the following:

- Definition of a starting point by summarizing Canadian GAAP as currently used;
- Definition of IFRS accounting policies for the component;
- Narrative summarization of differences between Canadian GAAP and IFRS;
- Identification of issues or data gaps to be dealt with;
- Summary of action items and identification of interdependencies with other components;
- Communication/training needs; and
- Effects on internal controls/disclosure controls.

The third phase of the IFRS Plan, which has been initiated by the Company, involves the analysis and aggregation of the Company's financial data and the remediation of any data capture/procedural/internal control deficiencies or issues which have been or continue to be identified throughout the process.

Critical Accounting Policies and Estimates

The preparation of financial statements, based on Canadian GAAP, requires the use of estimates and assumptions derived from management's professional judgment. By definition, estimates and assumptions are subject to a certain degree of uncertainty and the effects of changes in these estimates and assumptions on the Company's audited and unaudited consolidated financial statements could be significant.

Reserve and Resource Estimates

Estimates of oil sands reserves and resources, by necessity, are projections based on geologic and engineering data, and there are uncertainties inherent to the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserves and resources engineering is an analytical process of estimating underground accumulations of bitumen that can be difficult to measure. The accuracy of any reserve or resource estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable bitumen reserves and resources and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as future production rates, the assumed effects of regulations by governmental agencies and assumptions governing future bitumen prices, future royalties and operating costs, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of bitumen attributable to any particular group of properties, classifications of such reserves and resources based on risk of recovery, and estimates of the future net cash flows expected therefrom may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves or resources, which could affect the carrying value of the Company's oil sands properties and the rate of depletion of the oil sands properties. Actual production, revenues and expenditures with respect to the Company's reserves and resources will likely vary from estimates, and such variances may be material.

The Company's estimated quantities of Probable and Possible Reserves and Contingent Resources were assessed by independent petroleum engineers, GLJ and D&M, in reports dated effective as of December 31, 2009.

Capital Assets – Full Cost Accounting and Impairment

The Company follows the full cost method of accounting. The Company capitalizes costs associated with its oil sands activities, including lease acquisition costs, exploratory drilling to delineate oil sands plays, geological and geophysical costs, engineering, licensing and regulatory fees, carrying charges on non-productive assets, and employee salaries and stock based compensation related to exploration and development activities.

The carrying values of oil sands property and equipment assets are not intended to reflect their future value. The future value of the Company's oil sands assets depends on a number of factors including, but not limited to, the acquisition cost of future property leases, the identification of commercially productive resources, management's ability to obtain adequate financing, the future profitability of identified projects and the global market view related to oil as a viable energy alternative.

Each reporting period the carrying value of the Company's unproved oil sands assets is assessed to determine if there are events or circumstances that would indicate impairment. If an impairment indicator exists and the carrying value is deemed unlikely to be recovered when compared to the estimated discounted future cash flows, the excess of those costs over the recoverable value of the assets is charged to net income. The calculation of the estimated discounted future cash flows is based on a number of estimates including, but not limited to, reserve and resource volumes, production rates, commodity prices, timing of activities, future development costs, and other variables.

The Company believes that the fair value of its capital assets exceeds the carrying value, and the carrying value will be recovered from future operating activity.

Stock-based Compensation

The Company uses the fair value method to account for securities issued as part of its stock-based compensation. The fair value of the securities is estimated at the date of grant and is amortized against earnings over the estimated contractual life of the instrument, with a corresponding amount reflected in contributed surplus. Amounts directly related to exploration and development activities are capitalized.

The calculation of stock-based compensation requires the use of a number of assumptions, including risk free interest rates, volatility, and estimated life.

Future Income Taxes

The Company recognizes a future income tax liability based on estimates of temporary differences between the book and tax value of its assets. An estimate is also used for both the timing and tax rate upon reversal of the temporary differences. Actual differences and timing of the reversals may differ from estimates, impacting the future income tax balance and net income.

Risk Management

The financial performance of the Company may be influenced by a variety of risks inherent to the oil and gas industry, many of which are outside the Company's control. At this stage, the Company does not have material operations and the Company's primary assets consist of cash and short-term investments and leases held for the purpose of oil sands exploration and development. The Company's ongoing success depends on the Company's ability to execute the exploration and development projects currently planned. See "Risk Factors" for a description of certain risks affecting the Company.

Subsequent Events

PetroChina Transaction

The PetroChina Transaction closed on February 10, 2010. See "– Business Overview – Operational Highlights for the Nine Months Ended September 30, 2009 – PetroChina Transaction" and "The PetroChina Transaction".

Incentive Plan Amendments

During the three months ended September 30, 2009, the Company agreed to the terms of amended incentive plan agreements with certain employees, consultants and directors. The amended incentive plan agreements became effective October 15, 2009. The amendments were agreed to by the Company in exchange for the waiver of certain rights as they pertain to change of control conditions contained in the original incentive plan agreements.

The amended terms of Old Options consisted of:

- a more descriptive and restrictive definition of what constitutes a "change of control";
- the immediate vesting of Old Options, the reduction of all exercise prices to $0.01 per Old Option, the immediate exercise of all Old Options, and the agreement of the service providers to return the Common Shares obtained on exercise of such Old Options in trust to Avenir for subsequent release to the service providers on the satisfaction of certain length of service requirements; and

- the amendment of vesting/length of service requirements to a maximum of four years.

The amended terms of Incentive Shares consisted of:

- a more descriptive and restrictive definition of what constitutes a “change of control”;
- the amendment of vesting/length of service requirements to a maximum of four years; and
- Additional grant of 30% more Options with an exercise price of $0.01 per Common Share to the holders of Incentive Shares that had not met the vesting/length of service requirements as at October 15, 2009.

In addition, 750,000 Options were authorized for issuance by the Board of Directors in September 2009 and reserved for security holders eligible for the additional 30% grant. Effective December 31, 2009, 663,900 Options were issued and subsequently exercised. The Common Shares issued on exercise of such Options (referred to as Incentive Shares) are held in trust by Avenir until the holders of such Common Shares meet certain length of service requirements. See “Escrowed Common Shares and Common Shares Subject to a Contractual Restriction on Transfer”. During the period such Common Shares are held in trust, a holder thereof is entitled to vote such Common Shares and to receive directly without any trust restriction any dividends thereon notwithstanding that the conditions to the release of such Common Shares to the holder have not been satisfied. Accordingly, the Special Dividend was paid directly to the holders of such Common Shares and is not held in trust.

Prior to the amendments, incentive plan securities granted to new employees generally vested over six years. The amendment of vesting/length of service requirements to a maximum of four years included the immediate vesting of one-third of the securities granted for certain security holders who had not started working for the Company prior to October 15, 2007, with the remaining vesting over four years starting October 15, 2009. For certain securityholders who started working for the Company prior to October 15, 2007, there was no change in vesting dates. The amendments to the incentive plan agreements resulted in an immediate charge to stock-based compensation expense for those securities that were the subject of accelerated vesting. The exercise price reduction also resulted in an immediate charge to stock-based compensation. A charge to stock-based compensation for approximately $5.6 million related to these changes will be accounted for in the fourth quarter of 2009.

For those employees, directors and consultants who entered into the amended incentive plan agreements, in consideration for the reduction of Old Option exercise prices, the associated cash bonus rights and the related incentive bonus plan payments were cancelled and no cash payments were made to such individuals.

The Board has recently approved the 2009 Option Plan and the RSU Plan in order to attract and retain employees, directors, and consultants. See “Executive Compensation – Long Term Equity Incentive Plans – 2009 Option Plan” and “Executive Compensation – Long Term Equity Incentive Plans – RSU Plan”.

Special Dividend

Special Dividend

On March 22, 2010, pursuant to the Plan of Arrangement, Athabasca paid the Special Dividend in the aggregate amount of approximately $1.332 billion ($4.25 per Common Share) utilizing a portion of the proceeds of the PetroChina Transaction.

Pursuant to the Plan of Arrangement: (a) each outstanding Purchase Warrant was deemed to be exercised for one Common Share and the holder thereof became entitled to the Special Dividend; and (b) (i) each Common Share held by a Shareholder or Warrantholder that so elected and certified that: (A) it is a resident of Canada; (B) it holds its Common Shares as capital property; and (C) it is not exempt from tax under Part I of the Tax Act; was exchanged for one Class B Common Share; (ii) Athabasca declared and paid the Special Dividend in the aggregate amount of $4.25 per share to the holders of Common Shares and Class B Common Shares, with the capital dividend portion of the Special Dividend being paid to holders of Class B Common Shares; and (iii) following the payment of the Special Dividend, each Class B Common Share was exchanged for one Common Share. Accordingly, on completion of the Plan of Arrangement there are no authorized or issued Class B Common Shares and there was no change in the outstanding number of Common Shares, except for the 84,109,692 Common Shares issued upon the deemed exercise of Purchase Warrants pursuant to the Plan of Arrangement.

Nature of and Reasons for the Special Dividend

Under the Tax Act, only 50% of a capital gain realized on the sale of a capital property is subject to tax. If a capital gain is realized by a CCPC, such as Athabasca, it is able to distribute to its shareholders the non-taxable 50% of the capital gain by way of a "capital dividend" and such capital dividend will not be included in the shareholder's income for purposes of the Tax Act, but only if at the time the dividend is paid the corporation is a CCPC. In addition, a special refundable tax (the "**Refundable Dividend Tax**") is imposed on capital gains realized by a CCPC. This Refundable Dividend Tax may be recovered by such corporations upon payment of $3.00 in taxable dividends (which excludes a capital dividend) for each $1.00 in Refundable Dividend Tax paid, but only if the corporation is a CCPC throughout the taxation year in which the dividend is paid.

Athabasca will cease to be a CCPC on Closing. Athabasca has realized a capital gain of approximately $1.9 billion and therefore was able to pay a capital dividend to its Shareholders of up to approximately $938 million. In addition, the Refundable Dividend Tax payable by Athabasca is approximately $132 million, which may be recovered by Athabasca only upon payment of a $397 million taxable dividend.

Special Securityholders Meeting

At the Special Securityholders Meeting held on March 19, 2010, Securityholders, as applicable, approved: (i) the Plan of Arrangement; (ii) the creation of the Preferred Shares; and (iii) the adoption of the Rights Plan. See "Description of Share Capital" and "Shareholder Rights Plan".

MANAGEMENT

Directors and Officers – Summary Information

The following table sets forth certain summary information in respect of the Company's directors and officers as at the date of this prospectus.

Name, Province and Country of Residence	Position Held	Director Since	Principal Occupation
William Gallacher(1)(2)(3) . . . . Alberta, Canada	Chairman of the Board and Director	August 23, 2006	President and Chief Executive Officer of Avenir.
Gary Dundas(2) (3) . . . . Alberta, Canada	Director	August 28, 2006	Vice President, Finance and Chief Financial Officer of Avenir Operating Corp., the administrator of Avenir Diversified Income Trust.
J.G. (Jeff) Lawson(2)(3) . . . . Alberta, Canada	Director	August 28, 2006	Principal at Peters & Co. Limited.
Tom Buchanan(1)(3) . . . . Alberta, Canada	Director	November 14, 2006	President and Chief Executive Officer of Provident Energy Ltd., the administrator of Provident Energy Trust.
Marshall McRae(1)(3) . . . . Alberta, Canada	Director	October 30, 2009	Independent Consultant.
Sveinung Svarte(2) . . . . Alberta, Canada	President, Chief Executive Officer and Director	October 19, 2006	President and Chief Executive Officer of the Company.
Rob Harding . . . . Alberta, Canada	Vice President, Finance and Chief Financial Officer	N/A	Vice President, Finance and Chief Financial Officer of the Company.
Don Verdonck . . . . Alberta, Canada	Vice President, Development and Operations	N/A	Vice President, Development and Operations of the Company.
Ian Atkinson . . . . Alberta, Canada	Vice President, Geoscience, Technology and Reservoir	N/A	Vice President, Geoscience, Technology and Reservoir of the Company.
Bob Bruce . . . . Alberta, Canada	Vice President, Corporate Development	N/A	Vice President, Corporate Development of the Company.
Bryan Gould . . . . Alberta, Canada	Vice President, New Ventures and Business Development	N/A	Vice President, New Ventures and Business Development of the Company.
Anne Schenkenberger . . . . Alberta, Canada	General Counsel and Corporate Secretary	N/A	General Counsel and Corporate Secretary of the Company

Notes:

(1) Member of the Audit Committee. Mr. McRae is the Chairman of the committee.

(2) Member of the Reserves and Health, Safety and Environmental Committee. Mr. Gallacher is the Chairman of the committee.

(3) Member of the Compensation and Governance Committee. Mr. Lawson is the Chairman of the committee.

Directors and Officers – Biographies

The following are brief profiles of the directors and officers of the Company, including a description of each individual's principal occupation within the past five years.

William Gallacher, P. Eng. – Chairman of the Board and Director

Mr. Gallacher has been the President of Avenir, a private equity firm owned by Mr. Gallacher, since 1997. Mr. Gallacher has also been the President and Chief Executive Officer of Avenir Operating Corp., the administrator of Avenir Diversified Income Trust (a publicly traded income trust listed on the TSX that invests in the real estate, financial services and oil and gas industries), since 2003. Mr. Gallacher obtained a Bachelor of Applied Science, Geological Engineer degree from the University of British Columbia in 1986 and a Professional Engineer designation from the Association of Professional Engineers, Geologists and Geophysicists of Alberta in 1989.

Gary Dundas, CMA, MBA – Director

Mr. Dundas has been the Vice President, Finance and Chief Financial Officer of Avenir Operating Corp., the administrator of Avenir Diversified Income Trust (a publicly traded income trust listed on the TSX that invests in the real estate, financial services and oil and gas industries), since 2003. Prior thereto, Mr. Dundas held a number of positions at Maxx Petroleum Ltd. (a publicly traded junior exploration and production company listed on the TSX), from 1994 to 2001 including Vice-President, Finance and Chief Financial Officer. Mr. Dundas served as Athabasca's Chief Financial Officer on a non-salaried basis at various times from incorporation to May 2008. Mr. Dundas obtained a Bachelor of Commerce degree from the University of Calgary in 1976, a Certified Management Accountant designation from the Society of Management Accountants of Alberta in 1983, and a Masters in Business Administration degree from the University of Calgary in 1991.

J.G. (Jeff) Lawson, LLB – Director

Mr. Lawson has been a principal at Peters & Co. Limited (a full service investment dealer that specializes in the Canadian oil and natural gas, midstream and oilfield services industries) since December 2008. Prior thereto, Mr. Lawson was Managing Director, Head of Calgary Investment Banking at Blackmont Capital Inc. (an investment dealer), from October 2007 to December 2008. Prior to October 2007, Mr. Lawson was a partner at the law firm of Burnet, Duckworth & Palmer LLP where he practised in the areas of corporate securities and mergers and acquisitions.

Tom Buchanan, CA – Director

Mr. Buchanan has been the President and Chief Executive Officer of Provident Energy Ltd., the administrator of Provident Energy Trust (a publicly traded oil and gas energy trust listed on the TSX and the NYSE), since 2001. In 1993, Mr. Buchanan established Founders Energy Ltd., a junior oil and gas company listed on the TSX that was subsequently converted into Provident Energy Trust in 2001. Mr. Buchanan held a number of positions with Founders Energy Ltd., including Executive Vice President, Corporate Development, Chief Financial Officer, President and Chief Executive Officer. Mr. Buchanan obtained a Bachelor of Commerce degree from the University of Calgary in 1979 and a Chartered Accountant designation from the Institute of Chartered Accountants of Alberta in 1982.

Marshall McRae, CA – Director

Mr. McRae has been an independent financial and management consultant since August 2009. Prior thereto, Mr. McRae was Chief Financial Officer of CCS Inc., administrator of CCS Income Trust (a publicly traded energy and environmental services trust listed on the TSX) and its successor corporation, CCS Corporation (a private energy and environmental services company) since August 2002. Mr. McRae has over 25 years of experience in senior operating and financial management positions with a number of publicly traded and private companies, including Versacold Corporation and Mark's Work Wearhouse Limited. Mr. McRae obtained a Bachelor of Commerce degree, with Distinction, from the University of Calgary in 1979, and a Chartered Accountant designation from the Institute of Chartered Accountants of Alberta in 1981.

Sveinung Svarte, M. Sc., MBA – President, Chief Executive Officer and Director

Mr. Svarte has been the President and Chief Executive Officer of the Company since January 2007. Prior thereto, he was the Vice President, Oilsands at Total Canada (a private oil and gas company and subsidiary of Total S.A., a publicly traded integrated international oil and gas company listed on the NYSE and the Paris Bourse), from 2004 until July 2005 when Total Canada acquired Deer Creek Energy Limited. Thereafter, Mr. Svarte served as the Vice President, Corporate Development of Total Canada and was responsible for the oversight of four departments: Exploration; Planning and Development; Business Development; and Research and Development. Prior to joining Total Canada, Mr. Svarte was the Manager of New Ventures and Asset Management, Central Asia and East Siberia, at Total S.A. Mr. Svarte obtained a Masters of Science degree from the Norwegian Institute of Technology in 1985 and a Master of Business Administration degree from the University of Chicago in 1999.

Rob Harding, CMA, MBA – Vice President, Finance and Chief Financial Officer

Mr. Harding has been the Vice President, Finance and Chief Financial Officer of the Company since June 1, 2008. From September 2007 to May 2008, Mr. Harding was the Controller of the Company. Prior thereto, he was the Controller at Total Canada (a private oil and gas company and subsidiary of Total S.A., a publicly traded integrated international oil and gas company listed on the NYSE and the Paris Bourse), from October 2004 until August 2007. Prior to joining Total Canada, Mr. Harding was Accounting Manager (Cuba) for Sherritt Oil and Gas Canada Ltd. from January 2003 to June 2004. Mr. Harding also held the positions of Revenue and Cost Analyst and Head of Project Accounting at Ras Laffan LNG Company Ltd. from 1999 to 2002. Mr. Harding obtained a Business Administration – Accounting diploma from the Southern Alberta Institute of Technology in 1991, a Certified Management Accountant designation from the Society of Management Accountants of Alberta in 1996 and a Master of Business Administration degree from the University of Manchester in 2006.

Don Verdonck, P. Eng. – Vice President, Development and Operations

Mr. Verdonck has been the Vice President, Development and Operations of the Company since February 2007. Prior thereto, Mr. Verdonck served in the following positions: the General Manager, Thermal of Total Canada (a private oil and gas company and subsidiary of Total S.A., a publicly traded integrated international oil and gas company listed on the NYSE and the Paris Bourse) from June 2005 to November 2006; the Manager, Development at Pengrowth Corporation, the administrator of Pengrowth Energy Trust (a publicly traded oil and gas company), from June 2004 to June 2005; and a number of technical and managerial positions at Murphy Oil Company Ltd., a subsidiary of Murphy Oil Corporation (a public oil and gas company), from April 1984 to June 2004. Mr. Verdonck obtained a Bachelor of Science degree in Mechanical Engineering from the University of Manitoba in 1976 and a Professional Engineer designation from the Association of Professional Engineers, Geologists and Geophysicists of Alberta in 1978.

Ian Atkinson, M. Sc., P. Eng. – Vice President, Geoscience, Technology and Reservoir

Mr. Atkinson has been the Vice President, Geoscience, Technology and Reservoir of the Company since November 2006. Prior thereto, Mr. Atkinson served in the following positions: the Vice President of Morpheus Energy Corporation (a private oil and gas company), from February 2002 to July 2006; the Manager, Engineering at Quarry Oil & Gas Ltd. (a publicly traded oil and gas company), from January 2001 to February 2002; a senior engineer at Northrock Resources Ltd. (a publicly traded oil and gas company), from June 2000 to January 2001; an exploitation engineer at Renaissance Energy Ltd. (a publicly traded oil and gas company), from July 1998 to June 2000; and a development engineer at Talisman Energy Inc. (a publicly traded oil and gas company) from 1994 to 1998. Mr. Atkinson obtained a Bachelor of Science degree in Petroleum Engineering from the University of Alberta in 1994, a Professional Engineer designation from the Association of Professional Engineers, Geologists and Geophysicists of Alberta in 1996, and a Masters of Science degree in Chemical Engineering from the University of Calgary in 2004.

Bob Bruce – Vice President, Corporate Development

Mr. Bruce has been the Vice President, Corporate Development of the Company since June 2007. Prior thereto, Mr. Bruce was the Senior Commercial Advisor, Oil Sands at ConocoPhillips Canada, a subsidiary of ConocoPhillips (a publicly traded integrated energy company), from March 1998 to April 2007. From 1976 to 1998 Mr. Bruce held a number of business development and managerial positions with Syncrude Canada Ltd. and Suncor. Mr. Bruce obtained a Bachelor of Commerce degree from Memorial University in 1972 and a Bachelor of Arts (Economics) degree from Memorial University in 1976.

Bryan Gould, M. Sc., P. Eng. – Vice President, New Ventures and Business Development

Mr. Gould has been the Vice President, New Ventures and Business Development of the Company since October 2009. Prior thereto, Mr. Gould was the Vice President, Business Development of Shell Canada, a subsidiary of Royal

Dutch Shell plc (a publicly traded integrated oil and gas company), from June 1982 to September 2009. Mr. Gould obtained a Bachelors of Science degree from the University of Toronto in 1980, a Masters of Science degree from the University of Toronto in 1982 and a Professional Engineer designation from the Association of Professional Engineers, Geologists and Geophysicists of Alberta in 1982.

Anne Schenkenberger, LLB – General Counsel and Corporate Secretary

Ms. Schenkenberger has been the General Counsel and Corporate Secretary of the Company since May 2008. Prior thereto, Ms. Schenkenberger was legal counsel at ConocoPhillips Canada, a subsidiary of ConocoPhillips (a publicly traded integrated energy company), from April 2000 to April 2008. Prior to joining ConocoPhillips Canada, Ms. Schenkenberger was an associate at the law firm Ballem MacInnes LLP. Ms. Schenkenberger obtained a Bachelor of Science degree from the University of Portland in 1986 and a Bachelor of Laws degree from the University of Calgary in 1997.

Common Share Ownership

As a group, the directors and officers of the Company beneficially own, or control or direct, directly or indirectly, 45,656,113 Common Shares, representing approximately 14.6% of the issued and outstanding Common Shares as of the date of this prospectus. The Company has been advised that the directors and officers, as a group, intend to subscribe for 631,600 Common Shares pursuant to the Offering. As a result, as a group, the directors and officers will beneficially own or control or direct, directly or indirectly, 46,287,713 Common Shares, representing approximately 11.9% of the issued and outstanding Common Shares, immediately following the closing of the Offering (assuming that the Over-Allotment Option is not exercised)).

Terms of Directors and Officers

The Company's directors will hold office for a term expiring at the conclusion of the next annual meeting of shareholders of the Company, or until their successors are elected or appointed pursuant to the ABCA, and such directors will be eligible for re-election. The Company's officers are appointed by and serve at the discretion of the Board of Directors.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Cease Trade Orders

To the knowledge of the Company, except as described below, no director or executive officer of the Company (nor any personal holding company of any of such persons) is, as of the date of this prospectus, or was within ten years before the date of this prospectus, a director, chief executive officer or chief financial officer of any company (including the Company), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Lawson, a director of the Company, was a director of BakBone Software Incorporated ("**BakBone**") from March 13, 2000 to December 8, 2008. In October 2004, BakBone announced that it had approved the engagement of Deloitte & Touche LLP as BakBone's auditors, who would replace KPMG LLP, who were BakBone's previous auditors. As a result of this change of auditors, and the requirement for Deloitte & Touche LLP to both review BakBone's current results and its previously published financial statements, BakBone was not in a position to file its quarterly report on Form 10-Q for the September 30, 2004 period and consequently, in December 2004, each of the Alberta, British Columbia and Ontario Securities Commissions issued cease trade orders against BakBone to the effect that all trading in the securities of BakBone cease until it has filed its requisite financial statements in accordance with Canadian securities legislation. On February 6, 2009, BakBone filed an application to lift the cease trade orders. Orders revoking the cease trade orders were issued by the securities commissions in each of the provinces of Alberta, Ontario and British Columbia on April 27, 2009.

Bankruptcies

To the knowledge of the Company, except as described below, no director or executive officer of the Company (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as of the date of this prospectus, or has been within the ten years before the date of this prospectus, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the ten years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Gallacher and Mr. Dundas, directors of the Company, are currently serving as directors of Mahalo Energy Ltd. ("**Mahalo**") and Mr. Gallacher currently serves as the Chairman of the Board of Mahalo. In addition, Mr. Lawson served as a director of Mahalo until January 13, 2009. On May 22, 2009, Mahalo obtained an order from the Court of Queen's Bench of Alberta, Judicial District of Calgary, for protection under the *Companies' Creditors Arrangement Act* (Canada). Mr. Dundas is also the sole director of Mahalo Energy (USA) Inc., a subsidiary of Mahalo, which has filed for and received Chapter 11 protection in the United States.

Mr. McRae, a director of the Company, was an officer of E-Zone Networks Inc. ("**E-Zone**") and E-Zone Networks Canada Inc. ("**E-Zone Canada**") from November 1999 to January 2001. E-Zone merged with two unrelated companies in October 2000 to form Netpulse E-Zone Media Networks Inc. ("**Netpulse**"). After Mr. McRae ceased being an officer of those entities, Netpulse and E-Zone filed a voluntary petition under Chapter 7 of the U.S. Bankruptcy Code on February 6, 2001 and E-Zone Canada filed an assignment in bankruptcy in Alberta on February 2, 2001.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Additional Information Regarding Directors and Officers

Conflicts of Interest

Certain of the directors and officers of the Company are engaged in, and may continue to be engaged in, other activities in the oil and natural gas industry from time to time. As a result of these and other activities, certain directors and officers of the Company may become subject to conflicts of interest from time to time. The ABCA provides that in the event that an officer or director is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction, such officer or director shall disclose the nature and extent of his or her interest and shall refrain from voting to approve such contract or transaction, unless otherwise provided under the ABCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the ABCA.

As of the date hereof, the Company is not aware of any existing or potential material conflicts of interest between the Company or a subsidiary of the Company and any director or officer of the Company or of any subsidiary of the Company.

Indebtedness

The Company is not aware of any individuals who are either current or former executive officers, directors or employees of the Company or any of its subsidiaries and who have indebtedness outstanding as at the date hereof (whether entered into in connection with the purchase of securities of the Company or otherwise) that is owing to (i) the Company or any of its subsidiaries, or (ii) another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

Except for (i) indebtedness that has been entirely repaid on or before the date of this prospectus, and (ii) "routine indebtedness" (as defined in Form 51-102F5), the Company is not aware of any individuals who are, or who at any time during 2008 were, a director or executive officer of the Company, or an associate of any of those directors or executive officers, who are, or have been at any time since January 1, 2008, indebted to the Company or any of its subsidiaries, or whose indebtedness to another entity is, or at any time since January 1, 2008 has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

Indemnification and Insurance

The Company currently has a $50 million director and officer insurance program in place. In addition, the Company has entered into indemnification agreements with its directors and officers. The indemnification agreements generally require that the Company indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, if the indemnitees acted honestly and in good faith and in a manner the indemnitee reasonably believed to be in or not opposed to the Company's best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, if the indemnitee had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the Company.

Board Observer

The Company has entered into an agreement with ZAM Ventures Luxembourg s.a.r.l. ("**ZAM Ventures**"), an affiliate of ZAM Investments Luxembourg, s.á.r.l. (a significant shareholder of the Company), pursuant to which the Company has given Ziff Brothers Investments, L.L.C. and its affiliates the right to appoint one representative (which representative is Mr. Bryan Begley (the "**Board Observer**"), unless otherwise agreed to by the Company, in its sole discretion) to attend each meeting of the Board (whether conducted in person or by telephone) as a non-voting observer. See "Principal Securityholders". The Board Observer has the right to present matters for consideration by the Board and to speak to matters presented by others at Board meetings. The Company has agreed to provide the Board Observer with copies of all communications and materials (including all notices, board packages, reports, presentations, meeting minutes and consents) that are provided by the Company, its subsidiaries or the Company's advisors to the members of the Board generally at the same time and in the same manner that such communications and materials are provided to the Board members. The Company has also agreed to reimburse the Board Observer for his reasonable out-of-pocket expenses incurred for the purpose of attending Board meetings to the extent such reimbursement is consistent with the Company's policy for reimbursing Board members for attendance at Board meetings.

Bryan Begley, 38, is a Managing Director of ZBI Ventures, L.L.C., where he leads and manages private investments in the energy sector. From December 2007 to October 2009, Mr. Begley was a member of the board of directors of OGX Petroleo e Gas Participacoes S.A., a Brazilian oil and gas company. Mr. Begley currently serves on the board of directors of several private oil and gas companies and other energy companies in the U.S., Canada and South America. Prior to joining ZBI Ventures, L.L.C., Mr. Begley was a partner at McKinsey & Co. in the Dallas and Houston offices, where he advised clients across the energy sector. He has also worked as an engineer with Phillips Petroleum Company in Bartlesville, Oklahoma and Stavanger, Norway. Mr. Begley received an M.B.A. from Harvard Business School and a Bachelor of Science degree in Mechanical Engineering from Oklahoma State University.

Prior to giving effect to the Offering, ZAM Investments Luxembourg, s.á.r.l. owns 56,545,750 Common Shares, representing approximately 18% of the outstanding Common Shares. See "Principal Securityholders". In addition, the Company has entered into a joint venture with ZAM Ventures Alberta Inc., an affiliate of ZAM Investments Luxembourg, s.á.r.l., in respect of the Company's Grosmont asset. See "Project Development – Other Assets – Grosmont Asset".

CORPORATE GOVERNANCE

Board of Directors

Membership and Independence

The Board is comprised of six directors, a majority of whom are independent for the purposes of NI 58-101. Subject to certain exceptions, a director is independent for the purposes of NI 58-101 if he or she has no direct or indirect material relationship with the Company. A "material relationship" is a relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. The Board has determined that Messrs. Buchanan, Gallacher, Lawson and McRae are independent for the purposes of NI 58-101. Mr. Svarte is not independent for the purposes of NI 58-101 because he serves as the Company's President and Chief Executive Officer. Mr. Dundas is not independent for the purposes of NI 58-101 because he has served as the Company's Chief Financial Officer within the past three years.

The Company has taken steps to ensure that adequate structures and processes are in place to permit the Board to function independently of management of the Company. In this regard, one of the independent directors, Mr. Gallacher, has been appointed as the Chairman of the Board. One of the responsibilities of the Chairman is to provide leadership to the independent directors and to ensure that the policies and procedures adopted by the Board allow the Board to function independently of management. In addition, the Board's mandate provides that following the completion of the Offering, the directors will hold "in-camera" sessions of the independent directors without management present at each regularly scheduled meeting of the Board. For additional information regarding the directors of the Company, see "Management".

The following table identifies those directors of the Company who are presently directors of other issuers that are reporting issuers (or the equivalent) in a Canadian jurisdiction or a foreign jurisdiction:

Director	Reporting Issuer	Stock Exchange
Buchanan	Emera Incorporated	TSX
	Hawk Exploration Ltd.	TSXV
	Provident Energy Ltd., the administrator of Provident Energy Trust	TSX, NYSE
Dundas	Avenir Operating Corp., the administrator of Avenir Diversified Income Trust	TSX
	DirectCash Management Inc., the manager of DirectCash Income Fund	TSX
	Mahalo Energy Ltd.	TSXV
	Great Plains Exploration Inc.	TSX
Gallacher	Avenir Operating Corp., the administrator of Avenir Diversified Income Trust	TSX
	Mahalo Energy Ltd.	TSXV
	Maxim Power Corp.	TSX
	Great Plains Exploration Inc.	TSX
	Black Diamond Group Limited	TSX
Lawson	None	—
McRae	None	—
Svarte	None	—

Mandate

The Board has overall responsibility for managing or supervising the management of the business and affairs of the Company. The Board has adopted a written mandate that summarizes, among other things, the Board's duties and responsibilities, a copy of which is attached to this prospectus as Appendix "E".

Position Descriptions

The Board has developed and implemented written position descriptions for the Chairman of the Board and the chair of each committee of the Board. In addition, the Board and the President and Chief Executive Officer have collectively developed and implemented a written position description for the President and Chief Executive Officer.

Orientation and Continuing Education

The Compensation and Governance Committee takes responsibility for director orientation and education. All newly elected directors are provided with an orientation as to the nature and operation of the business and affairs of the Company and as to the role of the Board and its committees. In order to orient new directors as to the nature and operation of the Company's business, they are also given the opportunity to meet with members of the Company's executive management team to discuss the Company's business and activities. The orientation program is designed to assist the directors in fully understanding the nature and operation of the Company's business, the role of the Board and its committees, and the contributions that individual directors are expected to make.

In addition, the Compensation and Governance Committee is responsible for making available continuing education opportunities designed to maintain or enhance the skills and abilities of the Company's directors and to ensure that their knowledge and understanding of the Company's business remains current.

Ethical Business Conduct

In order to encourage and promote a culture of ethical business conduct, the Board has adopted a written Code of Business Ethics and Conduct (the "**Code**") applicable to all directors, officers and employees of the Company. The Code will be filed on SEDAR at www.sedar.com following the Closing of the Offering. The Board has also adopted a Whistleblower Policy whereby directors, officers and employees of the Company and others are provided with a mechanism by which they can raise complaints or concerns regarding questionable accounting practices, inadequate internal accounting controls, the misleading or coercion of auditors, disclosure of fraudulent or misleading financial information, violations of the Code, violations of the Company's Trading and Blackout Policy and instances of corporate fraud. Reports made under the Whistleblower Policy may be made in a confidential and, if deemed necessary, anonymous process. The Board monitors compliance with the Code through the Whistleblower Policy.

In accordance with the ABCA, directors who are a party to, or are a director or an officer of a person who is a party to, a material contract or material transaction or a proposed material contract or proposed material transaction, are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In certain cases an independent committee may be formed to deliberate on such matters in the absence of the interested party.

Nomination of Directors

The Compensation and Governance Committee is responsible for identifying and assessing new candidates for appointment or nomination to the Board. The committee will take into consideration the performance, independence, competencies, skills and financial literacy of each candidate and the ability of the candidate and such other factors as are necessary to ensure the promotion of effective governance and the satisfaction of applicable law. At the committee's discretion, it will make recommendations to the Board regarding new candidates for appointment or nomination to the Board for its consideration. The committee will also annually review and, in the committee's discretion, recommend to the Board for consideration the individual directors proposed to be nominated for election at the next annual general meeting of the Company's shareholders.

The Board is responsible for approving directors for nomination and election and filling vacancies among the directors. In connection with the nomination or appointment of individuals as directors, the Board will consider the competencies and skills required by the Board, the competencies and skills of the existing directors and the appropriate size of the Board. In all cases, the Board will consider the recommendations of the Compensation and Governance Committee. The Compensation and Governance Committee is comprised of five directors, four of whom are independent directors for the purpose of NI 58-101.

Compensation

The Compensation and Governance Committee's primary purpose with respect to compensation is to assist the Board in fulfilling its oversight responsibilities with respect to: (i) key compensation and human resources policies; (ii) establishing objectives, conducting performance reviews and setting compensation for the Company's Chief Executive Officer; (iii) establishing the compensation of senior management of the Company; (iv) coordinating management succession and development plans; and (v) reviewing executive compensation disclosure before it is released. The Compensation and Governance Committee is comprised of five directors, four of whom are independent directors for the purpose of NI 58-101.

In October 2009, the Company retained Mercer (Canada) Limited to review and provide advice regarding the Company's compensation practices, including in respect of the following matters: overall corporate compensation strategy; executive compensation; long term incentive strategies and practices for executive and non-executive employees; and non-executive compensation. The review is ongoing and it is expected that its results will be considered for adoption in 2010.

Further particulars of the process by which compensation for the Company's directors and officers is determined can be found under "Executive Compensation".

Other Board Committees – Reserves and Health, Safety and Environmental Committee

In addition to the Audit Committee and the Compensation and Governance Committee the Board has established a Reserves and Health, Safety and Environmental Committee with responsibilities: (a) to assist the Board in fulfilling its oversight responsibilities with respect to the evaluation and reporting of the Company's oil and gas reserves and resources and related matters including by reviewing and making recommendations to the Board with respect to: (i) the reserves data (oil and gas reserves and associated future net revenues) of the Company that will be made publicly available and filed with applicable regulatory authorities; (ii) the Company's procedures relating to the disclosure of information with respect to oil and gas activities; and (b) to assist the Board in fulfilling its oversight responsibilities with respect to the development, monitoring and effective implementation of systems, programs and initiatives for the management of health, safety, security and environmental matters that may affect the Company.

Assessments

The Compensation and Governance Committee is responsible for establishing and implementing procedures to evaluate the performance and effectiveness of the Board, Board committees, individual directors, the Board Chair and committee Chairs. The committee will also take reasonable steps to ensure the annual completion and dissemination of the results of an annual directors' evaluation questionnaire in respect of the performance and effectiveness of the Board, Board committees, individual directors, the Board Chair and committee Chairs. The questionnaire will address, among other things, individual director independence, individual director and overall Board skills, and individual director financial literacy.

The Board will oversee the process of the Compensation and Governance Committee's annual evaluation of the performance and effectiveness of the Board, Board committees, individual directors, the Board Chair and committee Chairs in light of the applicable mandates and position descriptions. The Board will also facilitate the committee's annual evaluation of the Board's performance.

The Board will receive and consider a report and recommendations from the Compensation and Governance Committee regarding the results of the annual evaluation of the performance and effectiveness of the Board, Board committees, individual directors, the Board Chair and committee Chairs.

Audit Committee

Audit Committee Mandate

The Board has adopted a written mandate for the Audit Committee, which sets out the Audit Committee's responsibilities. The mandate states that the Audit Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to: the integrity of the Company's annual and quarterly financial statements to be provided to the Company's shareholders and regulatory bodies; the Company's compliance with accounting and finance-based legal and regulatory requirements; the external auditor's qualifications, independence and compensation, and communicating with the external auditor; the system of internal accounting and financial reporting controls that management has established; the performance of the external audit process and of the external auditor; financial policies and strategies, including the Company's capital structure; financial risk management practices; and transactions or circumstances which could materially affect the financial profile of the Company. A copy of the mandate of the Audit Committee is attached to this prospectus as Appendix "F".

Composition of the Audit Committee and Relevant Education and Experience

The Audit Committee currently consists of Messrs. Buchanan, Gallacher and McRae (Chair). Each of the members of the Audit Committee is considered "independent" and "financially literate" within the meaning of National Instrument 52-110 – *Audit Committees*.

The Company believes that each of the members of the Audit Committee possesses: (a) an understanding of the accounting principles used by the Company to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting. For a summary of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, see "Management – Directors and Officers – Biographies".

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

Pre-Approval Polices and Procedures for the Engagement of Non-Audit Services

The Audit Committee must pre-approve and disclose, as required, the retention of the external auditor for non-audit services to be provided to the Company or any of its subsidiaries that is permitted under applicable law. In the discretion of the Audit Committee, it may annually delegate to one or more of its independent members the authority to grant pre-approvals for the provision of non-audit services.

External Audit Service Fees

The following table summarizes the fees paid by the Company to its auditors, Ernst & Young LLP, for external audit and other services during the periods indicated.

Year	Audit Fees(1) ($)	Audit Related Fees(2) ($)	Tax Fees(3) ($)	All Other Fees(4) ($)
2008	141,850	16,000	73,321	32,000
2007	112,550	18,000	22,005	—

Notes:

(1) Represents the aggregate fees billed by the Company's external auditor in each of the last two fiscal years for audit and review services.

(2) Represents the aggregate fees billed in each of the last two fiscal years by the Company's external auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements (and not reported under the heading "Audit Fees"). The services comprising the fees disclosed under this category consisted of the conduct of due diligence procedures in connection with financings undertaken by the Company.

(3) Represents the aggregate fees billed in each of the last two fiscal years by the Company's external auditor for professional services for tax compliance, tax advice and tax planning. The services comprising the fees disclosed under this category consisted of tax consultations and tax compliance services.

(4) Represents the aggregate fees billed in each of the last two fiscal years by the Company's external auditor for products and services not included under the headings "Audit Fees", "Audit Related Fees" and "Tax Fees". The services comprising the fees disclosed under this category consisted of IFRS diagnostic services.

EXECUTIVE COMPENSATION

Introduction

The following discussion describes the significant elements of Athabasca's current executive compensation program, with particular emphasis on the process for determining compensation payable to the President and Chief Executive Officer ("**CEO**"), the Vice-President, Finance and Chief Financial Officer ("**CFO**"), and each of the three most highly compensated executive officers other than the CEO and the CFO (collectively, the "**Named Executive Officers**" or "**NEOs**"). The NEOs, based on anticipated 2010 compensation levels, are as follows:

- Sveinung Svarte, President and CEO;
- Rob Harding, Vice-President, Finance and CFO;
- Don Verdonck, Vice President, Development and Operations;
- Bob Bruce, Vice President, Corporate Development; and
- Bryan Gould, Vice President, New Ventures and Business Development.

There is no present intention to make any material changes to Athabasca's executive compensation program. However, it is anticipated that following Closing the Compensation and Governance Committee will meet with management to review (i) Athabasca's executive compensation program in light of Athabasca's status as a public company, (ii) any recommendations made by Mercer (Canada) Limited in respect of Athabasca's executive compensation program as a result of its ongoing review of the Company's compensation practices, and (iii) any other factors that management and the Committee consider relevant to the formulation of Athabasca's executive compensation program at the time. Following this review, the Compensation and Governance Committee may make recommendations to the Board regarding changes to Athabasca's executive compensation program.

Overview

Based on recommendations made by the Compensation and Governance Committee, the Board makes decisions regarding salaries, annual bonuses and equity incentive compensation for the executive officers, and approves corporate goals and objectives relevant to the compensation of the CEO and the other executive officers. The Board solicits input from the CEO and the Compensation and Governance Committee regarding the performance of the Corporation's other executive officers. Finally, the Board also administers the incentive compensation and benefit plans with the assistance of the Compensation and Governance Committee.

Compensation Objectives and Principles

The Board recognizes that Athabasca's success depends greatly on its ability to attract, retain and motivate superior performing employees at all levels, which can only occur if the Company has an appropriately structured and executed compensation program. The Company's compensation policies are currently founded on the principle that executive and employee compensation should be consistent with shareholders' interests and the Company's compensation plans are therefore intended to encourage decisions and actions that will result in the Company's growth and in the creation of long term shareholder value. In determining the compensation to be paid to the NEOs, the Board and the Compensation and Governance Committee take into account corporate achievements, comparative market data and information supplied by management of the Company.

The principal objectives of the Company's executive compensation program are as follows:

(a) to attract and retain qualified executive officers;

(b) to have a compensation package that is competitive within the marketplace;

(c) to align the executives' interests with those of the Company's shareholders; and

(d) to reward the demonstration of both leadership and performance.

The Compensation and Governance Committee's objective is to ensure that the compensation of the Named Executive Officers provides a competitive package that reflects both base expectations to attract and retain the appropriate level of individuals, as well as provide a link between discretionary short and long term incentives with short and long term corporate goals. The compensation package is designed to reward performance based on the achievement of performance goals and objectives and to be competitive with comparable companies in the market in which the Company competes for talent.

Components of Compensation

The following components are currently intended to comprise the compensation package for NEOs for the year ended December 31, 2010: base salary; annual short-term incentive; and participation in the Company's long term compensation plans. All salaries, salary increases, cash bonuses and stock-based compensation for the Named Executive Officers are reviewed and approved by the Compensation and Governance Committee and the Board.

Base Salary

The base salary of each Named Executive Officer reflects the complexity of their role in addition to the amount of industry experience they possess. Salaries are reviewed annually and compared to industry peers through publicly available documents and available compensation surveys prepared by compensation consultants. Consideration is given to the growth plans of the Company and the objective to attract and retain highly talented individuals from the industry.

The industry peers evaluated by the Company in determining base salary have historically been comprised of companies operating in the oil sands exploration and development industry based principally in Alberta. Following the Closing, the Compensation and Governance Committee, in conjunction with the Board, will review and amend the comparator group for purposes of setting the future compensation of the NEOs.

Annual Short-Term Incentive Compensation

Annual short-term incentive compensation provides for annual cash awards, which are intended to motivate and reward NEOs for achieving and surpassing annual corporate and individual goals. The amount of the cash award or "bonus" is determined by reference to a target percentage of base salary. The base bonus award target for each Named Executive Officer for 2009 was 40% of their respective base annual salaries. Following Closing, the Compensation and Governance Committee will meet with management to review the proposed 2010 base bonus award target and will make recommendations to the Board regarding the approval of the same. Peer performance and practices are also considered each year in determining the final amount of bonuses to be awarded.

Bonus awards for the Named Executive Officers, excluding the Chief Executive Officer, are recommended by the Chief Executive Officer and are reviewed by the Compensation and Governance Committee and, if deemed appropriate, are recommended to the Board for approval. Bonus awards for the Chief Executive Officer are determined solely by the Board based on recommendations received from the Compensation and Governance Committee.

Long Term Equity Incentives

General

Athabasca believes that equity-based awards allow the Company to reward executive officers for their sustained contributions to the Company. Athabasca also believes that equity awards reward continued employment by an executive officer, with an associated benefit to the Company of employee continuity and retention.

Incentive Shares

Athabasca has previously made available to its NEOs the opportunity to acquire Common Shares at nominal purchase prices (referred to herein as Incentive Shares). The Board believes that the ownership of Incentive Shares aligns the interests of management (including the NEOs) with the interests of shareholders, thereby creating a strong link between NEO compensation and the long term corporate performance of Athabasca and the creation of shareholder value for Athabasca's shareholders. Although the Board does not have any present intention to make additional Incentive Shares available to NEOs in the future, Incentive Shares held by management (including the NEOs) are held in trust by Avenir pending the satisfaction of certain length of service requirements by the applicable NEO. The length of service requirements vary for each service provider but the trust arrangements generally provide for annual or bi-annual releases of the Incentive Shares in equal amounts over periods ranging from two to four years. The Incentive Shares also serve as an effective retention tool because in many circumstances the termination of an NEO's employment with Athabasca will result in Athabasca re-purchasing the Incentive Shares at nominal purchase prices. See "Escrowed Common Shares and Common Shares Subject to a Contractual Restriction on Transfer".

2009 Option Plan

The 2009 Option Plan allows the Board to grant Options to purchase Common Shares. The Board believes that New Options align the interests of management (including the NEOs) with the interests of shareholders, thereby creating a strong link between NEO compensation and the long term corporate performance of Athabasca and the creation of shareholder value for Athabasca's shareholders. The Board does not award New Options according to a prescribed formula or target. Instead, the Board takes into account the individual's position, scope of responsibility, ability to affect shareholder value, the individual's historic and recent performance, and the value of the proposed New Option grant in relation to other elements of the executive's total compensation. When considering the grant of New Options under the 2009 Option Plan, the Board will take into consideration the number of Options that were previously granted to the executive (including, without limitation, Old Options granted under the Old Option Plan), the number of RSUs held by the NEO, and the number of Incentive Shares held by the NEO. See "Executive Compensation – Long Term Equity Incentive Plans – 2009 Option Plan".

RSU Plan

The RSU Plan allows the Board to grant RSUs, each of which is a unit that is equivalent in value to a Common Share and that upon vesting and exercise results in the holder thereof being issued a Common Share for a nominal exercise price. The Board believes that RSUs align the interests of management (including the NEOs) with the interests of shareholders, thereby creating a strong link between NEO compensation and the long term corporate performance of Athabasca and the creation of shareholder value for Athabasca's shareholders. The Board does not award RSUs according to a prescribed formula or target. Instead, the Board takes into account the individual's position, scope of responsibility, ability to affect shareholder value, the individual's historic and recent performance, and the value of the proposed RSU grant in relation to other elements of the executive's total compensation. When considering the grant of RSUs under the RSU Plan, the Board will take into consideration the number of RSUs that were previously granted to the executive, the number of Options held by the NEO, and the number of Incentive Shares held by the NEO. See "Executive Compensation – Long Term Equity Incentive Plans – RSU Plan".

Compensation of Named Executive Officers

Summary Compensation Table – Expectations for 2010

Based on information available as at the date hereof, the following table sets out information concerning the compensation anticipated to be paid by the Company to the NEOs during the year ended December 31, 2010.

Name and Principal Position	Year	Salary[(1)] ($)	Share-based Awards[(2)] ($)	Option-based Awards[(3)] ($)	Non-equity Incentive Plan Compensation[(4)] ($)	Pension Value[(5)] ($)	All Other Compensation ($)	Total Compensation ($)
Sveinung Svarte President and CEO	2010	270,000	—	—	—	—	78,000[(6)]	348,000
Rob Harding Vice President, Finance and CFO	2010	216,000	—	—	—	—	—[(7)]	216,000
Don Verdonck Vice President, Development and Operations	2010	232,200	—	—	—	—	—[(7)]	232,200
Bob Bruce Vice President, Corporate Development	2010	232,200	—	—	—	—	—[(7)]	232,200
Bryan Gould Vice President, New Ventures and Business Development	2010	232,200	—	—	—	—	—[(7)]	232,200

Notes:

(1) Represents the base salaries in effect as of the date hereof. Actual salaries paid for the year ending December 31, 2010 may be greater than or less than these amounts depending on whether the Compensation and Governance Committee and the Board determine to adjust existing base salary levels during 2010.

(2) The Company has not granted any RSUs to NEOs during 2010 and no decisions have been made by the Board regarding the future grant of RSUs to NEOs during 2010.

(3) The Company has not granted any New Options to NEOs during 2010 and no decisions have been made by the Board regarding the future grant of New Options to NEOs during 2010.

(4) The Company has not paid any non-equity incentive plan compensation to NEOs during 2010 and no decisions have been made by the Board regarding the future payment of non-equity incentive plan compensation to NEOs during 2010.

(5) The Company does not currently provide for, or contribute to, either a defined benefit plan or defined contribution plan on behalf of its NEOs.

(6) Pursuant to his executive employment agreement, Mr. Svarte receives a monthly allowance to cover certain personal expenses specified in such agreement.

(7) The value of perquisites to be received by these NEOs during 2010, including property or other personal benefits provided to these NEOs that are not generally available to all employees, are not in the aggregate anticipated to be $50,000 or greater or 10% or greater of these NEO's total anticipated salary for 2010.

Long Term Equity Incentive Plans

Incentive Shares

Athabasca has previously made available to its NEOs the opportunity to acquire Common Shares at a nominal purchase price (referred to herein as Incentive Shares). The Board does not have any present intention to make additional Incentive Shares available to NEOs in the future.

Pursuant to declarations of trust entered into by Avenir with the NEOs, a total of 1,190,000 Incentive Shares are held in trust pending the satisfaction of certain length of service requirements (the "**NEO Length of Service Requirements**") by the applicable NEO, unless the Incentive Shares are earlier released in the event of: (i) the death of the NEO; (ii) a Change of Control (as defined in the applicable agreements) of the Company; or (iii) a determination by the Board to allow earlier release (collectively, the "**NEO Trust Arrangements**").

The NEO Length of Service Requirements vary for each NEO but the NEO Trust Arrangements generally provide for annual or bi-annual releases of the Incentive Shares in equal amounts over periods ranging from two to four years. In particular, subject to the early release provisions described above, the following number of Incentive Shares will be released from the NEO Trust Arrangements at the following times: (i) 26,667 Incentive Shares on July 1, 2010; 41,250 Incentive Shares on December 31, 2010; 14,998 Incentive Shares on July 1, 2011; 41,250 Incentive Shares on December 31, 2011; 41,250 Incentive Shares on December 31, 2012; and 41,250 Incentive Shares on December 31, 2013; (ii) with respect to an additional 50,000 Incentive Shares, 25% of the total amount thereof will be released on various dates in each of 2010, 2011, 2012 and 2013; and (iii) with respect to an additional 933,335 Incentive Shares, 50% of the total amount thereof will be released on various dates in each of 2011 and 2013.

The Company has the right to acquire Incentive Shares subject to the NEO Trust Arrangements from an NEO for a nominal purchase price ($0.01 per Incentive Share in certain circumstances and $0.001 per Incentive Share in other circumstances) if the NEO resigns, is terminated for "just cause" or is terminated without "just cause" in certain circumstances. See "Escrowed Common Shares and Common Shares Subject to a Contractual Restriction on Transfer".

Old Option Plan

Historically, the Company has granted Old Options pursuant to the Old Option Plan and predecessor option plans. However, there are no Old Options outstanding under the Old Option Plan and the Board has ceased granting Old Options under the Old Option Plan. Effective as of September 1, 2009, the Board approved the 2009 Option Plan as a replacement for the Old Option Plan, as the Old Option Plan was not suitable for a public company.

2009 Option Plan

Purpose and Administration

The purpose of the 2009 Option Plan is to aid in attracting, retaining and motivating eligible Service Providers (as defined below) of the Athabasca Group (as defined below) in the growth and development of the Athabasca Group by providing them with the opportunity through New Options to acquire an increased proprietary interest in the Company. For the purposes of the 2009 Option Plan:

(a) "**Athabasca Group**" means, collectively, the Company, AOSC MacKay Corp., AOSC (MacKay) Energy Inc., MacKay Operating Corp., AOSC Dover Corp., AOSC (Dover) Energy Inc., Dover Operating Corp., AOSC Dover West Ltd., AOSC Dover West Partnership, AOSC Grosmont Corp., AOSC Grosmont Partnership, AOSC Carbonates Corp., AOSC Carbonates Partnership, AOSC Hangingstone Corp., AOSC Hangingstone Partnership, AOSC Birch Corp., AOSC Birch Partnership, Black Rain Exploration and Production Inc., any entity that is a subsidiary of the Company from time to time, and any other entity designated by the Board from time to time as a member of the Athabasca Group for the purposes of the 2009 Option Plan (and, for greater certainty, including any successor entity of any of the aforementioned entities); and

(b) "**Service Provider**" means a director, officer or employee of, or a person or company engaged by, one or more of the entities comprising the Athabasca Group to provide services for an initial, renewable or extended period intended to be twelve months or more.

The 2009 Option Plan is administered by the Board or a committee thereof pursuant to any rules of procedure that may be fixed by the Board. The Board may from time to time designate eligible Service Providers of the Athabasca Group to whom New Options may be granted and the number of Common Shares to be optioned to each.

Certain Restrictions

The 2009 Option Plan provides that: (a) the maximum number of Common Shares issuable on exercise of outstanding New Options at any time shall be limited to 10.0% of the aggregate number of issued and outstanding Common Shares, less the number of Common Shares issuable pursuant to all other Security Based Compensation Arrangements (as defined in the TSX Company Manual); (b) the number of Common Shares reserved for issuance to any one optionee under all Security Based Compensation Arrangements will not exceed 5.0% of the issued and outstanding Common Shares; (c) the number of Common Shares issuable to insiders, at any time, under all Security Based Compensation Arrangements, shall not exceed 10.0% of the issued and outstanding Common Shares; (d) the number of Common Shares issued to insiders, within any one year period, under all Security Based Compensation Arrangements, shall not exceed 10.0% of the issued and outstanding Common Shares; and (e) the maximum number of Common Shares issuable on exercise of New Options outstanding at any time held by directors of the Company who are not officers or employees of the Company shall be limited to 0.75% of the issued and outstanding Common Shares (paragraphs (c), (d) and (e) being collectively referred to as the "**Insider and Independent Director Participation Restrictions**").

Vesting and Pricing

The Board may, in its sole discretion, determine: (i) the time during which New Options shall vest; (ii) the method of vesting; or (iii) that no vesting restriction shall exist. In the absence of any determination by the Board to the contrary, New Options will vest and be exercisable as to one-quarter of the total number of Common Shares subject to New Options granted on each of the first, second, third and fourth anniversaries of the date of grant. Notwithstanding the foregoing, the Board may, at its sole discretion at any time or in the agreement in respect of any New Options granted, accelerate or provide for the acceleration of vesting of New Options previously granted.

The exercise price of New Options is fixed by the Board when such New Options are granted, provided that the exercise price of New Options shall not be less than the Market Price of the Common Shares at the time a New Option is granted. For the purposes of the 2009 Option Plan, "Market Price" means the volume weighted average trading price of the Common Shares on the TSX for the five trading days immediately preceding the time of grant, calculated by dividing the total value by the total volume of Common Shares traded for the five trading-day period.

Term of New Options

The period during which a New Option is exercisable will, subject to the provisions of the 2009 Option Plan requiring or permitting acceleration of rights of exercise or the extension of the exercise period, be such period, not in excess of five years, as may be determined from time to time by the Board, but subject to the rules of any stock exchange or other regulatory body having jurisdiction, and in the absence of any determination to the contrary will be five years from the date of grant. Each New Option shall, among other things, contain provisions to the effect that the New Option shall be personal to the optionee and shall not be assignable. In addition, unless the Company and an optionee agree otherwise in an option agreement or other written agreement (such as an agreement of employment), each New Option will provide that:

(a) upon the death of the optionee, the New Option shall terminate on the date determined by the Board which shall not be more than twelve months from the date of death and, in the absence of any determination to the contrary, will be twelve months from the date of death;

(b) if the optionee shall no longer be a Service Provider to any of the entities comprising the Athabasca Group (other than by reason of death or termination for cause), the New Option shall terminate on the expiry of the period not in excess of six months as prescribed by the Board at the time of grant, following the date that the optionee ceases to be a Service Provider to any of the entities comprising the Athabasca Group and, in the absence of any determination to the contrary, will terminate ninety days following the date that the Optionee ceases to be a Service Provider to any of the entities comprising the Athabasca Group; and

(c) if the optionee shall no longer be a Service Provider to any of the entities comprising the Athabasca Group by reason of termination for cause, the New Option shall terminate immediately on such termination for cause (whether notice of such termination occurs verbally or in writing);

provided that the number of Common Shares that the optionee (or his or her heirs or successors) shall be entitled to purchase until such date of termination: (i) shall in the case of death of the optionee, be all of the Common Shares that may be acquired on exercise of the New Options held by such optionee (or his or her heirs or successors) whether or not previously vested, and the vesting of all such New Options shall be accelerated on the date of death for such purpose; and (ii) in any case other than death or termination for cause, shall be the number of Common Shares which the optionee was entitled to purchase on the date the optionee ceased to be a Service Provider.

Notwithstanding the foregoing, if any New Options may not be exercised due to any Black Out Period (as defined below) at any time within the three business day period prior to the normal expiry date of such New Options (the "**Restricted Options**"), the expiry date of all Restricted Options shall be extended for a period of seven business days following the end of the Black Out Period (or such longer period as permitted by the TSX and approved by the Board). For the purposes of the 2009 Option Plan, "**Black Out Period**" means the period of time when, pursuant to any policies of the Company, any securities of the Company may not be traded by certain persons as designated by the Company, including any holder of a New Option.

Surrender Offer

An optionee may make an offer (the "**Surrender Offer**") to the Company, at any time, for the disposition and surrender by the optionee to the Company (and the termination thereof) of any New Option for an amount (not to exceed the Fair Market Value (as defined below) of the Common Shares less the exercise price of the New Option) specified in the Surrender Offer by the optionee, and the Company may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the New Option in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the optionee any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Company to the optionee. For the purposes of the 2009 Option Plan, "**Fair Market Value**" with respect to a Common Share, as at any date, means the weighted average of the prices at which the Common Shares traded on the TSX for the five trading days on which the Common Shares traded on the TSX immediately preceding such date.

Adjustment in Connection with an Alteration of the Common Shares

In the event: (a) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to all or substantially all shareholders to purchase Common Shares at prices substantially below Fair Market Value; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities or property; then the Board may make such adjustments to the 2009 Option Plan, to any New Options and to any related agreements outstanding under the 2009 Option Plan, and make such amendments to any option agreements outstanding under the 2009 Option Plan, as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to optionees and\or to provide for the optionees to receive and accept such other securities or property in lieu of Common Shares, and the optionees shall be bound by any such determination. If the Company fixes a record date for a distribution to all or substantially all the holders of the Common Shares of cash or other assets (other than a dividend in the ordinary course of business), the Board may, in its sole discretion, but for greater certainty shall not be required to, make adjustments to the exercise price of any New Options outstanding on the record date for such distribution, and make such amendments to any option agreements outstanding under the 2009 Option Plan to give effect thereto, as the Board may, in its sole discretion, consider appropriate in the circumstances.

Adjustment in Connection with Certain Corporate Events

Except in the case of a transaction that is a change of control (as defined in the 2009 Option Plan) of the Company, if the Company enters into any transaction or series of transactions whereby the Company or all or substantially all of the assets of the Company would become the property of any other trust, body corporate, partnership or other person (a "**Successor**"), whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, prior to or contemporaneously with the consummation of such transaction the Company and the Successor will execute such instruments and do such things as the Board may determine are necessary to establish that upon the consummation of such transaction the Successor will assume the covenants and obligations of the Company under the 2009 Option Plan and the related option agreements outstanding on consummation of such transaction. Any such Successor will succeed to, and be substituted for, and may exercise every right and power of the Company under the 2009 Option Plan and the related option agreements with the same effect as though the Successor had been named as the Company in the 2009 Option Plan and the related option agreements, and thereafter the Company will be relieved of all obligations and covenants under the 2009 Option Plan and such related option agreements and the obligation of the Company to the optionees in respect of the New Options shall terminate and the optionees shall cease to have any further rights in respect thereof.

Acceleration of Vesting on Change of Control

Notwithstanding any other provision in the 2009 Option Plan or the terms of any option agreement, if there takes place a change of control of the Company, all issued and outstanding New Options will be exercisable (whether or not then vested) immediately prior to the time such change of control takes place and will terminate on the 90th day after the occurrence of such change of control, or at such earlier time as may be established by the Board, in its absolute discretion, prior to the time such change of control takes place.

Grant of New Options to Companies

The provisions in the 2009 Option Plan in respect of the grant of New Options apply, with appropriate modifications, to the grant of New Options to a company either: (i) wholly-owned by any person to whom New Options may otherwise be granted; or (ii) controlled by any person to whom New Options may otherwise be granted (and the shares of which are held directly or indirectly by any such person and such person's spouse, minor children and/or minor grandchildren); subject to any requirements of any applicable regulatory authority having jurisdiction.

Amendment or Discontinuance of the 2009 Option Plan

The Board may amend or discontinue the 2009 Option Plan at any time without the consent of an optionee, provided that such amendment does not adversely alter or impair any New Option previously granted under the 2009 Option Plan or any related option agreement, except as otherwise permitted by the 2009 Option Plan. In addition, the Board may, by resolution, amend the 2009 Option Plan and any New Option granted under it (together with any related option agreement) without shareholder approval, provided however, that the Board will not be entitled to amend the 2009 Option Plan or any New Option granted under it without shareholder and, if applicable, TSX approval: (i) to increase the maximum number of Common Shares issuable pursuant to the 2009 Option Plan; (ii) to reduce the exercise price of a New Option or cancel a New Option and subsequently issue the holder of such New Option a new option in replacement thereof; (iii) to extend the term of a New Option; (iv) to permit the assignment or transfer of a New Option other than as provided for in the 2009 Option Plan; (v) to add to the categories of persons eligible to participate in the 2009 Option Plan; (vi) to remove or amend the Insider and Independent Director Participation Restrictions; (vii) to remove or amend the matters described in this paragraph; or (viii) in any other circumstances where TSX and shareholder approval is required by the TSX.

RSU Plan

Purpose and Administration

The purpose of the RSU Plan is to aid in attracting, retaining and motivating the officers, directors, employees and other eligible Service Providers (as defined below) of the Athabasca Group (as defined below) in the growth and development of the Athabasca Group by providing them with the opportunity through RSUs to acquire an increased proprietary interest in the Company. For the purposes of the RSU Plan:

(a) "**Athabasca Group**" means, collectively, the Company, AOSC MacKay Corp., AOSC (MacKay) Energy Inc., MacKay Operating Corp., AOSC Dover Corp., AOSC (Dover) Energy Inc., Dover Operating Corp., AOSC Dover West Ltd., AOSC Dover West Partnership, AOSC Grosmont Corp., AOSC Grosmont Partnership, AOSC Carbonates Corp., AOSC Carbonates Partnership, AOSC Hangingstone Corp., AOSC Hangingstone Partnership, AOSC Birch Corp., AOSC Birch Partnership, Black Rain Exploration and Production Inc., any entity that is a subsidiary of the Company from time to time, and any other entity designated by the Board from time to time as a member of the Athabasca Group for the purposes of the RSU Plan (and, for greater certainty, including any successor entity of any of the aforementioned entities); and

(b) "**Service Provider**" means a director, officer or employee of, or a person or company engaged by, one or more of the entities comprising the Athabasca Group to provide services for an initial, renewable or extended period intended to be twelve months or more.

The Board administers the RSU Plan. Among other things, the Board has the authority to: (a) determine the individuals to whom RSUs may be awarded; and (b) award RSUs on such terms and conditions as it determines including, without limitation: the time or times at which RSUs may be awarded; the time or times when each RSU shall vest and the term of each RSU; whether restrictions or limitations are to be imposed on the Common Shares issued pursuant to an RSU and the nature of such restrictions or limitations, if any; any acceleration or waiver of termination or forfeiture regarding any RSU; in each case, based on such factors as the Board may determine appropriate, in its sole discretion. In addition, the Board has the discretion to determine which Service Providers will participate in the RSU Plan (each such Service Provider a "**Plan Participant**"). The Board may delegate to a committee (the "**Committee**") of the Board all or any of the powers conferred on the Board under the RSU Plan. The Board or the Committee may also delegate or sub-delegate to any director or officer of the Company the whole or any part of the administration of the RSU Plan.

Certain Restrictions

The RSU Plan provides that: (a) the maximum number of Common Shares issuable pursuant to outstanding RSUs at any time shall be limited to 10% of the aggregate number of issued and outstanding Common Shares, less the number of Common Shares issuable pursuant to all other Security Based Compensation Arrangements (as defined in the TSX Company Manual); (b) the number of Common Shares reserved for issuance to any one Plan Participant under all Security Based Compensation Arrangements will not exceed 5% of the issued and outstanding Common Shares; (c) the number of Common Shares issuable to insiders, at any time, under all Security Based Compensation Arrangements, shall not exceed 10% of the issued and outstanding Common Shares; (d) the number of Common Shares issued to insiders, within any one year period, under all Security Based Compensation Arrangements, shall not exceed 10% of the issued and outstanding Common Shares; and (e) the maximum number of Common Shares issuable pursuant to RSUs outstanding at any time held by directors of the Company who are not officers or employees of the Company shall be limited to 0.75% of the issued and outstanding Common Shares, less the number of Common Shares issuable to such directors pursuant to all other Security Based Compensation Arrangements (paragraphs (c), (d) and (e) being collectively referred to as the "**RSU Insider and Independent Director Participation Restrictions**").

Grant of RSUs and Vesting

An award of RSUs is made, and the number of such RSUs awarded is credited to each Service Provider's account (the "**Plan Participant's Account**"), effective as of a particular date determined by the Board (the "**Award Date**"). The number of RSUs to be credited to each Plan Participant's Account is determined by the Board, or the Committee delegated by the Board to do so. The Board or the Committee may, in its sole discretion, determine: (a) the time during which RSUs shall vest and whether there shall be any other conditions or performance criteria to vesting; (b) the method of vesting; or (c) that no vesting restriction shall exist. In the absence of any determination by the Board or the

Committee to the contrary, RSUs (and any corresponding Dividend Equivalents (as defined below)) will vest and be exercisable as to one-quarter of the total number of RSUs granted (together with a proportionate number of Dividend Equivalents) on each of the first, second, third and fourth anniversaries of the Award Date. Notwithstanding the foregoing, the Board or the Committee may, at its sole discretion at any time or in the agreement in respect of any RSUs granted, accelerate or provide for the acceleration of vesting of RSUs previously granted. Except as required by law, the rights of a Plan Participant under the RSU Plan are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Plan Participant.

Term of RSUs

The term during which an RSU may be outstanding is, subject to the provisions of the RSU Plan requiring or permitting the acceleration or the extension of the term, such period, not in excess of five years, as is determined from time to time by the Board or the Committee, but subject to the rules of any stock exchange or other regulatory body having jurisdiction, and in the absence of any determination to the contrary will be the date that is five years from the Award Date. In addition, unless otherwise determined by the Board or the Committee, or unless the Company and a Plan Participant agree otherwise in an RSU agreement or other written agreement (including an employment or consulting agreement), each RSU shall provide that if a Plan Participant shall cease to be a director or officer of or be in the employ of, or a consultant or other Service Provider to, any of the entities comprising the Athabasca Group for any reason whatsoever including, without limitation, retirement, resignation, involuntary termination (with or without cause) or death, as determined by the Board in its sole discretion, before all of the awards respecting RSUs credited to the Plan Participant's Account have vested or are forfeited pursuant to any other provision hereof: (a) such Plan Participant shall cease to be a participant in the RSU Plan as of the Forfeiture Date (as defined below); (b) the former Plan Participant shall forfeit all unvested awards respecting RSUs in the Plan Participant's Account effective as at the Forfeiture Date, (c) any Common Shares corresponding to any remaining vested award of RSUs shall be delivered to the former Plan Participant in accordance with the RSU Plan as soon as practicable after the Forfeiture Date (or, in the case of death, to the legal representative of the deceased former Plan Participant's estate as soon as practicable after receipt of satisfactory evidence of the Plan Participant's death from the authorized legal representative of the deceased Plan Participant); and (d) the former Plan Participant shall not be entitled to any further distribution of Common Shares or any payment from the RSU Plan. For the purposes of the RSU Plan, "**Forfeiture Date**" means the date, as determined by the Board, on which a Plan Participant ceases to be a Plan Participant pursuant to the RSU Plan, and if the Plan Participant is an employee and the Plan Participant's employment is terminated without cause, the date shall be extended to include the applicable period of statutory notice, if any, pursuant to the governing employment standards legislation, but does not include any period of reasonable notice that the Company may be required at common law to provide to the Plan Participant.

Notwithstanding the preceding paragraph, if a Plan Participant ceases to be a director or officer of or be in the employ of, or a consultant or other Service Provider to, any of the entities comprising the Athabasca Group due to the death of the Plan Participant, any unvested awards respecting RSUs in the deceased Plan Participant's Account effective as at the time of the Plan Participant's death are deemed to have vested immediately prior to the Forfeiture Date with the result that the deceased Plan Participant shall not forfeit any unvested awards respecting RSUs.

If Common Shares may not be issued pursuant to any RSUs due to any Black-Out Period (as defined below) at any time within the three business day period prior to the normal expiry date of such RSUs (the "**Restricted RSUs**"), the expiry date of all Restricted RSUs is extended for a period of seven business days following the end of the Black-Out Period (or such longer period as permitted by the TSX and approved by the Board or the Committee). For the purposes of the RSU Plan, "**Black-Out Period**" means the period of time when, pursuant to any policies of the Company, any securities of the Company may not be traded by certain persons as designated by the Company, including any Plan Participant that holds an RSU.

Delivery of Common Shares

The Company must, as soon as practicable after the vesting and exercise of any RSUs, issue from treasury to the Plan Participant the number of Common Shares required to be delivered upon the vesting of such Plan Participant's RSUs. The Plan Participant may exercise any vested RSU by delivering to the Company a notice of exercise in writing stating the Plan Participant's intention to exercise a particular RSU together with payment of the exercise price of

$0.10 per RSU so exercised. Upon receipt of the exercise notice and aggregate exercise price from the Plan Participant, the Company will cause the Common Shares in respect of which the RSU has been exercised to be issued to the Plan Participant.

Surrender Offer

A Plan Participant may make an offer (the "**Surrender Offer**") to the Company, at any time, for the disposition and surrender by the Plan Participant to the Company (and the termination thereof) of any RSUs that have vested for an amount (not to exceed the Fair Market Value (as defined below) of the Common Shares less the exercise price of the RSU) specified in the Surrender Offer by the Plan Participant, and the Company may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the RSUs in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Plan Participant any further rights upon payment of the amount (less all taxes and other amounts required by law to by withheld by the Company) of the Surrender Offer agreed to by the Company and the Plan Participant. For the purposes of the RSU Plan, "**Fair Market Value**" with respect to a Common Share, as at any date, means the weighted average of the prices at which the Common Shares traded on the TSX for the five trading days on which the Common Shares traded on the said exchange immediately preceding such date.

Adjustments in Connection with an Alteration of the Common Shares

In the event: (a) of any change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise; or (b) that any rights are granted to all or substantially all shareholders to purchase Common Shares at prices substantially below Fair Market Value; or (c) that, as a result of any recapitalization, merger, consolidation or other transaction, the Common Shares are converted into or exchangeable for any other securities or property; then the Board may make such adjustments to the RSU Plan, to any RSUs and to any RSU agreements outstanding under the RSU Plan as the Board may, in its sole discretion, consider appropriate in the circumstances to prevent dilution or enlargement of the rights granted to Plan Participants thereunder and\or to provide for the Plan Participants to receive and accept such other securities or property in lieu of Common Shares, and the Plan Participants shall be bound by any such determination.

Adjustments for Dividends

A Plan Participant's Account will be credited with a Dividend Equivalent in the form of additional RSUs only if the Board, in its sole discretion, so determines. Such Dividend Equivalent, if any, will be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of RSUs recorded in the Plan Participant's Account on the record date for the payment of such dividend, by (b) the Dividend Market Value, with fractions computed to three decimal places. For the purposes of the RSU Plan: (i) "**Dividend Equivalent**" means a bookkeeping entry whereby each RSU is credited with the equivalent amount of the dividend paid on a Common Share; and (ii) "**Dividend Market Value**" means the Fair Market Value per Common Share on the dividend record date.

Adjustment in Connection with Certain Corporate Events

Except in the case of a transaction that is a change of control (as defined in the RSU Plan), if the Company enters into any transaction or series of transactions whereby the Company or all or substantially all of the assets of the Company would become the property of any other trust, body corporate, partnership or other person (a "**Successor**"), whether by way of takeover bid, acquisition, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, prior to or contemporaneously with the consummation of such transaction the Company and the Successor will execute such instruments and do such things as the Board or the Committee may determine are necessary to establish that upon the consummation of such transaction the Successor will assume the covenants and obligations of the Company under the RSU Plan and the RSU agreements outstanding on consummation of such transaction. Any such Successor shall succeed to, and be substituted for, and may exercise every right and power of the Company under the RSU Plan and RSU agreements with the same effect as though the Successor had been named as the Company in the RSU plan and the related RSU agreements, and thereafter the Company shall be relieved of all obligations and covenants under the RSU Plan and such RSU agreements and the obligation of the Company to the Plan Participants in respect of the RSUs shall terminate and be at an end and the Plan Participants shall cease to have any further rights in respect thereof including, without limitation, any right to acquire Common Shares upon vesting of the RSUs.

Acceleration of Vesting on Change of Control

Notwithstanding any other provision in the RSU Plan or the terms of any RSU agreement, if there takes place a change of control of the Company, all issued and outstanding RSUs shall vest and be exercisable (whether or not then vested) immediately prior to the time such change of control takes place and shall terminate on the 90th day after the occurrence of such change of control, or at such earlier time as may be established by the Board or the Committee, in its absolute discretion, prior to the time such change of control takes place.

Grant of RSUs to Companies

The provisions in the RSU Plan in respect of the grant of RSUs apply, with appropriate modifications, to the grant of RSUs to a company either: (a) wholly-owned by any person to whom RSUs may otherwise be granted; or (b) controlled by any person to whom RSUs may otherwise be granted thereunder (and the shares of which are held directly or indirectly by any such person and such person's spouse, minor children and/or minor grandchildren); subject to any requirements of any applicable regulatory authority having jurisdiction.

Amendment or Discontinuance of the RSU Plan

The Board may amend or discontinue the RSU Plan or amend any RSU at any time without the consent of a Plan Participant, provided that such amendment shall not adversely alter or impair any RSU previously granted under the Plan or any related RSU agreement, except as otherwise permitted by the RSU Plan. In addition, the Board may, by resolution, amend the RSU Plan and any RSU granted under it (together with any related RSU agreement) without shareholder approval, provided however, that at any time while the Common Shares are listed for trading on the TSX, the Board will not be entitled to amend the RSU Plan or any RSU granted under it without shareholder and, if applicable, TSX approval: (a) to increase the maximum number of Common Shares issuable pursuant to the RSU Plan; (b) to reduce the exercise price of an RSU or cancel an RSU and subsequently issue the holder of such RSU a new RSU in replacement thereof; (c) to extend the term of an RSU; (d) to permit the assignment or transfer of an RSU other than as provided for in the RSU Plan; (e) to add to the categories of persons eligible to participate in the RSU Plan; (f) to remove or amend the RSU Insider and Independent Director Participation Restrictions; (g) to remove or amend the matters described in this paragraph; or (h) in any other circumstances where TSX and shareholder approval is required by the TSX. Without limitation of the foregoing, the Board may correct any defect or supply any omission or reconcile any inconsistency in the RSU Plan in the manner and to the extent deemed necessary or desirable, may establish, amend, and rescind any rules and regulations relating to the RSU Plan, and may make such determinations as it deems necessary or desirable for the administration of the RSU Plan.

On termination of the RSU Plan, any outstanding awards of RSUs will immediately vest and the number of Common Shares corresponding to the RSUs that have been awarded will be delivered to the Plan Participant in accordance with and upon compliance with the terms of the RSU Plan. The RSU Plan will finally cease to operate for all purposes when: (a) the last remaining Plan Participant receives delivery of all Common Shares corresponding to RSUs credited to the Plan Participant's Account; or (b) all unexercised RSUs expire in accordance with the terms of the RSU Plan and the relevant RSU agreements.

Outstanding New Options, RSUs and Incentive Shares

The following table sets forth information regarding all New Options, RSUs and Incentive Shares held by each NEO as of the date hereof:

	Option-Based Award			Share-Based Awards	
Name	Number of Common Shares Underlying Unexercised New Options (#)	New Option Exercise Price ($)	New Option Expiration Date	Number of Incentive Shares that have not Vested (#)[(2)]	Number of Common Shares Underlying Unexercised RSUs (#)
Sveinung Svarte President and CEO	nil	—	—	300,000	nil
Rob Harding Vice President, Finance and CFO	nil	—	—	208,333	nil
Don Verdonck Vice President, Development and Operations	nil	—	—	360,000	nil
Bob Bruce Vice President, Corporate Development	nil	—	—	271,667	nil
Bryan Gould Vice President, New Ventures and Business Development	125,000[(1)]	6.15	October 29, 2014	50,000	nil

Notes:

(1) The market value of the Common Shares on the date of this prospectus is not ascertainable given that the Common Shares are not, and have never been, publicly listed or traded. Therefore, the market value of these unexercised in-the-money New Options is not currently known.

(2) The market value of the Common Shares on the date of this prospectus is not ascertainable given that the Common Shares are not, and have never been, publicly listed or traded. Therefore, the market value of these unvested Incentive Shares is not currently known.

Termination and Change of Control Benefits

Except as described below, Athabasca has not entered into any contract, agreement, plan or arrangement that provides for payments to an NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of Athabasca or a change in an NEO's responsibilities.

Executive Employment Agreements

The Company has entered into executive employment agreements with each of the NEOs. These agreements provide for base salary, benefits, a discretionary annual bonus and Option grants.

Pursuant to the executive employment agreements, Athabasca may immediately terminate the employment of an NEO: (a) at any time on or before the second anniversary of the effective date of the agreement (other than for just cause) and with payment to the NEO of a retiring allowance ("**Retiring Allowance #1**") equal to the sum of: (i) one times the then current annual salary of the NEO ("**Salary Allowance #1**"); (ii) one times the amount of any cash bonus paid to the NEO in the one year prior to the termination date; and (iii) an amount equal to 15% of Salary Allowance #1 to compensate the NEO for the loss of benefits; and (b) at any time after the second anniversary of the effective date of the agreement (other than for just cause) and with payment to the NEO of a retiring allowance ("**Retiring Allowance #2**") equal to the sum of: (i) two times the then current annual salary of the NEO ("**Salary Allowance #2**"); (ii) two times the average of any cash bonus paid to the NEO in the two years prior to the termination date; and (iii) an amount equal to 15% of Salary Allowance #2 to compensate the NEO for the loss of benefits.

If there is a change of control of Athabasca, and if within six months of the change of control the NEO elects to resign from his employment with Athabasca by providing Athabasca with seven days advance written notice, then unless Athabasca makes the request described below, Athabasca must pay Retiring Allowance #1 or Retiring Allowance #2 (as applicable) to the NEO. If an NEO elects to resign from his employment within six months of a change of control of Athabasca, the NEO must, at the request of Athabasca, continue his employment with Athabasca for a period of up to six months (the "**Continuation Period**") at his then existing compensation and benefits to assist

Athabasca by providing such transition services and duties as are requested by Athabasca. Each NEO has agreed that any changes to his position or duties during the transition period will not constitute constructive dismissal. Athabasca will, within five days of the end of the Continuation Period, pay Retiring Allowance #1 or Retiring Allowance #2 (as applicable) to the NEO, depending upon the timing of the termination of the Continuation Period.

In order to receive Retiring Allowance #1 or Retiring Allowance #2 (as applicable): (i) the NEOs must execute a full and final release in favour of Athabasca and its affiliates in a form satisfactory to Athabasca; and (ii) an NEO who is a director of Athabasca and/or its affiliates, or who is an officer of Athabasca's affiliates, must resign as a director and/or officer if requested to do so by the Board.

Pursuant to the terms of the executive employment agreements, the NEOs have an obligation to not reveal confidential or proprietary information of Athabasca during employment or at any time thereafter. In addition, for a period of one year after employment ceases, regardless of the reason for the cessation of employment, the NEOs cannot, directly or indirectly, solicit, induce, encourage or facilitate any employees or consultants of Athabasca to leave the employment of, or consulting relationship with, Athabasca.

If the executive employment agreements had been terminated as of December 31, 2009 and Retiring Allowance #1 or Retiring Allowance #2 (as applicable) had been payable by Athabasca pursuant to such agreements, the following amounts would have been paid to the NEOs: Mr. Svarte – $1,121,000; Mr. Harding – $356,000; Mr. Verdonck – $768,000; Mr. Bruce – $747,000; and Mr. Gould – $267,000.

Incentive Shares

The NEO Trust Arrangements provide that the Incentive Shares shall be released from escrow in the event of a change of control of the Company.

2009 Option Plan

The 2009 Option Plan provides that if there takes place a change of control of the Company, all issued and outstanding New Options will be exercisable (whether or not then vested) immediately prior to the time such change of control takes place and will terminate on the 90th day after the occurrence of such change of control, or at such earlier time as may be established by the Board, in its absolute discretion, prior to the time such change of control takes place.

RSU Plan

The RSU Plan provides that if there takes place a change of control of the Company, all issued and outstanding RSUs shall vest and be exercisable (whether or not then vested) immediately prior to the time such change of control takes place and shall terminate on the 90th day after the occurrence of such change of control, or at such earlier time as may be established by the Board, in its absolute discretion, prior to the time such change of control takes place.

Compensation of Directors

General

Effective January 1, 2010, the Board revised its director compensation policies to provide that directors who are not also members of management will be paid: (i) an annual retainer of $35,000; and (ii) an annual retainer of $6,000 for each Board committee that they chair. From time to time, the Board, in its discretion, may also compensate directors with fees for their services on Board projects or special committees of the Board. Board members are also eligible to participate in the 2009 Option Plan, the RSU Plan and any other long term compensation plans adopted by the Company from time to time. The Company will reimburse directors for all reasonable expenses incurred in order to attend meetings.

Summary Compensation Table – Expectations for 2010

Based on information available as at the date hereof, the following table sets out information concerning the compensation anticipated to be paid by the Company to its directors (other than Mr. Svarte) during the year ended December 31, 2010.

Name	Fees earned[(1)] ($)	Share-based awards[(2)] ($)	Option-based awards[(3)] ($)	Non-equity incentive plan compensation[(4)] ($)	Pension value[(5)] ($)	All other compensation[(6)] ($)	Total ($)
William Gallacher	41,000	—	—	—	—	—	41,000
Gary Dundas	35,000	—	—	—	—	—	35,000
Jeff Lawson	41,000	—	—	—	—	—	41,000
Tom Buchanan	35,000	—	—	—	—	—	35,000
Marshall McRae	220,000[(7)]	—	—	—	—	—	220,000[(7)]

Notes:

(1) Represents: (i) the annual retainer for serving as a Board member; and (ii) the annual retainer for serving as a Board committee Chairman (as applicable). Actual fees earned during the year ending December 31, 2010 may be greater than or less than these amounts.

(2) The Company has not granted any RSUs to directors during 2010 and no decisions have been made by the Board regarding the future grant of RSUs to directors during 2010.

(3) The Company has not granted any New Options to directors during 2010 and no decisions have been made by the Board regarding the future grant of New Options to directors during 2010.

(4) The Company has not paid any non-equity incentive plan compensation to directors during 2010 and no decisions have been made by the Board regarding the future payment of non-equity incentive plan compensation to directors during 2010.

(5) The Company does not currently provide for, or contribute to, either a defined benefit plan or defined contribution plan on behalf of its directors.

(6) Except as otherwise noted in the table, the Company does not anticipate that any additional compensation will be paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Company or a subsidiary thereof to these directors in any capacity under any other arrangement in 2010 (including any plan or non-plan compensation, direct or indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite to be paid, payable, awarded, granted, given, or otherwise provided to these directors for services provided, directly or indirectly, to the Company or a subsidiary thereof).

(7) In 2009, the Board formed a special committee, comprised of Mr. McRae, to oversee management in the completion and implementation of the PetroChina Transaction and the Offering. This figure includes estimated special committee fees that the Company anticipates paying to Mr. McRae during 2010 for serving on such committee.

Outstanding New Options, RSUs and Incentive Shares

The following table sets forth information regarding all New Options, RSUs and Incentive Shares held by each director (other than Mr. Svarte) as of the date hereof.

	Option-based Awards			Share-based Awards	
Name	Number of Common Shares underlying unexercised New Options (#)	New Option exercise price ($)	New Option expiration date	Number of Incentive Shares that have not vested (#)[(2)]	Number of Common Shares Underlying Unexercised RSUs (#)
William Gallacher	nil	—	—	nil	nil
Gary Dundas	nil	—	—	55,000	nil
Jeff Lawson	nil	—	—	55,000	nil
Tom Buchanan	nil	—	—	55,000	nil
Marshall McRae	50,000[(1)]	6.15	October 30, 2014	10,000	nil

Notes:

(1) The market value of the Common Shares on the date of this prospectus is not ascertainable given that the Common Shares are not, and have never been, publicly listed or traded. Therefore, the market value of these unexercised in-the-money New Options is not currently known.

(2) The market value of the Common Shares on the date of this prospectus is not ascertainable given that the Common Shares are not, and have never been, publicly listed or traded. Therefore, the market value of these unvested Incentive Shares is not currently known.

OPTIONS TO PURCHASE SECURITIES

The following table sets forth certain information in respect of Options to purchase Common Shares that are currently outstanding and that are anticipated to be outstanding at Closing. See also "Executive Compensation – Option Plans".

Group (Number in Group)	Common Shares Under Option (#)	Exercise Price per Common Share[1] ($)	Expiration Dates
Current and former executive officers of the Company ("**Company Executives**") (1)	125,000	6.15	October 29, 2014
Current and former directors of the Company, excluding Company Executives ("**Company Directors**") (1)	50,000	6.15	October 30, 2014
Current and former executive officers of subsidiaries, excluding Company Executives and Company Directors (nil)	nil	nil	nil
Current and former directors of subsidiaries who are not also executive officers of subsidiaries, excluding Company Executives and Company Directors (nil)	nil	nil	nil
Current and former employees of the Company	429,200	3.95 – 18.00	September 25, 2014 – March 29, 2015
Current and former employees of subsidiaries	nil	nil	nil
Consultants to the Company and its subsidiaries	nil	nil	nil
All other persons or companies	nil	nil	nil

Note:

(1) The market value of the Common Shares underlying these Options on both the date of grant and the date of this prospectus is not reasonably ascertainable given that the Common Shares are not and have never been publicly listed or traded.

DESCRIPTION OF SHARE CAPITAL

A description of the share capital of the Company is set forth below. This description discloses all attributes material to an investor in Common Shares but is a summary only. The articles of the Company will be filed with the Canadian securities regulatory authorities. Investors are encouraged to read the full text of such articles.

The Company's authorized share capital currently consists of an unlimited number of Common Shares without nominal or par value, an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares, issuable in series.

Immediately following Closing, 388,482,144 Common Shares (399,732,144 Common Shares if the Over-Allotment Option is exercised in full) will be issued and outstanding. No Preferred Shares will be issued and outstanding.

Common Shares

Each Common Share entitles the holder thereof to: (i) vote at any meeting of shareholders of the Company; (ii) receive any dividend on the Common Shares declared by the Company; and (iii) receive the remaining property of the Company upon dissolution. For a description of the Company's dividend policy, see "Dividend Policy".

First Preferred Shares

Subject to the filing of Articles of Amendment in accordance with the ABCA, the Board may at any time and from time to time issue the first preferred shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. Subject to the filing of Articles of Amendment in accordance with the ABCA, the Board may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of first preferred shares including, without limiting the generality of the foregoing, the amount, if any, specified as being payable preferentially to such series on a Distribution (as defined below); the extent, if any, of further participation on a Distribution; voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.

In the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, or any other distribution of its assets among its shareholders for the purpose of winding up its affairs (such event referred to herein as a "**Distribution**"), holders of each series of first preferred shares shall be entitled, in priority to holders of Common Shares, second preferred shares and any other shares of the Company ranking junior to the first preferred shares from time to time with respect to payment on a Distribution, to be paid rateably with holders of each other series of first preferred shares the amount, if any, specified as being payable preferentially to the holders of such series on a Distribution.

The holders of each series of first preferred shares shall be entitled, in priority to holders of Common Shares, second preferred shares and any other shares of the Company ranking junior to the first preferred shares from time to time with respect to the payment of dividends, to be paid rateably with holders of each other series of first preferred shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series.

Second Preferred Shares

Subject to the filing of Articles of Amendment in accordance with the ABCA, the Board may at any time and from time to time issue the second preferred shares in one or more series, each series to consist of such number of shares as may, before the issuance thereof, be determined by the Board. Subject to the filing of Articles of Amendment in accordance with the ABCA, the Board may from time to time fix, before issuance, the designation, rights, privileges, restrictions and conditions attaching to each series of second preferred shares including, without limiting the generality of the foregoing, the amount, if any, specified as being payable preferentially to such series on a Distribution; the extent, if any, of further participation on a Distribution; voting rights, if any; and dividend rights (including whether such dividends be preferential, or cumulative or non-cumulative), if any.

In the event of a Distribution, holders of each series of second preferred shares shall be entitled, subject to the preference accorded to holders of first preferred shares but in priority to holders of Common Shares and any other shares of the Company ranking junior to the second preferred shares from time to time with respect to payment on a Distribution, to be paid rateably with holders of each other series of second preferred shares the amount, if any, specified as being payable preferentially to the holders of such series on a Distribution.

The holders of each series of second preferred shares shall be entitled, subject to the preference accorded to the holders of first preferred shares but in priority to holders of Common Shares and any other shares of the Company ranking junior to the second preferred shares from time to time with respect to the payment of dividends, to be paid rateably with holders of each other series of second preferred shares, the amount of accumulated dividends, if any, specified as being payable preferentially to the holders of such series.

SHAREHOLDER RIGHTS PLAN

On or before Closing, the Company intends to adopt a shareholders rights plan (the "**Rights Plan**") which will take effect on the closing date of the Offering (the "**Effective Date**"). Shareholders approved the Rights Plan at the Special Securityholders Meeting on March 19, 2010. The following is a summary of the principal terms of the Rights Plan which is qualified in its entirety by reference to the text of the Rights Plan. A shareholder or any other interested party may obtain a copy of the Rights Plan (in draft form prior to Closing) by contacting the Corporate Secretary of the Company, Suite 2000, 250 – 6th Avenue S.W., Calgary, Alberta T2P 3H7, telephone (403) 532 – 7723, facsimile (403) 264 – 4640. Alternatively, the Rights Plan will be available at www.sedar.com following Closing.

Objectives of the Rights Plan

The objectives of the Rights Plan are to provide adequate time for the Board and shareholders to assess an unsolicited take-over bid for Athabasca, to provide the Board with sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made, and to provide shareholders with an equal opportunity to participate in a take-over bid. The Rights Plan is similar to plans adopted by other Canadian companies.

The Rights Plan encourages a potential acquirer who makes a take-over bid to proceed either by way of a "**Permitted Bid**" (described below), which generally requires a take-over bid to satisfy certain minimum standards designed to promote fairness, or with the concurrence of the Board. If a take-over bid fails to meet these minimum standards, the Rights Plan provides that holders of Common Shares, other than the acquirer, will be able to purchase additional Common Shares at a significant discount to market, thus exposing the acquirer to substantial dilution of its holdings.

It is not the intention of the Board in adopting the Rights Plan to either secure the continuance of the Board or management of Athabasca or to preclude a take-over bid for control of Athabasca. The Rights Plan provides that shareholders could tender to take-over bids as long as they meet the Permitted Bid criteria. Furthermore, even in the context of a take-over bid that does not meet the Permitted Bid criteria, the Board is always bound by its fiduciary duty to consider any take-over bid for Athabasca and consider whether or not it should waive the application of the Rights Plan in respect of such bid. In discharging such responsibility, the Board will be obligated to act honestly and in good faith and in the best interests of Athabasca.

Term

The Rights Plan has a term of three years and will expire at the close of the annual meeting of Athabasca in 2013, unless it is reconfirmed at such meeting or it is otherwise terminated in accordance with its terms.

Issue of Rights

Pursuant to the Rights Plan, effective on the Effective Date, one right ("**Right**") will be issued and attached to each outstanding Common Share, including the Common Shares issued in the Offering. One Right will also be issued and attach to each Common Share issued thereafter, subject to the limitations set forth in the Rights Plan.

Acquiring Person

Transactions that are exempt from the operation of the Rights Plan include those whereby any person becomes the beneficial owner of 20% or more of the Common Shares as a result of, among other things: (i) an acquisition or redemption by Athabasca or a "**Subsidiary**" (as defined in the Rights Plan) of Athabasca of Common Shares which, by reducing the number of Common Shares outstanding or which may be voted, increases the proportionate number of Common Shares beneficially owned by any person; (ii) acquisitions pursuant to a Permitted Bid or "**Competing Permitted Bid**" (as described below); (iii) a share acquisition to which the application of the Rights Plan has been waived by the Board; (iv) a share acquisition pursuant to an amalgamation, merger, plan of arrangement or other statutory procedure having similar effect which has been approved by the holders of Common Shares by the requisite majority or majorities of the holders of Common Shares at a meeting of such holders duly called and held for such purpose; and (v) an acquisition of Common Shares as a result of: an acquisition pursuant to a dividend reinvestment plan; a stock dividend, a stock split or other event pursuant to which a person becomes beneficial owner of Common Shares on the same pro rata basis as all other holders of Common Shares; the acquisition or exercise by such person of rights to purchase Common Shares distributed to such person in the course of a distribution to all holders of Common Shares pursuant to a rights offering or pursuant to a prospectus; or a distribution of Common Shares or securities convertible into or exchangeable for Common Shares (and the conversion or exchange of such convertible or exchangeable securities), made pursuant to a prospectus or a distribution by way of a private placement.

Also excluded from the definition of "**Acquiring Person**" is a person (a "**Grandfathered Person**") who is the beneficial owner of 20% or more of the outstanding Common Shares on the date of implementation of the Rights Plan; provided further, however, that this exemption shall not be, and shall cease to be, applicable to a Grandfathered Person in the event that such Grandfathered Person shall, after the date of implementation of the Rights Plan, become the beneficial owner of more than 1.0% of the number of Common Shares then outstanding in addition to those Common Shares already held by such person, other than through: (i) specified acquisitions of securities of Athabasca (including acquisitions upon the exercise, conversion or exchange of securities convertible, exercisable or exchangeable into Common Shares); (ii) acquisitions pursuant to a Permitted Bid or Competing Permitted Bid (as described below); (iii) specified distributions of securities of Athabasca; (iv) certain other specified exempt acquisitions (including for portfolio managers, mutual companies and other similar entities with no present intention to take control of Athabasca); and (v) transactions to which the application of the Rights Plan has been waived by the Board.

Exemptions for Investment Managers

Investment managers (for fully managed accounts), trust companies (acting in their capacities as trustees and administrators), statutory bodies whose business includes the management of funds and administrators of registered pension plans acquiring greater than 20% of the Common Share are exempted from triggering a Flip-in Event (as defined below), provided that they are not making, or are not part of a group making, a take-over bid.

Lock-Up Agreements

An offeror may enter into lock-up agreements with one or more shareholders of the Company whereby such shareholders agree to tender their Common Shares to the take-over bid (the "**Subject Bid**") without a Flip-in Event occurring. Any such agreement must either: (i) permit the shareholder to withdraw the Common Shares from the lock-up to tender to another take-over bid or to support another transaction that in either case will provide greater value to the shareholder than the Subject Bid; or (ii) permit the shareholder to withdraw from the agreement in order to tender or deposit the Common Shares to another transaction or to support another transaction that contains an offering price that exceeds the value of the Subject Bid by as much or more than a specified amount as long as the agreement does not provide for a specified amount that exceeds 7% of the value of the Subject Bid.

Rights Exercise Privilege

The Rights will separate from the Common Shares to which they are attached and will become exercisable at the close of business (the "**Separation Time**") on the tenth business day after the earliest of (a) the first date of public announcement that a person and/or others associated, affiliated or otherwise connected to such person, or acting in concert with such person, have become an Acquiring Person; (b) the date of commencement of, or first public announcement of the intent of any person to commence, a take-over bid, other than a Permitted Bid or a Competing Permitted Bid; or (c) such later date as the Board may determine in good faith. Subject to adjustment as provided in the Rights Plan, each Right will entitle the holder to purchase one Common Share at a price (the "**Exercise Price**") equal to Cdn$100.00. At any time prior to the Rights becoming exercisable, the Board may waive the operation of the Rights Plan with respect to certain events before they occur.

A transaction in which a person becomes an Acquiring Person is referred to as a "**Flip-in Event**". Any Rights held by an Acquiring Person on or after the earlier of the Separation Time or the first date of public announcement by Athabasca or an Acquiring Person that an Acquiring Person has become such, will become void upon the occurrence of a Flip-in Event. After the close of business on the tenth business day after the first public announcement of the occurrence of a Flip-in Event, each Right (other than those held by the Acquiring Person) will entitle the holder to purchase, for the Exercise Price, that number of Common Shares having an aggregate market price (based on the prevailing market price at the time of the consummation or occurrence of the Flip-in Event) equal to twice the Exercise Price.

Impact Once Rights Plan is Triggered

Upon a Flip-in Event occurring and the Rights separating from the attached Common Shares, reported earnings per Common Share on a fully diluted or non-diluted basis may be affected. Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution.

By permitting holders of Rights other than an Acquiring Person to acquire Common Shares at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the voting securities of Athabasca other than by way of a Permitted Bid or other than in circumstances where the Rights are redeemed or the Board waives the application of the Rights Plan.

Certificates and Transferability

Before the Separation Time, certificates for Common Shares will also evidence one Right for each Common Share represented by the certificate. Certificates issued on or after the Effective Date will also bear a legend to this effect. Rights are also attached to Common Shares outstanding on the Effective Date, although certificates issued before such date will not bear such a legend.

Prior to the Separation Time, Rights will not be transferable separately from the attached Common Shares. From and after the Separation Time, the Rights will be evidenced by Rights certificates, which will be transferable and traded separately from the Common Shares. Shareholders will receive no other proof of or document of ownership of the Right.

Permitted Bids

The Rights Plan is not triggered if an offer to acquire Common Shares would allow sufficient time for the shareholders to consider and react to the offer and would allow shareholders to decide to tender or not tender without the concern that they will be left with illiquid Common Shares should they not tender.

A "**Permitted Bid**" is a take-over bid where the bid is made by way of a take-over bid circular and: (i) is made to all holders of Common Shares, other than the offeror, for all or a portion of the Common Shares held by those holders; (ii) the bid must not permit Common Shares tendered pursuant to the bid to be taken up until not less than 60 days following the bid and only if, at such time, more than 50% of the Common Shares held by shareholders other than the bidder, its affiliates and persons acting jointly or in concert with the bidder have been tendered pursuant to the take-over bid and not withdrawn; and (iii) if the condition in subparagraph (ii) is satisfied, the offeror must make a public announcement of that fact and the take-over bid must remain open for deposits and tenders of Common Shares for not less than ten business days from the date of such public announcement.

A Permitted Bid is not required to be approved by the Board and such bids may be made directly to shareholders. Acquisitions of Common Shares made pursuant to a Permitted Bid or a Competing Permitted Bid do not give rise to a Flip-in Event.

Waiver and Redemption

The Board may, before the occurrence of a Flip-in Event, waive the application of the Rights Plan to a particular Flip-in Event that would occur as a result of a take-over bid made under a circular prepared in accordance with applicable securities laws to all holders of Common Shares. In such event, the Board shall be deemed to also have waived the application of the Rights Plan to any other Flip-in Event occurring as a result of any other take-over bid made under a circular prepared in accordance with applicable securities laws to all holders of Common Shares prior to the expiry of any take-over bid for which the Rights Plan has been waived or deemed to have been waived.

The Board may also waive the application of the Rights Plan to an inadvertent Flip-in Event, on the condition that the person who became an Acquiring Person in the Flip-in Event reduces its beneficial ownership of Common Shares such that it is not an Acquiring Person within 10 days of the determination of the Board (or any earlier or later time specified by the Board).

Subject to the prior consent of the holders of Common Shares or Rights, until the occurrence of a Flip-in Event, the Board may elect to redeem all but not less than all of the then outstanding Rights at Cdn$0.00001 per Right. In the event that a person acquires Common Shares pursuant to a Permitted Bid, a Competing Permitted Bid or pursuant to a transaction for which the Board has waived the application of the Rights Plan, then the Board shall, immediately upon the consummation of such acquisition, without further formality, be deemed to have elected to redeem the Rights at the redemption price.

Supplement and Amendments

Athabasca may, without the approval of the holders of Common Shares or Rights, make amendments: (i) to correct clerical or typographical errors; (ii) to maintain the validity and effectiveness of the Rights Plan as a result of any change in applicable legislation, regulations or rules thereunder; and (iii) as otherwise specifically contemplated therein. Any amendment referred to in (ii) must, if made before the Separation Time, be submitted for approval to the holders of Common Shares at the next meeting of shareholders and, if made after the Separation Time, must be submitted to the holders of Rights for approval.

At any time before the Separation Date, Athabasca may, with prior consent of the shareholders received at a special meeting called and held for such purpose, amend, vary or rescind any of the provisions of the Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the Rights generally.

At any time after the Separation Date, Athabasca may, with prior consent of the holders of Rights received at the meeting called and held for such purpose, amend, vary or rescind any of the provisions of the Rights Plan or the Rights, whether or not such action would materially adversely affect the interests of the Rights generally.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder who acquires Common Shares pursuant to this Offering and who, for the purposes of the Tax Act and at all relevant times, beneficially owns a Common Share as capital property, is not affiliated with the Company, and deals with the Company at arm's length (a "**Holder**"). A Common Share will generally be capital property to a Holder unless it is held in the course of carrying on a business of trading in or dealing in securities, or it has been acquired in a transaction or transactions considered to be an adventure in the nature of trade. Holders who are resident in Canada for purposes of the Tax Act ("**Resident Holders**"), and whose Common Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Common Shares and every "Canadian security" (as defined in the Tax Act) owned by such Resident Holder in the taxation year of the election and in all subsequent taxation years be deemed to be capital property. In the case of a Holder who is not a resident of Canada, the comments in this summary under the headings "Non-Resident Holders" below are further restricted to a Holder who is not, has not been, and is not deemed to be resident in Canada for purposes of the Tax Act or any applicable income tax convention to which Canada is a signatory, who does not hold or use and is not deemed to hold or use Common Shares in connection with the carrying on of a business in Canada, and who does not carry on an insurance business in Canada ("**Non-Resident Holder**").

This summary is not applicable to: (a) a Holder that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market rules; (b) a Holder, an interest in which would be a "tax shelter investment", as defined in the Tax Act; (c) a Holder that is a "specified financial institution" as defined in the Tax Act; (d) a Holder that is a partnership or that is exempt from Part I tax under the Tax Act; or (e) a Holder that has made an election under the Tax Act to determine its Canadian tax results in a foreign currency. Any such Holder to which this summary does not apply should consult its own tax advisor with respect to the tax consequences of the Offering.

This summary is based on the current provisions of the Tax Act and the Regulations, all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) ("**Tax Proposals**") before the date of this prospectus, and the current published administrative practices of the Canada Revenue Agency. No assurance can be made that the Tax Proposals will be enacted in the form proposed or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, whether by legislative, regulatory, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from the Canadian federal income tax considerations discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder of a Common Share. Accordingly, a holder of a Common Share should consult its own tax advisors about the specific tax consequences to such holder of acquiring, holding and disposing of a Common Share.

Dividends on Common Shares

Resident Holders

Dividends on a Common Share received by a Resident Holder who is an individual (other than certain trusts) will be included in income and will be subject to the gross-up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received from taxable Canadian corporations. The Company may, by notifying its shareholders, designate all or a portion of such dividends as "eligible dividends" that are entitled to the enhanced dividend tax credit.

Dividends received on a Common Share by a Resident Holder that is a corporation will be included in its income but normally will also be deductible in computing its taxable income. A Resident Holder that is a "private corporation" or a "subject corporation", each as defined in the Tax Act, may be liable to pay a refundable tax under Part IV of the Tax Act at a rate of $33\frac{1}{3}\%$ on dividends received on a Common Share.

Non-Resident Holders

Canadian withholding tax at a rate of 25% (subject to reduction under the provisions of any applicable income tax convention) will be payable on dividends on a Common Share paid or credited, or deemed to be paid or credited, to a Non-Resident Holder. The rate of withholding tax applicable to dividends paid on a Common Share to a Non-Resident Holder who is a resident of the U.S. for purposes of the Canada-U.S. Income Tax Convention (the "**Convention**"), beneficially owns the dividend and qualifies for the benefits of the Convention will generally be reduced to 15% or, if the Non-Resident Holder is a corporation that owns at least 10% of the voting stock of the Company, to 5%. Not all persons who are residents of the U.S. for purposes of the Convention will qualify for the benefits of the Convention. A Non-Resident Holder who is a resident of the U.S. is advised to consult its tax advisor in this regard. The rate of withholding tax on dividends is also reduced under certain other bilateral income tax conventions to which Canada is a signatory.

Dispositions of Common Shares

Resident Holders

Upon a disposition or deemed disposition of a Common Share, a capital gain (or loss) will generally be realized by a Resident Holder to the extent that the proceeds of disposition are greater (or less) than the aggregate of the adjusted cost base of the Common Share to the Resident Holder immediately before the disposition and any reasonable costs of disposition. Any such capital gain (or loss) will be subject to the treatment described below.

A Resident Holder's adjusted cost base of a Common Share acquired pursuant to the Offering will be determined in accordance with certain rules in the Tax Act by averaging the cost to the Resident Holder of such Common Share with the adjusted cost base of all other Common Shares held by the Resident Holder as capital property at that time. The Resident Holder's cost for purposes of the Tax Act of a Common Share will include all amounts paid or payable by the Resident Holder to acquire the Common Share.

Generally, one-half of a capital gain (a taxable capital gain) must be included in a Holder's income. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of a capital loss as an allowable capital loss against taxable capital gains realized in that year, and allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years, or in any subsequent year, against net taxable capital gains realized in such years (but not against other income) to the extent and under the circumstances described in the Tax Act. If the Resident Holder is a corporation, any such capital loss realized on the sale of a Common Share may in certain circumstances be reduced by the amount of any dividends which have been received on the Common Share. Similar rules may apply where a Common Share is owned by a partnership or certain trusts of which a corporation, trust or partnership is a member or beneficiary.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for tax, a portion of which may be refundable, on certain investment income including amounts in respect of taxable capital gains.

Non-Resident Holders

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition of a Common Share unless the Common Share constitutes "taxable Canadian property" of the Non-Resident Holder and the Non-Resident Holder is not entitled to relief under an applicable income tax convention. A Common Share that is listed on a designated stock exchange generally will not be taxable Canadian property to a Non-Resident Holder unless it has been acquired in a tax-deferred exchange for other taxable Canadian property or unless the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm's length, or the Non-Resident Holder together with all such persons at any time within the five year period before the disposition, owned 25% or more of the issued shares of any class or series of shares of the Company, which includes Common Shares. Capital gains realized on the disposition of Common Shares that constitute taxable Canadian property to a Non-Resident Holder are generally computed and taxed in the same manner as for Resident Holders. Such Non-Resident Holders will also be required to file a tax return in Canada reporting the disposition. Non-Resident Holders are urged to consult with their tax advisors with respect to the application of these rules.

Alternative Minimum Tax

Resident Holders who are individuals, including certain trusts, are subject to an alternative minimum tax. Generally, dividends received or deemed to be received on the Common Shares and capital gains realized on a disposition or deemed disposition of Common Shares may increase such Resident Holders' liability for alternative minimum tax. Such Resident Holders should consult their own advisors with respect to alternative minimum tax.

Eligibility for Investment

On the basis of applicable legislation in effect on the date hereof, in the opinion of Burnet, Duckworth & Palmer LLP, counsel to the Company, and Blake, Cassels & Graydon LLP, counsel to the Underwriters, subject to the provisions of any particular plan, the Common Shares offered hereby will, when listed on a designated stock exchange, as defined in the Tax Act (which includes the TSX), be qualified investments under the Tax Act and the Regulations for trusts governed by a registered retirements savings plan, registered retirement income fund, registered disability savings plan, deferred profit sharing plan, tax-free savings account ("**TFSA**") or registered education savings plan, all within the meaning of the Tax Act. The Common Shares will not be a prohibited investment for a registered pension plan under the Tax Act and the Regulations. Notwithstanding that the Common Shares will be a qualified investment for a TFSA, a holder of a TFSA will be subject to a penalty tax on the Common Shares held in a TFSA if such Common Shares are a "prohibited investment" for the purposes of section 207.01 of the Tax Act. The Common Shares will not be a prohibited investment for a trust governed by a TFSA provided the holder of the TFSA deals at arm's length with the Company for purposes of the Tax Act and does not have a significant interest (within the meaning of the Tax Act) in the Company, or in a corporation, partnership or trust with which the Company does not deal at arm's length for purposes of the Tax Act.

On October 16, 2009, the Minister of Finance (Canada) (the "**Minister**") proposed amendments to the Tax Act that will impact TFSAs (the "**TFSA Proposals**"). While the Minister has not yet introduced legislation in this regard, the TFSA Proposals included a prohibition on asset transfers between TFSAs and other accounts. The TFSA Proposals apply to transactions that occur after October 16, 2009. **Holders should consult their own tax advisors regarding the application of the TFSA Proposals in their particular circumstances.**

PRIOR SALES

The following tables provide details regarding all Common Shares and all securities that are convertible into Common Shares that have been issued by the Company during the 12-month period prior to the date of this prospectus:

Common Shares Issued During the Last 12 Months

Date of Issuance	Number of Common Shares	Issue Price per Common Share
February 26, 2009	3,736,433(1)	N/A
June 3, 2009	25,000(2)	$1.25
June 5, 2009	225,000(2)	$1.25
September 11, 2009	260,000(2)	$1.25
September 15, 2009	200,000(2)	$1.25
September 18, 2009	32,000(2)	$1.25
September 21, 2009	5,700,000(2)	$1.25
September 23, 2009	100,000(2)	$1.25
October 15, 2009	2,090,400(10)	$0.01
October 26, 2009	5,000,000(3)	$0.01
October 26, 2009	5,000,000(4)	$0.01
November 26, 2009	10,000(9)	$8.30
December 31, 2009	663,900(5)	$0.01
January 4, 2010	200,000(2)	$1.25
January 6, 2010	185,000(2)	$1.25
January 12, 2010	106,300(2)	$1.25
January 14, 2010	50,000(2)	$1.25
January 20, 2010	10,000(2)	$1.25
January 21, 2010	50,000(2)	$1.25
January 22, 2010	10,000(9)	$5.00
January 25, 2010	20,000(2)	$1.25
February 2, 2010	200,000(2)	$1.25
February 5, 2010	418,900(2)	$1.25
February 11, 2010	23,700(2)	$1.25
February 19, 2010	250,000(2)	$1.25
March 1, 2010	658(2)	$1.25
March 2, 2010	125,000(9)	$8.30
March 3, 2010	325,000(2)	$1.25
March 4, 2010	7,188,500(2)	$1.25
March 5, 2010	1,511,500(2)	$1.25
March 8, 2010	500,000(2)	$1.25
March 9, 2010	35,000(9)	$7.00
March 9, 2010	500(9)	$8.30
March 9, 2010	2,125,000(2)	$1.25
March 22, 2010	84,109,692(2)	$1.25

Options Granted During the Last 12 Months

Date(s) of Issuance	Number of Options	Exercise Price of Options
April 1 – May 1, 2009	40,000 Old Options(6)	$ 8.30
June 16 – July 2, 2009	329,900 Old Options(6)	$ 5.00
July 13 – August 27, 2009	72,000 Old Options(6)	$ 5.40
September 8 – September 14, 2009	102,000 New Options(6)	$ 0.01
September 25, 2009	45,000 New Options(7)	$ 3.95
October 1 – October 31, 2009	370,000 New Options(7)	$ 6.15
November 1 – November 30, 2009	75,000 New Options(7)	$ 7.65
December 23, 2009	45,000 New Options(7)	$ 9.85
December 31, 2009	663,900 New Options(8)	$ 0.01
January 4, 2010	15,000 New Options(7)	$10.45
February 22, 2010	2,000 New Options(7)	$11.15
March 22 – March 29, 2010	52,200 New Options(7)	$18.00

Notes:

(1) The Company completed Common Share and flow-through Common Share financings in August 2007 and December 2007 pursuant to which, among other things, the Company issued rights to subscribers to receive approximately 0.10 of an additional Common Share for each Common Share or flow-through Common Share purchased by such subscribers if the Company did not complete an initial public offering or other form of going public event by February 16, 2009. The Company elected not to complete an initial public offering or other form of going public event by such date and as a consequence the Company issued these Common Shares to satisfy its obligations to such subscribers. See “Athabasca Oil Corporation – History”.

(2) These Common Shares were issued on exercise of Purchase Warrants. See “Athabasca Oil Sands Corp. – History”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Equity Instruments” and “Options to Purchase Securities” for information regarding the Purchase Warrants.

(3) These Common Shares were issued on exercise of Series I Performance Warrants. See “Athabasca Oil Sands Corp. – History” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Equity Instruments” for information regarding the Series I Performance Warrants.

(4) These Common Shares were issued on exercise of Series II Performance Warrants. See “Athabasca Oil Sands Corp. – History” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Equity Instruments” for information regarding the Series II Performance Warrants.

(5) These Common Shares were issued on exercise of New Options. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Subsequent Events – Incentive Plan Amendments” and “Executive Compensation” for information regarding the New Options. See also Note (8).

(6) These Options were granted to directors, officers, employees and consultants of the Company pursuant to employment agreements and the annual bonus program. The exercise price of these Options was subsequently reduced to $0.01 per Common Share in accordance with amendments made to Athabasca’s long term compensation plans in connection with the PetroChina Transaction, and all of such Options were exercised on October 15, 2009.

(7) These New Options were granted to directors, officers, employees and consultants of the Company pursuant to employment agreements.

(8) These New Options were granted in accordance with amendments made to Athabasca’s long term compensation plans in connection with the PetroChina Transaction. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Subsequent Events – Incentive Plan Amendments”. All of these New Options were exercised on December 31, 2009. See Note (5).

(9) These Common Shares were issued on exercise of Options.

(10) These Common Shares were issued on exercise of Options granted to directors, officers, employees and consultants of the Company pursuant to employment agreements and the annual bonus program. See also Note (6).

(11) In addition, 17,400 RSUs were granted between March 22, 2010 and March 29, 2010. See “Executive Compensation – Long Term Equity Incentive Plans – RSU Plan” for information regarding RSUs.

DIVIDEND POLICY

Other than the Special Dividend described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Subsequent Events – Special Dividend", the Company has never declared or paid any cash dividends on its Common Shares. The Company does not currently anticipate paying any cash dividends on its Common Shares in the foreseeable future but will review that policy from time to time as circumstances warrant. The Company currently intends to retain future earnings, if any, for future operations, expansion and debt repayment. Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board of Directors may deem relevant.

In addition to the foregoing, the Company's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Company or its subsidiaries have incurred or may incur in the future, including the terms of the PetroChina Loan Agreements in respect of PetroChina Loan #1, PetroChina Loan #2 and PetroChina Loan #3.

PetroChina Loan #1 provides that, for so long as any obligations under such loan are outstanding, the Company shall not, and shall not permit any subsidiary to, declare any dividend or other distribution on or in respect of any share in the capital of the Company (including Common Shares) or such subsidiary, other than: (i) inter-company dividends or distributions; (ii) stock dividends; and (iii) with respect to the Company, the payment of dividends not exceeding, in aggregate, $1.5 billion (including the amount of the Special Dividend) unless certain financial covenants are satisfied by the Company. PetroChina Loan #1 also precludes the Company or any such subsidiary from paying a dividend if the Company or any such subsidiary is in default under PetroChina Loan #1, if an event of default thereunder has occurred and is continuing, or if a default or event of default is expected to result therefrom. In addition, cumulative dividends, other than dividends not exceeding, in the aggregate, $1.5 billion, may not exceed 50% of cash flow from operations over the term of the loan.

PetroChina Loan #2 and PetroChina Loan #3 each provide that for so long as any obligations under such loans are outstanding, neither AOSC (MacKay) nor AOSC (Dover) shall declare any dividend or other distribution on or in respect of any share in the capital of such companies, other than: (i) stock dividends and dividends or distributions necessary to allow the Company to meet its mandatory repayment obligations under PetroChina Loan #1; and (ii) unless certain financial covenants are satisfied by AOSC (MacKay) or AOSC (Dover), as the case may be. PetroChina Loan #2 and PetroChina Loan #3 also both preclude AOSC (MacKay) and AOSC (Dover) from paying a dividend if such company is in default under either of such loans, if an event of default thereunder has occurred and is continuing, or if a default or event of default is expected to result therefrom. In addition, cumulative dividends may not exceed 50% of cash flow from operations over the term of the loan.

See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The PetroChina Loan Agreements" and "Risk Factors".

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated share and loan capitalization of the Company as at September 30, 2009, and the pro forma consolidated share and loan capitalization of the Company as at September 30, 2009 after giving effect to the Offering, the PetroChina Transaction, the payment of the Special Dividend, the exercise of all of the Purchase Warrants and the exercise of all of the Performance Warrants. This table should be read in conjunction with the Company's "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated historical and pro forma financial statements (including the notes thereto) contained elsewhere in this prospectus.

Other than as described below, there have not been any material changes in the share and loan capital of the Company, on a consolidated basis, since September 30, 2009.

($ thousands, except share amounts)	As at September 30, 2009	As at September 30, 2009 after giving effect to the Offering, the PetroChina Transaction, the Special Dividend, the exercise of the Purchase Warrants and the exercise of the Performance Warrants [1]
Long term debt		
Senior Secured Notes[2]	$392,041	nil
PetroChina Loan #1[3]	nil	$430,000
Shareholders' equity[4]		
Common Shares[5]	$383,876	$1,793,676
(authorized – unlimited)	(202,938,094 shares)	(385,547,344 shares)[6]

Notes:

(1) Excludes any Common Shares issuable upon the exercise of the Over-Allotment Option. In the event the Over-Allotment Option is exercised in full, Common Shares will increase by $193.849 million and 11,250,000 Common Shares. See "Plan of Distribution".

(2) Upon completion of the PetroChina Transaction, the Senior Secured Notes were called by Athabasca for redemption and all amounts owing under the Senior Secured Note Indenture were paid to Olympia Trust Company, trustee under the Senior Secured Note Indenture, on behalf of the holders of the Senior Secured Notes from the proceeds of PetroChina Loan #1. Upon receipt of such payment, the trustee discharged its security in respect of the Senior Secured Notes and released Athabasca from its obligations under the Senior Secured Note Indenture in respect of the Senior Secured Notes. See "The PetroChina Transaction".

(3) For a description of the material terms of PetroChina Loan #1, see "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The PetroChina Loan Agreements – PetroChina Loan #1 Agreement". PetroChina International Subco has also agreed to provide two loans to the Company for up to $100 million (PetroChina Loan #2) and up to $560 million (PetroChina Loan #3), respectively, for development expenditures on the MacKay Joint Venture and Dover Joint Venture projects. For a description of the material terms of PetroChina Loan #2 and PetroChina Loan #3, see "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The PetroChina Loan Agreements".

(4) No Preferred Shares are currently outstanding and no Preferred Shares will be outstanding at Closing.

(5) As at the date hereof, a total of 604,200 Common Shares were reserved for issuance on exercise of outstanding Options and 17,400 Common Shares were reserved for issuance on exercise of outstanding RSUs.

(6) Does not reflect 2,934,800 Common Shares issued subsequent to September 30, 2009 pursuant to the exercise of Options. See "Prior Sales". Accordingly, there are currently 313,482,144 Common Shares outstanding and after giving effect to the Offering there will be 388,482,144 Common Shares outstanding (399,732,144 Common Shares if the Over-Allotment Option is exercised in full).

(7) At September 30, 2009, contributed surplus was $45.3 million and accumulated deficit was $47.6 million.

PRINCIPAL SECURITYHOLDERS

To the knowledge of the Company, other than as set forth below: (i) as of the date of this prospectus, there is no person or company who beneficially owns, or controls or directs, directly or indirectly, 10% or more of the Common Shares; and (ii) following the completion of the Offering, there will not be any person or company who beneficially owns, or controls or directs, directly or indirectly, 10% or more of the Common Shares then outstanding.

Shareholder Name(1)	Type of Ownership	Number and Percentage of Common Shares Owned, Controlled or Directed prior to giving effect to the Offering(2)	Number and Percentage of Common Shares Owned, Controlled or Directed after giving effect to the Offering(2)(3)(7)
ZAM Investments Luxembourg, s.á.r.l.(4)(5)	Of record and beneficial	56,545,750 (18%)	57,380,750 (14.8%)
Avenir Capital Corporation(6)	Of record and beneficial	23,857,820 (8%)	24,227,820 (6.2%)

Notes:

(1) To the knowledge of the Company, no principal shareholder named above is an associate or affiliate of any other person or company named as a principal shareholder above.

(2) To the knowledge of the Company, none of the Common Shares are held, or are to be held following closing of the Offering, subject to any voting trust or other similar agreement.

(3) The Company has been advised by ZAM Investments Luxembourg, s.á.r.l. that it intends to subscribe for 835,000 Common Shares pursuant to the Offering. The Company has been advised by Avenir that it intends to subscribe for 370,000 Common Shares pursuant to the Offering.

(4) The Company has been advised that ZAM Investments Luxembourg, s.á.r.l. is wholly-owned by family investment entities of which Morton Holdings, Inc., is the general partner and that are advised by Ziff Brothers Investments, L.L.C. The Company has been advised that all of the outstanding voting equity interests of Morton Holdings, Inc. are owned by an individual, Philip B. Korsant.

(5) To the knowledge of the Company, ZAM Investments Luxembourg, s.á.r.l. does not own, control or direct any other securities of the Company. To the knowledge of the Company, on a fully-diluted basis: (i) on the date hereof, ZAM Investments Luxembourg, s.á.r.l. owns, controls or directs 18% of the issued and outstanding Common Shares; and (ii) following the closing of the Offering, ZAM Investments Luxembourg, s.á.r.l. will own, control or direct 57,380,750 Common Shares representing approximately 14.7% of the issued and outstanding Common Shares.

(6) To the knowledge of the Company, Avenir does not own, control or direct any other securities of the Company. To the knowledge of the Company, on a fully-diluted basis: (i) on the date hereof, Avenir owns, controls or directs 8% of the issued and outstanding Common Shares; and (ii) following the closing of the Offering, Avenir will own, control or direct 24,227,820 Common Shares representing approximately 6.2% of the issued and outstanding Common Shares. Avenir is owned and controlled by Mr. William Gallacher, a director of the Company. Mr. Gallacher is the beneficial owner of 300,000 Common Shares.

(7) This information and the information in the notes assumes that the Over-Allotment Option is not exercised in whole or in part.

ESCROWED COMMON SHARES AND COMMON SHARES SUBJECT TO A CONTRACTUAL RESTRICTION ON TRANSFER

The following table sets forth, as of the date of this prospectus, the number of Common Shares held, to the knowledge of the Company, in escrow (including Common Shares subject to a pooling agreement), or that are subject to a contractual restriction on transfer, and the percentage that number represents of the outstanding Common Shares.

Designation of class	Number of Common Shares held in escrow or that are subject to a contractual restriction on transfer	Percentage of class prior to giving effect to the Offering
Common Shares(1)	5,106,013	1.6%
Common Shares(2)	199,262,312	63.6%
Total(3)	202,540,824(3)	64.6%(3)

Notes:

(1) Pursuant to declarations of trust entered into by Avenir with certain employees, directors, officers and other service providers (collectively, "**Service Providers**") of Athabasca, a total of 5,106,013 Common Shares representing 1.3% of the Common Shares outstanding following the Closing of the Offering (1.3% of the outstanding Common Shares if the Over-Allotment Option is exercised in full) are held in trust by Avenir pending the satisfaction of certain "**Length of Service Requirements**" by the applicable Service Provider, unless the Common Shares are earlier released in the event of: (i) the death of the Service Provider; (ii) a Change of Control (as defined in the applicable agreements) of the Company; or (iii) a determination by the Board of Directors to allow earlier release (collectively, the "**Trust Arrangements**"). The Length of Service Requirements vary for each Service Provider but the Trust Arrangements generally provide for annual or bi-annual releases of the Common Shares in equal amounts over periods ranging from two to four years. In particular, subject to the early release provisions described above, the following number of Common Shares will be released from the Trust Arrangements at the following times: 942,177 Common Shares between July and December 2010; 690,975 Common Shares between January and June 2011; 778,378 Common Shares between July and December 2011; 245,975 Common Shares between January and June 2012; 862,394 Common Shares between July and December 2012; 690,977 Common Shares between January and June 2013; 729,162 Common Shares between July and December 2013; and 165,975 Common Shares between January and June 2014. The Company has the right to acquire Common Shares subject to the Trust Arrangements from a Service Provider for a nominal purchase price ($0.01 per Common Share in certain circumstances and $0.001 per Common Share in other circumstances) if the Service Provider resigns, is terminated for "just cause", is terminated without "just cause" in certain circumstances, or ceases to be a director (where applicable). During the period that the Common Shares held by a Service Provider are subject to the Trust Arrangements, the Service Provider is entitled to vote such Common Shares and to receive directly without any trust restriction any dividends thereon notwithstanding that the conditions to the release of such Common Shares to the Service Provider have not been satisfied. Accordingly, the Special Dividend was paid directly to the Service Providers and is not held in trust under the Trust Arrangements.

(2) The directors and officers of the Company, ZAM Investments Luxembourg, s.á.r.l., Avenir and certain other shareholders of the Company, who hold, in aggregate, 199,262,312 Common Shares at the date hereof, representing approximately 51.3% of the issued and outstanding Common Shares following the Closing of the Offering (49.8% of the outstanding Common Shares if the Over-Allotment Option is exercised in full), have entered into lock-up agreements with the Underwriters pursuant to which they have agreed not to offer, pledge, sell, contract to sell, grant or sell any option or contract to purchase, purchase any option or contract to sell, lend (or provide any instructions authorizing the lending by any financial institution holding such securities), or otherwise transfer or dispose of, directly or indirectly, any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares held by them, or enter into any swap or other arrangement that transfers to another any of the economic consequences of ownership of the Common Shares, until 180 days after the date of Closing, without the prior written consent of Morgan Stanley Canada Limited and GMP Securities L.P. on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed. The lock-up agreements will not apply to certain transactions, including: the disposition of securities acquired pursuant to, or after the completion of, the Offering; the disposition of securities as a bona fide gift or by will or intestacy, or the disposition of securities to certain non-arms length parties, but in each case only if the transferees agree to become subject to the lock-up agreements; the exercise of convertible securities held by the shareholders on the date the lock-up agreements are entered into; tendering to, or otherwise participating in, transactions involving the change of control of the Company; pledges of, or grants of security interests in, the Common Shares to banks, other financial institutions or investment dealers for the purpose of giving collateral for any obligation, including pursuant to a "margin account" (and such bank, financial institution or investment dealer shall not be subject to the terms of the lock-up agreements, including in connection with the realization on such collateral or the transfer, sale or other disposition thereof); and transfers, sales or other dispositions in connection with a bankruptcy of the shareholder or as required by the order of or the terms of a judgement, order, and or decree issued by a court, tribunal or arbitrator.

(3) The totals do not add because 1,827,501 of the Common Shares subject to the Trust Arrangements described in Note (1) are also subject to a lock-up agreement described in Note (2).

USE OF PROCEEDS

The Company expects to receive $1,262,500,000 in net proceeds from the Offering, after deducting the Underwriters' commission of $81,000,000 and the expenses of the Offering, estimated to be approximately $6,500,000. If the Over-Allotment Option is exercised in full, the Company expects to receive $1,452,850,000 in total net proceeds, after deducting the Underwriters' commission of $93,150,000 and the expenses of the Offering.

The Company intends to use the net proceeds of the Offering as follows: (i) to fund the Company's share of the costs of the MacKay and Dover Oil Sands Projects to the extent such costs are not otherwise funded by PetroChina Loans #2 and #3; (ii) to pay interest on the PetroChina Loans; (iii) to fund continued development of the Dover West Clastics Oil Sands Project, including further resource development activities, preparation and filing of a commercial development regulatory application, completion of detailed engineering and the commencement of construction of the initial phase of the commercial development project; (iv) to fund continued development of the Dover West Leduc Carbonates Oil Sands Project, including further resource development activities, preparation and filing of a pilot project regulatory application, completion of detailed engineering and the construction of the pilot project; (v) to fund continued resource development activities on the Company's other existing oil sands leases, including drilling and seismic programs; (vi) to fund potential future acquisitions of oil sands leases and permits, other oil and gas assets or complementary businesses; (vii) to fund general and administrative expenses; and (viii) for working capital and other general corporate purposes. If the Over-Allotment Option is exercised, the Company intends to use the additional net proceeds for working capital and other general corporate purposes.

The following table summarizes the Company's anticipated uses of funds over the 2010 through 2014 period:

($ millions)	Total 2010-2014
Capital Expenditures	
Delineation drilling	288.0
Production drilling	200.2
Central processing facility	1,461.0
Other	441.4
	2,390.6
General and Administrative	117.2
Interest Expense	225.3
	2,733.1

For additional information regarding Athabasca's anticipated sources and uses of funds (including the net proceeds of the Offering) during the 2010 to 2014 period and beyond, including capital expenditure information broken down by category, see "Capital Spending – Sources and Uses of Funds". For specific information regarding the additional capital expenditures that management currently anticipates making on each of its SAGD projects through 2014, see "Capital Spending – Estimated Capital Requirements for Athabasca's SAGD Projects Through 2014".

Pending its application in the manner described above, the Company intends to invest the unused portion of the net proceeds of the Offering in short-term investments pursuant to the investment policy of the Company. The investment policy of the Company requires that excess cash balances be held in bank accounts at Canadian chartered banks or be invested in short term bank securities or short term Canadian or U.S. government securities. The Board of Directors may amend the investment policy of the Company from time to time at its discretion.

While Athabasca currently intends to use the net proceeds of the Offering as described above, there may be circumstances where a reallocation of funds is advisable. These circumstances may include one or more of the following: a change in estimated costs for any activities of the Company; development programs may be accelerated, scaled back, delayed or cancelled if deemed advisable by the Company based on the results of exploration work, economic conditions or other factors; or if business development activities result in opportunities that are expected to generate greater shareholder value than Athabasca's existing business opportunities.

PLAN OF DISTRIBUTION

The Company is offering the Common Shares described in this prospectus through the Underwriters, for whom Morgan Stanley Canada Limited and GMP Securities L.P. are acting as representatives. The Company has entered into the Underwriting Agreement dated March 30, 2010 with the Underwriters. Subject to the terms and conditions of the Underwriting Agreement, each of the Underwriters has severally agreed to purchase the Common Shares offered hereby on or about April 8, 2010 or such later date as the Company and the Underwriters may agree, but in any event not later than April 30, 2010, at a price of $18.00 per Common Share payable in cash to the Company against delivery. The offering price of the Common Shares offered under this prospectus was determined by negotiation between the Company and the Underwriters.

The obligations of the Underwriters are several and neither joint, nor joint and several, and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriting Agreement provides that the Underwriters must buy all of the Common Shares if they buy any of them. However, the Underwriters are not required to take or pay for the Common Shares covered by the Underwriters' Over-Allotment Option described below. The Common Shares are offered subject to a number of conditions, including compliance by the Company with industry standard closing conditions and the compliance with all applicable legal requirements. In connection with the Offering, certain of the Underwriters or securities dealers may distribute prospectuses electronically.

The Offering is being made in each of the provinces and territories of Canada. The Common Shares will be offered in each of the provinces and territories of Canada through those Underwriters or their affiliates who are registered to offer the Common Shares for sale in such provinces and territories and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Common Shares outside of Canada.

The TSX has conditionally approved the listing of the Common Shares under the symbol "ATH", subject to the Company fulfilling all the listing requirements of the TSX on or before June 17, 2010, including distribution of the Common Shares to a minimum number of public holders.

The Common Shares offered hereby have not been, and will not be, registered under the U.S. Securities Act, or any state securities laws, and may not be offered or sold within the U.S. absent registration or pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act, and applicable state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement and except for offers and sales made by the Company pursuant to an available exemption from registration requirements of the U.S. Securities Act, the Common Shares may not be offered or sold within the U.S. Each Underwriter has agreed that it will not offer or sell Common Shares within the U.S., except in transactions exempt from the registration requirements of the U.S. Securities Act, and applicable state securities laws. The Underwriting Agreement provides that the Underwriters may re-offer and re-sell the Common Shares that they have acquired pursuant to the Underwriting Agreement to qualified institutional buyers in the U.S. in accordance with Rule 144A under the U.S. Securities Act. The Underwriting Agreement also provides that the Underwriters will offer and sell the Common Shares outside the U.S. in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Common Shares within the U.S. by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act, unless such offer is made pursuant to Rule 144A under the U.S. Securities Act.

Prior to the Offering, there has been no public market for the Common Shares. The sale of a substantial amount of the Common Shares in the public market after the Offering, or the perception that such sales may occur, could adversely affect the prevailing market price of the Common Shares. Furthermore, because some of the Common Shares will not be available for sale after the closing of the Offering due to the contractual and legal restrictions on resale described above under "Escrowed Common Shares and Common Shares Subject to a Contractual Restriction on Transfer" and described below under "– Restrictions on Sales of Securities of the Company", the sale of a substantial amount of Common Shares in the public market after these restrictions lapse could adversely affect the prevailing market price of the Common Shares and the Company's ability to raise equity capital in the future.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that certificates representing the Common Shares to be issued or sold in the Offering will be available for delivery on the date of the closing of the

Offering. The Common Shares offered under this prospectus (other than any Common Shares issuable on exercise of the Over-Allotment Option) are to be taken up by the Underwriters, if at all, on or before a date not later than 42 days after the date of the receipt for this prospectus.

Over-Allotment Option

The Company has granted to the Underwriters the Over-Allotment Option, exercisable at the Underwriters' sole discretion at any time, in whole or in part, for a period of 30 days after the closing of the Offering, to purchase from the Company at the Offering price up to an additional 11,250,000 Common Shares (representing 15% of the Common Shares offered hereunder) for the purpose of covering over-allotments, if any. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Commission" and "Net Proceeds to the Company" before deducting the expenses of the Offering will be $1,552,500,000, $93,150,000 and $1,459,350,000, respectively. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Common Shares issuable on the exercise of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Underwriters' over-allocation position acquires those Common Shares under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Common Shares while the Offering is in progress. These transactions may also include making short sales of the Common Shares, which involve the sale by the Underwriters of a greater number of Common Shares than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Common Shares in the open market. In making this determination, the Underwriters will consider, among other things, the price of Common Shares available for purchase in the open market compared with the price at which they may purchase Common Shares through the Over-Allotment Option. The Underwriters must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Common Shares in the open market that could adversely affect investors who purchase in the Offering.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Common Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Common Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Common Shares are listed, in the over-the-counter market, or otherwise.

The Underwriters propose to offer the Common Shares initially at the offering price specified on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Common Shares at the price specified on the cover page, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Common Shares is less than the gross price paid by the Underwriters to the Company.

Commission

The following table shows the per share and total underwriting commission the Company will pay to the Underwriters, assuming both no exercise and full exercise of the Over-Allotment Option:

	Underwriting Commission	
	Over-Allotment Option not Exercised	Over-Allotment Option Exercised in full
Per Common Share	$ 1.08	$ 1.08
Total Offering	$81,000,000	$93,150,000

Expenses Related to the Offering

It is estimated that the total expenses of the Offering payable by the Company, not including the underwriting commission, will be approximately $6,500,000.

Restrictions on Sales of Securities of the Company

Restrictions on the Company

The Company has agreed that it will not, without the prior consent of Morgan Stanley Canada Limited and GMP Securities L.P., such consent not to be unreasonably withheld or delayed, issue, or offer, grant any option to purchase or agree to issue, any equity securities or other securities convertible into, or exchangeable or exercisable for, equity securities (other than the Common Shares offered hereby, Common Shares issuable upon the exercise of the Over-Allotment Option, Common Shares issuable pursuant to the exercise of incentive securities (including Options and RSUs) issued prior to or subsequent to the date hereof, Common Shares issuable pursuant to the exercise of convertible securities outstanding on the date hereof, Common Shares issuable in connection with the acquisition of property (including the securities of other entities) (provided that the recipients of such Common Shares agree not to transfer the Common Shares received by them during the 180 day period following the date of Closing), and New Options and RSUs issued pursuant to the 2009 Option Plan and the RSU Plan in compliance with all applicable regulatory requirements and stock exchange rules), for a period of 180 days following the date of Closing.

Restrictions on Certain Securityholders

The directors and officers of the Company, ZAM Investments Luxembourg, s.á.r.l., Avenir and certain other shareholders of the Company, who hold, in aggregate, 199,262,312 Common Shares at the date hereof, representing approximately 51.3% of the issued and outstanding Common Shares following the Closing of the Offering (49.8% of the outstanding Common Shares if the Over-Allotment Option is exercised in full), have entered into lock-up agreements with the Underwriters pursuant to which they have agreed not to offer, pledge, sell, contract to sell, grant or sell any option or contract to purchase, purchase any option or contract to sell, lend (or provide any instructions authorizing the lending by any financial institution holding such securities), or otherwise transfer or dispose of, directly or indirectly, any Common Shares or any securities convertible into or exercisable or exchangeable for Common Shares held by them, or enter into any swap or other arrangement that transfers to another any of the economic consequences of ownership of the Common Shares, until 180 days after the date of Closing, without the prior written consent of Morgan Stanley Canada Limited and GMP Securities L.P. on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed.

The lock-up agreements will not apply to certain transactions, including: the disposition of securities acquired pursuant to, or after the completion of, the Offering; the disposition of securities as a bona fide gift or by will or intestacy, or the disposition of securities to certain non-arms length parties, but in each case only if the transferees agree to become subject to the lock-up agreements; the exercise of convertible securities held by the shareholders on the date the lock-up agreements are entered into; tendering to, or otherwise participating in, transactions involving the change of control of the Company; pledges of, or grants of security interests in, the Common Shares to banks, other financial institutions or investment dealers for the purpose of giving collateral for any obligation, including pursuant to a "margin account" (and such bank, financial institution or investment dealer shall not be subject to the terms of the lock-up agreements, including in connection with the realization on such collateral or the transfer, sale or other disposition thereof); and transfers, sales or other dispositions in connection with a bankruptcy of the shareholder or as required by the order of or the terms of a judgement, order, and or decree issued by a court, tribunal or arbitrator.

Relationship Between the Company and One of the Underwriters

J.G. (Jeff) Lawson, a director of the Company, is a principal of Peters & Co. Limited, a member of the underwriting syndicate. Consequently, the Company may be considered to be a "connected issuer" of Peters & Co. Limited under applicable securities law. As such, Mr. Lawson declared his interest with respect to the Offering and abstained from voting on the directors' resolution approving the Offering and the terms thereof. As a consequence of this issuance, Peters & Co. Limited will receive its share of the Underwriters' commission described herein.

INDUSTRY REGULATION

The oil and gas industry in Alberta is subject to extensive controls and regulations. The regulatory scheme as it relates to oil sands is somewhat different from that related to oil and gas generally. Outlined below are some of the more significant aspects of the legislation and regulations governing the recovery and marketing of bitumen from oil sands.

Regulatory Framework

The Alberta Department of Energy is responsible for administering the legislation that governs the ownership, royalty and administration of Alberta's oil, gas, oil sands, coal, metallic and other mineral resources. The ERCB regulates oil and gas activities in the province.

The Departments of Environment and Sustainable Resource Development administer complementary environmental policies.

Regulation of Operations

In Alberta, the regulation of oil sands operations, pipelines, upgraders and cogeneration facilities is undertaken jointly by the ERCB pursuant to various statutes, including the *Oil Sands Conservation Act* (Alberta), and by Alberta Environment pursuant to the EPEA. In addition to requiring certain approvals prior to the construction and operation of oil sands recovery projects, pipelines, upgraders and cogeneration facilities, the legislation allows the ERCB to inspect and investigate and, where a practice employed or a facility used is hazardous to human health or the environment, to make remedial orders. Similar powers are available to Alberta Environment. Certain changes to oil sands recovery operations, pipelines, upgraders and cogeneration facilities also require the approval of the ERCB, Alberta Environment, or both.

Additionally, the construction, operation, decommissioning and reclamation of facilities as part of a scheme to recover bitumen from oil sands, extract and upgrade products therefrom, transport those products to market, and generate electric energy from a cogeneration plant, may invoke regulation by the Government of Canada under various federal statutes and regulations, including the *Canadian Environmental Assessment Act*, the *Canadian Environmental Protection Act*, the *Fisheries Act* and the *Navigable Waters Protection Act*. Certain approvals or authorizations may be needed prior to construction, operation or modification of facilities or operational practices. Inspections and investigations may result in remedial orders.

Land Tenure

The oil sands mineral rights in approximately 97% of Alberta's 140,200 square kilometres (54,131 square miles) of oil sands area are owned by the provincial Crown and managed by the Alberta Department of Energy. The remaining approximately 3% of the oil sands mineral rights in the province are held by the federal Crown within Indian reserves, by successors in title to the Hudson's Bay Company, by the national railway companies and by the descendents of original homesteaders through rights granted by the federal Crown before 1887. These rights are referred to as "freehold rights".

Oil produced from oil sands owned by the Province of Alberta is produced under provincial Crown oil sands leases. Two types of oil sands agreements are issued under the Oil Sands Tenure Regulation made under the *Mines and Minerals Act* (Alberta): (i) permits, issued for a five-year term, which can be converted to leases; and (ii) leases, issued for an initial 15-year term, which can be continued as to all or any portion the Minister of Energy may determine. The regulation requires that exploration or development activity be undertaken according to prescribed levels of evaluation or production. Permits may generally be converted to leases provided certain minimum levels of exploration have been achieved and all lease rentals have been timely paid. A lease may generally be continued after the initial term as to all or any portion the Minister of Energy may determine, provided certain minimum levels of exploration or production have been achieved and all lease rentals have been timely paid. The surface rights required for pipelines, upgraders and cogeneration facilities are generally governed by leases, easements, rights of way, permits or licenses granted by landowners or governmental authorities.

Royalties

The Province of Alberta requires royalties be paid on the production of natural resources from lands for which it owns the mineral rights. The Government of Alberta's royalty share from oil sands development is price-sensitive. The royalty range applicable to price sensitivities changes depending on whether the project's status is pre-payout or post-payout. "Payout" is generally defined as the point in time when a project has generated enough net revenue to recover its costs and provide a designated return allowance. The base pre-payout royalty starts at 1% of gross revenue and increases for every dollar that the world oil price, as reflected by the WTI crude oil price in Canadian dollars, is priced above $55 per bbl, to a maximum of 9% when the WTI crude oil price is $120 per bbl or higher. The post-payout royalty is the greater of the pre-payout royalty and the net revenue royalty based on net revenue, which begins at 25% and increases for every dollar the WTI crude oil price is above $55 per bbl to a maximum of 40% when the WTI crude oil price is $120 per bbl or higher. Specified capital and operating costs may be deducted to arrive at net revenue for this calculation. The Government of Alberta has announced that it intends to review, and if necessary, revise current rules and enforcement procedures with a view to clearly defining what expenditures will qualify as specified allowed costs.

As the resource owner, the Government of Alberta is entitled to take its royalty share of bitumen production in kind, as it does currently for conventional oil production. The Government is currently considering having a portion of its bitumen royalty in-kind volumes commercially upgraded to higher value products in the province.

Environmental Regulation

Oil sands recovery operations, pipelines, upgraders and cogeneration plants are subject to environmental regulation pursuant to provincial and federal legislation. Environmental legislation requires various approvals and provides for restrictions and prohibitions on releases or emissions of various substances produced or used in association with such operations. In addition, legislation requires that facilities and operating sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines and penalties. In Alberta, environmental compliance is primarily governed by the EPEA. The EPEA imposes certain environmental responsibilities on the operators of oil sands in-situ recovery projects, pipelines, upgraders and cogeneration plants. In certain instances the EPEA imposes significant penalties for violations.

Greenhouse Gases and Industrial Air Pollutants

Kyoto Protocol and Copenhagen Accord

Canada is a signatory to the United Nations Framework Convention on Climate Change (the "**Convention**") and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other GHGs. Management expects that Athabasca could eventually be a significant producer of some GHGs covered by the Convention. However, the Government of Canada has concluded that Canada will not meet its commitment to the Kyoto Protocol and has been developing an alternative strategy for reducing Canada's GHG emissions.

From December 6 to 18, 2009, government leaders and representatives from approximately 170 countries met in Copenhagen, Denmark (the "**Copenhagen Conference**") to attempt to negotiate a successor to the Kyoto Protocol, which expires in 2012. The primary result of the Copenhagen Conference was the Copenhagen Accord, which represents a broad political consensus rather than a binding international treaty like the Kyoto Protocol and has not been endorsed by all participating countries. The Copenhagen Accord reinforces the commitment to reducing GHG emissions contained in the Kyoto Protocol and promises funding to help developing countries mitigate and adapt to climate change. Although Canada has committed to reducing its greenhouse gas emissions by 17% from 2005 levels by 2020, the Copenhagen Accord does not establish binding GHG emissions reduction targets. The Copenhagen Accord calls for a review and implementation of its stated goals by 2016.

Government of Canada Regulations

On April 26, 2007, the Government of Canada released the *Regulatory Framework for Air Emissions* (the "**Framework**"), which outlines proposed new requirements governing emission of GHGs and other industrial air pollutants in accordance with the Government's Notice of Intent to Develop and Implement Regulations and Other Measures to Reduce Air Emissions released on October 19, 2006. The Framework introduces additional, but not complete, detail on new GHG and other industrial air pollutant limits and compliance mechanisms that will apply to various industrial sectors, including the oil sands extraction, upgrading and electricity production industries, starting in 2010. On June 22, 2007, the federal *Kyoto Protocol Implementation Act* became effective and authorized the establishment of regulations respecting such matters as emissions limits, monitoring, trading and enforcement. On March 10, 2008, the Government of Canada elaborated on the Framework with the release of its *Turning the Corner: An Action Plan to Reduce Greenhouse Gases and Air Pollution* document (the "**Updated Framework**"). Although draft regulations for the implementation of the Updated Framework were intended to be published in the fall of 2008 and become binding on January 1, 2010, no such regulations have been developed by the Government of Canada to date. Based on public comments made recently by several senior federal government officials, it is anticipated that the proposals set forth in the Updated Framework will be modified to ensure consistency with the regulatory approach ultimately taken by the United States with respect to GHG emissions regulation, which is anticipated to include an absolute cap on emissions rather than an intensity-based approach. However, no details with respect to this potential shift in approach have been released by the Government of Canada.

The Updated Framework currently provides that oil sands facilities in operation by 2004 will be subject to an 18% emission intensity reduction target requirement commencing in 2010, with 2% additional annual reductions thereafter until 2020. Emission intensity is the amount of GHG emissions per unit of production or output. Facilities commissioned between 2004 and 2011, or facilities existing prior to 2004 which have had a major expansion resulting in an increase of 25% or more in physical capacity or which undergo a significant change to processes, will be exempt from the 2010 emissions intensity reduction target of 18% but will have to report their emissions each year and after their third year of operation will be required to reduce their emissions intensity by 2% annually from a baseline emissions standard. The exact nature of the determination of this baseline emissions standard has not been determined; however, the Updated Framework indicates that such standards will be based on the use of natural gas for mining operations, in-situ operations and upgrading operations and will be applied differently in each of these sectors.

An incentive to deploy carbon capture and storage ("**CCS**") technology has been included in the current Updated Framework. CCS is a process whereby carbon dioxide is separated from a facility's process or exhaust gas emissions before they are emitted, transferred from the facility to a suitable storage location, and then injected into underground geological formations and monitored to ensure they do not escape into the atmosphere. If a facility commissioned between 2004 and 2011 is built such that it is able or ready to undertake CCS, then it will be exempt from the cleaner-fuel standard until 2018 and it will only be required to reduce its emission-intensity by 2% per year from its actual emissions. In-situ oil sands projects and oil sands upgraders built after 2011 must have their GHG emissions profiles equivalent to that of facilities employing CCS technology by 2018. The proposed regulatory framework further encourages widespread use of CCS by 2018 by crediting emitters that make use of CCS technology for investments in pre-certified CCS projects up to 100% of their regulatory obligations through 2017.

The current Updated Framework provides for several options for companies to choose from to meet GHG emission intensity reduction targets and encourage the development of new emission reduction technologies, including making payments into a technology fund, an emissions and offset trading system, limited credits for emission reductions created between 1992 and 2006, and international emission credits under the clean development mechanism under the Kyoto Protocol for up to 10% of each firm's regulatory obligation. It is unclear whether the same options will remain available when the Updated Framework is modified to be consistent with anticipated GHG regulations in the United States.

Government of Alberta Regulations

Athabasca will eventually be subject to the *Climate Change and Emissions Management Act* (Alberta) and the Specified Gas Emitters Regulation (the "**Regulation**"), which were implemented in June 2007 and apply to facilities that emit more than 100,000 tonnes of GHGs per year (which is roughly equivalent to a 5,000 bbls/day oil sands operation). Under the Regulation, Athabasca will be required to reduce its GHG emissions intensity from a baseline based on its GHG emissions intensity in its third year of commercial operation. Emissions intensity is the ratio of GHG emissions per barrel of oil produced. The required reductions in GHG emissions intensity will start in Athabasca's fourth year of commercial operations and must be at least a 2% reduction from Athabasca's baseline, and then a further 2% reduction every year thereafter until at least a 12% reduction in GHG emissions intensity has been achieved, such that the reduction target must be met during a six year period.

Under the Regulation, emissions intensity can be reduced in three ways: by operational changes which result in lowered emissions; by contributing $15 per tonne of GHG emitted in excess of the required reductions to a new GHG emissions reduction technology fund; or by purchasing from third parties emissions offset credits generated by an emissions offset project located in Alberta.

The Future of GHG Emission Regulations

There will most certainly be a financial impact of GHG emission regulation on oil sands industry participants and their projects, including Athabasca and its projects, however the extent of that impact is not yet known. In particular, there is uncertainty regarding the ultimate GHG emission regulatory regime that will be applicable to Athabasca due to, among other things, the potential for changes to the United States' regulation of GHG emissions and the potential for the harmonization of GHG emission regulatory regimes in Canada and the United States.

At present, there is no assurance that any new regulations implemented by the Government of Canada relating to the reduction of GHG emissions will be harmonized with the Government of Alberta's GHG emissions reduction regulations. In such case, the costs of meeting new federal government requirements could be considerably higher than the costs of meeting Alberta's current requirements.

Management has factored its estimate of the cost of meeting the requirements of GHG emissions reduction regulations into its financial and economic models; however, there can be no assurance that the ultimate cost of complying with future GHG emissions reduction regulations will not materially exceed management's estimates. See "Industry Background – Environmental Considerations", "Production Economics – Operating Costs" and "– Environmental Considerations", "– Greenhouse Gas Regulations" and "– United States Climate Change Legislation" under "Risk Factors".

Pricing and Marketing of Crude Oil

In Canada, producers of crude oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of crude oil. The price depends in part on crude oil quality, prices of competing fuels, distance to market and the value of refined products. Oil exports from Canada may be made pursuant to export contracts with terms not exceeding one year in the case of light crude oil, and not exceeding two years in the case of heavy crude oil provided that an export order has been obtained from the NEB. Any crude oil export to be made pursuant to a contract of longer duration requires an exporter to obtain an export licence from the NEB and the issue of such a licence requires the approval of the Governor General in Council.

RISK FACTORS

An investment in the Common Shares involves a substantial degree of risk and is highly speculative due to the nature of the Company's business and its early stage of development. As a result, investors should consider investing in the Common Shares only if they can afford to lose their entire investment. Investors should carefully consider the risks described below and the other information contained in this prospectus before making a decision to buy the Common Shares. If any of the following risks or other risks occur, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that case, the trading price of the Common Shares could decline and investors could lose all or part of their investment in the Common Shares. There is no assurance that risk management steps taken by the Company will avoid future loss due to the occurrence of the risk factors described below or other unforeseen risks.

Risks Relating to the Company's Business

Fluctuations in Market Prices of Crude Oil and Bitumen Blend

Athabasca's results of operations and financial condition will be dependent upon, among other things, the prices that it receives for the bitumen, bitumen blend or other bitumen products that it sells, and the prices that it receives for such products will be closely correlated to the price of crude oil. Historically, crude oil markets have been volatile and are likely to continue to be volatile in the future. Crude oil prices have fluctuated widely during recent years and are subject to fluctuations in response to relatively minor changes in supply, demand, market uncertainty and other factors that are beyond Athabasca's control. These factors include, but are not limited to: global energy policy, including the ability of the Organization of the Petroleum Exporting Countries to set and maintain production levels and influence prices for crude oil; political instability and hostilities and the risk of hostilities; domestic and foreign supplies of crude oil; weather conditions; the overall level of energy demand; government regulations and taxes; currency exchange rates; the availability of transportation infrastructure; the effect of worldwide environmental and/or energy conservation measures; the price and availability of alternative energy supplies; and the overall economic environment.

Any prolonged period of low crude oil prices could result in a decision by Athabasca, the MacKay Joint Venture or the Dover Joint Venture (as applicable) to suspend or slow development activities, to suspend or slow the construction or expansion of bitumen recovery projects, or (following the commencement of production) to suspend or reduce production levels. Any of such actions could have a material adverse affect on Athabasca's results of operations and financial condition.

There is no generally recognized approach to determine the constant price for bitumen because the bitumen market is not yet mature and there are no published reference prices for bitumen. To price bitumen, marketers apply formulas that take as a reference point the prices published for crude oil of particular qualities such as Edmonton Light, Lloydminster Blend, or the more internationally known WTI. The price of bitumen fluctuates widely during the course of a year, with the lowest prices typically occurring at the end of the calendar year because of decreased seasonal demand for asphalt and other bitumen-derived products coupled with higher prices for diluents added to facilitate pipeline transportation of bitumen.

The market prices for heavy oil (which includes bitumen blends) are lower than the established market indices for light and medium grades of oil, due principally to diluent prices and the higher transportation and refining costs associated with heavy oil. Also, the market for heavy oil is more limited than for light and medium grades of oil, making it more susceptible to supply and demand fundamentals. Future price differentials are uncertain and any increase in the heavy oil differentials could have an adverse effect on Athabasca's results of operations and financial condition.

Athabasca conducts an assessment of the carrying value of its assets to the extent required by Canadian GAAP. If crude oil prices decline, the carrying value of Athabasca's assets could be subject to downward revision, and Athabasca's earnings could be adversely affected.

General Economic Conditions, Business Environment and Other Risks

The business of the Company is subject to general economic conditions. Adverse changes in general economic and market conditions could negatively impact demand for crude oil, bitumen and bitumen blend, revenue, operating costs, results of financing efforts, timing and extent of capital expenditures or credit risk and counterparty risk.

Volatility in crude oil, bitumen blend, natural gas, SCO and other diluent prices, fluctuations in interest rates, product supply and demand fundamentals, market competition, labour market supplies, risks associated with technology, risks of a widespread pandemic, the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations, the Company's ability to access external sources of debt and equity capital, general economic and business conditions, the Company's ability to make capital investments and the amounts of capital investments, risks associated with potential future lawsuits and regulations, assessments and audits (including income tax) against the Company and its subsidiaries, political and economic conditions in the geographic regions in which the Company and its subsidiaries operate, difficulty in obtaining necessary regulatory approvals, a significant decline in the Company's reputation, and such other risks and uncertainties, could individually or in the aggregate have a material adverse impact on the Company's business, prospects, financial condition, results of operation or cash flows. Challenging market conditions and the health of the economy as a whole may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. There can be no assurance that any risk management steps taken by the Company with the objective of mitigating the foregoing risks will avoid future loss due to the occurrence of such risks.

Dependence on and Control by Joint Venture Participant

The MacKay Joint Venture and the Dover Joint Venture have only recently been formed. Although the Company is the initial Contractor of the MacKay Joint Venture and the Dover Joint Venture, by April 30, 2010, unless extended by mutual agreement of the parties, the Company is required to transfer the administration, management and conduct of operations of the MacKay Joint Venture and the Dover Joint Venture to Dover JV Operator. The MacKay Joint Venture and the Dover Joint Venture each provides for a Management Committee that is responsible for the overall management and direction of the operations and activities and has certain exclusive powers and authority to make decisions for the Participants concerning the MacKay Oil Sands Project and the Dover Oil Sands Project. In addition, PetroChina International Subco is entitled to nominate three directors and the Company is entitled to nominate two directors to the board of directors of each of MacKay Joint Opco and Dover Joint Opco. Except for matters requiring Unanimous Approval, PetroChina International Subco has a 60% voting majority on all matters to be decided by such Management Committees and boards of directors that require Majority Approval.

There is a risk that certain details of the MacKay Oil Sands Project's and the Dover Oil Sands Project's planned development will change with participation from PetroChina International Subco. Each of the MacKay Joint Venture and the Dover Joint Venture also set out certain matters requiring unanimous or other approvals of the Management Committees and boards of directors. As a result, the development, timing and other decisions relating to the MacKay Oil Sands Project and the Dover Oil Sands Project will depend on obtaining such approvals of the Management Committees or boards of directors. In instances where the approvals are not received or the Participants disagree, development of the MacKay Oil Sands Project and the Dover Oil Sands Project may be delayed or may not proceed at all. In addition, the development of the MacKay Oil Sands Project and the Dover Oil Sands Project will depend upon the financial strength and views of the Participants at the time such decisions are made.

The Company is also subject to the risk of default by PetroChina International Subco in meeting its funding commitments or other obligations to the MacKay Oil Sands Project and the Dover Oil Sands Project under the MacKay Joint Venture and the Dover Joint Venture, including its obligations pursuant to the PetroChina Loan Agreements. Such default by PetroChina International may adversely affect the continuation of the MacKay Oil Sands Project or the Dover Oil Sands Project, which may adversely affect the Company. In addition, subject to certain conditions, PetroChina International Subco may sell its interest in the MacKay Joint Venture or the Dover Joint Venture and the new participant may not have the resources or experience that PetroChina International Subco has.

For all of the reasons described above, the Company may fail to realize some or all of the anticipated benefits of the PetroChina Transaction, which could have a material adverse effect on the Company's financial condition, results of operations and prospects.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years and months, the Canadian dollar has increased materially in value against the United States dollar. Material increases in the value of the Canadian dollar negatively impact commodity prices valued in United States dollars thereby reducing the Company's production revenues. Future Canadian/U.S. dollar exchange rates could accordingly impact the future value of the Company's resources as determined by independent evaluators.

The Company's indebtedness under PetroChina Loan #1 (and any indebtedness the Company incurs in the future under PetroChina Loan #2 and PetroChina Loan #3) is at a variable rate of interest and exposes the Company to interest rate risk. In addition to the PetroChina Loans, the Company may in the future incur additional indebtedness at variable rates of interest that expose the Company to additional interest rate risk. If interest rates increase, the Company's debt service obligations on such variable rate indebtedness would increase even though the amount borrowed remains the same, and the Company's net income and cash flows would decrease.

To the extent that the Company engages in risk management activities related to foreign exchange rates or interest rates, there is a credit risk associated with counterparties with whom the Company may contract.

Potential Profitability Depends Upon Factors Beyond the Control of the Company

The potential profitability of oil sands operations is dependent upon many factors beyond the Company's control. Profitability also depends on the costs of operations, including costs of labour, equipment, natural gas, diluent, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways the Company cannot predict and are beyond the Company's control, and such fluctuations will impact profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of the Company.

Global Financial Crisis

The market events and conditions that transpired in 2008 and 2009, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have, among other things, caused significant volatility in commodity prices. These events and conditions caused a loss of confidence in the broader U.S. and global credit and financial markets and resulted in the collapse of, and government intervention in, numerous major banks, financial institutions and insurers, and created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and have impacted the performance of the global economy. Although credit markets, equity markets, commodity markets and the North American and global economies have stabilized (and in some instances experienced substantial recoveries) during the latter half of 2009, some prominent government officials, economists and market commentators have expressed concerns regarding the durability of the recovery over the near and medium term, particularly as the fiscal stimulus that was utilized by the world's governments to combat the global financial crises is withdrawn over time in the coming months and years.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties regarding the supply and demand fundamentals for petroleum products due to the current state of the world's economies, actions taken by the Organization of the Petroleum Exporting Countries, and the ongoing risks facing the North American and global economies.

Uncertainties Associated with Estimating Reserve and Resource Volumes

Other than Probable and Possible Reserves associated with certain portions of the MacKay Oil Sands Assets, the Company has not established any reserves, although it has identified Contingent Resources. GLJ and D&M have completed geological evaluations of the Company's properties effective as of December 31, 2009. See "Independent Reserve and Resource Evaluations" and "Project Development". There are numerous uncertainties inherent in estimating the quantities of reserves and resources attributable to the Dover Oil Sands Project, the MacKay Oil Sands Project, the Dover West Clastics Oil Sands Project, the Dover West Leduc Carbonates Oil Sands Project, and the Company's other assets, including many factors beyond the Company's control, and no assurance can be given that the indicated level of reserves and resources will be realized. In general, estimates of recoverable reserves and resources are based upon a number of factors and assumptions made as of the date on which the reserves and resource estimates were determined, such as geological and engineering estimates which have inherent uncertainties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. All such estimates are, to some degree, uncertain and classifications of reserves and resources are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable bitumen and the classification of such reserves and resources based on risk of recovery prepared by different engineers or by the same engineers at different times may vary substantially.

Estimates with respect to reserves and resources that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves and resources, rather than upon actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves and resources based upon production history will result in variations, which may be material, in the estimated reserves and resources. Reserves and resource estimates may require revision based on actual production experience. Such figures have been determined based upon assumed oil prices and operating costs. Market fluctuations of oil prices may render uneconomic the recovery of certain grades of bitumen. Moreover, short term factors relating to oil sands reserves and resources may impair the profitability of the Company's projects in any particular period.

There is no certainty that any of the Dover, MacKay, Dover West, Birch, Hangingstone or Grosmont areas will produce any portion of the volumes currently classified by the Independent Evaluators as "Probable Reserves", "Possible Reserves" or "Contingent Resources".

Status and Stage of Development

The Company has no producing properties and no history of earnings, and there is no assurance that any of its properties will commence production, generate earnings, operate profitably or provide a return on investment in the future.

The MacKay and Dover Oil Sands Projects are currently both in the early stages of their planned development schedules, and all of the Company's other assets are currently in the early stages of exploration or development. There is a risk that one or all of the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project, the Dover West Leduc Carbonates Oil Sands Project or any other proposed commercial development of the Company's assets will not be completed on time or within the applicable capital cost estimates or at all. Additionally, there is a risk that one or all of the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project, the Dover West Leduc Carbonates Oil Sands Project or any other proposed commercial development of the Company's assets may have delays, interruption of operations or increased costs due to many factors, including, without limitation: breakdown or failure of equipment or processes; construction performance falling below expected levels of output or efficiency; design errors; contractor or operator errors; non-performance by third-party contractors; labour disputes, disruptions or declines in productivity; increases in materials or labour costs; inability to attract sufficient numbers of qualified workers; delays in obtaining or conditions imposed by, regulatory approvals; changes in project scope; violation of permit requirements; disruption in the supply of energy and other inputs, including natural gas and diluents; and catastrophic events such as fires, earthquakes, storms or explosions.

Given the stage of development of the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project and the Dover West Leduc Carbonates Oil Sands Project, various changes are likely to be made prior to completion. The commercial development application for regulatory approval of the MacKay Oil Sands Project was submitted on December 10, 2009, and based upon current scheduling, approvals are expected in late 2011 and first oil production is expected to begin in late 2014. Based upon current scheduling, the expected submission date for regulatory approval for the commercial development application for the Dover Oil Sands Project is late 2010, with approvals expected in late 2012 and first oil production expected to begin in late 2015. No commercial development applications for regulatory approval of the Dover West Clastics Oil Sands Project, the Dover West Leduc Carbonates Oil Sands Project or any other commercial development of the Company's assets has been submitted. The information contained herein, including, without limitation, resource and economic evaluations, is conditional upon receipt of all regulatory approvals and no material changes being made to the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project and the Dover West Leduc Carbonates Oil Sands Project or the scope of any of the projects.

As a result of the completion of the PetroChina Transaction and the formation of the MacKay Joint Venture and the Dover Joint Venture, each of the MacKay Oil Sands Project and the Dover Oil Sands Project is subject to a re-evaluation by the Participants. The MacKay Oil Sands Project and the Dover Oil Sands Project concepts are also subject to revision as the projects continue through the later engineering stages and as specific enhancement opportunities are identified. Some changes to the MacKay Oil Sands Project and the Dover Oil Sands Project concepts are virtually certain to occur and such changes may be material both in terms of design and cost. Similar changes and revisions to the concepts for the Dover West Clastics Oil Sands Project and the Dover West Leduc Carbonates Oil Sands Project, which may be material both in terms of design and cost, are also virtually certain to occur as those projects are at much earlier stages of development than the MacKay and Dover Oil Sands Projects.

In addition to the foregoing, there is also a risk that some or all of the Company's other assets may not be developed on a timely basis or at all. Numerous factors, many of which are beyond the Company's control, could impact the Company's ability to further explore and develop the Company's other assets and the timing thereof, including the risk factors set forth in this prospectus.

Bitumen Recovery Processes

The recovery of bitumen using SAGD and CSS processes is subject to uncertainty. Both the SAGD and CSS bitumen recovery processes have had limited operating history in commercial projects and there can be no assurance that the Company's operations will produce bitumen at the expected levels or on schedule. This is particularly true in respect of the Company's Dover West and Grosmont properties, because in these areas a significant quantity of the Company's bitumen resources are located in "carbonate" reservoirs, whereas in other areas the Company's bitumen resources are found in "clastic" reservoirs (see "Project Development – Dover West Asset – Resources – Geology – Area Overview" for a discussion of the differences between clastic reservoirs and carbonate reservoirs). All of the commercially viable SAGD and CSS recovery projects undertaken to date in Alberta have targeted clastic reservoirs.

SAGD and CSS, the recovery processes proposed to develop the "carbonate" reservoirs at the Company's Dover West and Grosmont properties, are considered by GLJ to be "technology under development" in carbonate reservoirs. The successful development of the Company's carbonate reservoirs depends on, among other things, the successful development and application of SAGD and CSS or other recovery processes to carbonate reservoirs. Although the technology has been developed for application to non-carbonate reservoirs, there are no known successful commercial projects that use SAGD or CSS to recover bitumen from carbonate formations and there exists a large range in the expected recoverable volumes, the lower end of which may not be economically viable. The principal risks associated with SAGD and CSS recovery in carbonate reservoirs are (i) the possibility of unexpected steam channelling which would increase steam requirements resulting in increased costs and potentially reduced economically recoverable bitumen volumes, and (ii) potential mechanical operating problems due to production of fines which could cause wellbore plugging and reduced bitumen production rates and potential interruption of surface production operations. Although the technical risks associated with "technology under development" have been accounted for in the GLJ Report, the timeline for verification of "technology under development" has inherent uncertainty. Development will involve significant capital expenditures and a lengthy time to project payout and project payout is not assured. If a pilot project and/or the technology under development do not demonstrate potential commerciality in carbonate reservoirs then the Company's projects on these assets may not proceed and this may occur only after significant expenditures have been incurred by the Company. With respect to the Company's Grosmont asset, the Company's strategy is to continue delineation drilling efforts in the area in order to increase the resource base. The Company has not prepared a development plan or timeline for the Grosmont area, and is monitoring industry activity toward demonstrating successful development and production methods for the Grosmont Formation. See "Project Development – Other Assets – Grosmont Asset" and "Independent Reserve and Resource Evaluations".

Therefore, the Company's ability to develop its bitumen resources that are located in carbonate reservoirs on a commercially viable scale is contingent upon one or more of the following events occurring: the Company using existing SAGD or CSS technology to successfully exploit carbonate reservoirs; the Company adapting existing SAGD or CSS technology such that it can be successfully used to exploit carbonate reservoirs; or, the Company developing or acquiring new technology that can be used to successfully exploit carbonate reservoirs. There can be no assurance that existing SAGD or CSS technologies will prove to be viable for the commercial exploitation of bitumen located in carbonate reservoirs, that existing SAGD or CSS technologies can be modified in such a manner as to be made to be viable for the commercial exploitation of bitumen located in carbonate reservoirs, or that new technologies will be developed or acquired by the Company that will be viable for the commercial exploitation of bitumen located in "carbonate" reservoirs. The development of such recovery processes will involve significant capital expenditures and a lengthy time to project payout and project payout is not assured.

Current SAGD and CSS technologies require a significant amount of natural gas and other fuels in the production of steam that is used in the recovery process. The amount of steam required in the production process can also vary and affect costs. The Company has no operating history with respect to the average operating steam to oil ratio for its projects. Should the actual average operating steam to oil ratio in commercial operations be higher than the Company's estimates, it may result in some or all of the following: an increase in operating costs; lower bitumen production; or, the requirement for additional facilities. If one or more of these events occurs it is possible that the affected project could become uneconomic, which could have a material adverse affect on Athabasca's results of operations and financial condition.

In addition, should the Company encounter the existence of adverse reservoir conditions during the development of its clastics or carbonates projects, ultimate bitumen recovery levels achieved by the Company utilizing the SAGD and/or CSS recovery processes may be negatively impacted. Such adverse reservoir conditions could include, but are not limited to, the following: regional poor quality geological features; depleted or partially depleted associated gas caps due to prior gas production; the existence of bottom or top water, inter-formation water, or other thief zones; or the absence of an overlying cap rock.

Any of these events could have a material adverse impact on the future operating activities conducted at, and the economic performance of, the Company's projects, which in turn could have a material adverse impact on the Company's results of operations and financial condition and thereby adversely affect the value and trading price of the Common Shares.

Potential Exercise of Put/Call Options

The Company has entered into the Put/Call Option Agreement providing for the Put/Call Options. Pursuant to the Put/Call Options, PetroChina International Subco may be required to purchase or may exercise the right to acquire, as the case may be, the Company's remaining 40% working interest in one or both of the MacKay Oil Sands Assets and the Dover Oil Sands Assets by acquiring the assets or shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof), for aggregate cash consideration of up to $2 billion. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

The decision of PetroChina International Subco to exercise the call options is entirely at PetroChina International Subco's discretion when such options become exercisable. If the prospects for the MacKay and/or Dover Oil Sands Projects are particularly promising at the time the options becomes exercisable, PetroChina International Subco may elect to exercise the options and take advantage of the expected growth available from the projects. If PetroChina International Subco exercises its call options with respect to the MacKay and/or Dover Oil Sands Projects, the Company will receive a one-time cash payment in respect of each option but will not be entitled to participate in any future growth or development of the applicable project(s). The Company may not have a use for some or all of the cash proceeds received by it in connection with the exercise of one or both of the options, in which case the Company may be required to invest such cash proceeds in low return investments until an alternative investment opportunity is identified. Accordingly, it is possible that any future growth and development of the Company will not be derived from one or both of the MacKay or Dover Oil Sands Projects. The foregoing factors could have a material adverse effect on the Company's business, financial condition, results of operations and prospects, and could negatively impact the market price of the Common Shares.

The Company also has an option to sell its interest in the MacKay and Dover Oil Sands Projects to PetroChina International Subco under certain circumstances. Failure to meet the conditions to the exercise of the MacKay Put/Call Option or the Dover Put Option, including failure to receive the MacKay Oil Sands Project Approval and/or the Dover Oil Sands Project Approval when anticipated or at all would prevent or delay the Company's ability to realize the benefits of the MacKay Put/Call Option and/or the Dover Put Option, including the potential receipt of up to $2 billion. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement". There are a number of factors that could delay or prevent the MacKay Oil Sands Project Approval and/or

Dover Oil Sands Project Approval from being received, including factors outside of the Company's control such as the Company's inability to obtain any necessary information from (or otherwise receive the cooperation of) PetroChina International and/or PetroChina International Subco in relation to the receipt of such approvals, actions taken by third party stakeholders that have the effect of delaying or preventing the receipt of such approvals, or changes in federal or provincial laws and regulations that have the effect of delaying or preventing the receipt of such approvals. If a delay or failure to receive the necessary approvals results in the Company failing to realize the potential benefits of the exercise of the MacKay Put/Call Option and/or Dover Put Option, such event could have a material adverse effect on the Company's business, financial condition, results of operations and prospects, and could negatively impact the market price of the Common Shares.

Competition Act approval for the Put/Call Option Transactions was received by the parties on September 22, 2009. However, unless the Put/Call Option Transactions are completed within one year of the issuance of the ARC, the Competition Bureau could review the Put/Call Option Transactions, or either of them, under the merger provisions of the Competition Act at the time they are completed and for one year thereafter. There is no certainty that, if required, the Competition Act approval will be obtained in respect of either or both of the Put/Call Option Transactions. The inability to complete either or both of the Put/Call Options Transactions in accordance with the terms thereof as a result of the failure to receive Competition Act approval (if required) or otherwise could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Development Schedules and Cost Over-Runs

Historically, oil sands projects have experienced capital cost over-runs due to a variety of factors. Prior to the onset of the global financial crisis in 2008, the large number of existing and planned bitumen recovery and upgrading projects in the Athabasca oil sands area of northeast Alberta had created a strong demand for, and in some cases shortages of, the labour, goods and services that are required to complete and operate these types of projects. It is possible that as the North American and world economies improve and the demand for commodities recovers these conditions could again materialize in the Athabasca oil sands area.

Although the Company has a defined schedule for developing its oil sands resources (including obtaining regulatory approvals), and commencing and completing the construction of certain projects (including the MacKay Oil Sand Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project and the Dover West Leduc Carbonates Oil Sands Project), there is no assurance that the development and project schedules will proceed as planned. Any delays in the development and project schedules could be material and could adversely affect Athabasca's results of operations and financial condition.

Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Additionally, there is a risk that the Company's future projects may have delays, interruption of operations or increased costs. The Company's ability to execute projects, and the performance of such projects, depends upon numerous factors beyond the Company's control, including:

- shortages of, or delays in obtaining qualified labour, equipment, materials or services;
- labour disputes, disruptions or declines in productivity;
- changes in the scope of the project or increases in the amount or cost of materials or labour;
- contractor or operator errors in design or construction and non-performance by, or financial failure of, third party contractors;
- breakdown or failure of equipment or processes including facility performance falling below expected levels of output or efficiency;
- delays in obtaining, or conditions imposed by, regulatory approvals;
- reservoir performance;
- an inability to obtain adequate financing, or financing on terms satisfactory to the Company;
- challenges to the Company's proprietary technology and/or that of the Company's suppliers or licensors;
- transportation or construction accidents, disruption or delays in availability of transportation services or adverse weather conditions affecting construction or transportation;

- unforeseen site surface or subsurface conditions;
- disruption in the supply of energy;
- catastrophic events such as fires, earthquakes, storms or explosions;
- the availability of processing capacity;
- the availability of storage capacity;
- the availability of alternative fuel sources;
- the effects of inclement weather including delays or suspension of operations;
- the availability of drilling and related equipment;
- unexpected cost increases;
- transportation or operations accidents or other accidental events;
- currency fluctuations;
- changes in regulations; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Company could be unable to execute projects on time, on budget or at all or the projects may not perform to the Company's expectations or as required by regulatory approvals.

The cost to construct projects for the development of Athabasca's oil sands resources has not been fixed and remains dependent on many factors, some of which are beyond Athabasca's control. There is no assurance that the current construction and operations schedules will proceed as planned without any delays or cost over-runs. Any delays may increase the costs of those projects, which could result in the need for additional capital, and there can be no assurance that such capital will be available on acceptable terms or at all.

Operating Costs

The operating costs of the MacKay Oil Sand Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project and the Dover West Leduc Carbonates Oil Sands Project, and any other bitumen recovery projects undertaken by Athabasca will be significant components of the cost of production of the bitumen products produced by such projects. Those operating costs may vary considerably during the operating period. The principal factors which could affect operating costs include, without limitation: the amount and cost of labour to operate the projects; the cost of chemicals; the actual SOR required to operate the project; the cost of natural gas, diluent and electricity; the cost of complying with regulatory approvals; the maintenance cost of the facilities; the cost to transport sales products and the cost to dispose of certain by-products; and the cost of insurance and taxes. Unexpected increases in operating costs may result in decreased earnings, which may in turn have a material adverse affect on Athabasca's results of operations and financial condition.

Diluent and Natural Gas Supply and Costs

Extracting bitumen using SAGD or CSS technology in order to sell bitumen blend requires considerable quantities of natural gas and diluent. Natural gas is used as an energy input, primarily to produce steam from water at the in-situ extraction site. The amount of steam required to extract one barrel of oil is commonly referred to as the steam-oil-ratio (or SOR). A higher SOR indicates that more steam is required, and therefore more natural gas. Natural gas is currently plentiful in the Athabasca region. Diluent is used to create bitumen blend, which has a lower viscosity than bitumen and is able to flow in a pipeline to markets. Condensate, a by-product of natural gas processing, is currently the diluent preferred by bitumen producers. However, the current demand for condensate in the Athabasca region for use as diluent exceeds regional supply. An alternative diluent to condensate is SCO. SCO is currently plentiful in the Athabasca region, but under current market conditions the operating netback realized for a SCO bitumen blend is less than for a condensate bitumen blend.

Athabasca's ability to sell bitumen blend profitably will be dependent on, among other things, the cost of natural gas and the cost of diluent. As production of non-upgraded bitumen increases in the Athabasca region, so will the demand for natural gas and diluent. As the demand for natural gas and diluent increases, the availability of these products may decrease and cost of these products may increase. If Athabasca is unable to source a stable supply of natural gas and/or diluent at economic prices, one or more of Athabasca's projects may become uneconomic, which could have a material adverse affect on Athabasca's results of operations and financial condition.

Gas Over Bitumen

Some of the Company's oil sands leases contain producing and shut-in natural gas wells owned by third parties that may penetrate, or otherwise result in the applicable petroleum and natural gas zones coming into communication with, the Company's bitumen resources. In October 2009, the ERCB ordered the interim shut-in of 297 intervals associated with 158 gas wells largely in the Dover West area to mitigate potential future risk to bitumen recovery in the area. A hearing to consider the permanent shut-in of these intervals is expected to be scheduled in the fourth quarter of 2010. Management cannot predict the outcome of this hearing. If some or all of the shut-in intervals are allowed to continue production, this would pose a risk to the Company's ability to recover bitumen from these properties. There are also natural gas zones in several of the Company's asset areas that do not currently contain producing or shut-in natural gas wells. There is a risk that if the production of natural gas from these zones penetrates or otherwise comes into communication with the Company's bitumen resources, there may be a loss of steam or steam chamber pressure during the SAGD bitumen extraction process, which could adversely affect the Company's ability to recover bitumen using SAGD technology. No assurance can be provided that the production or potential production of natural gas overlying bitumen resources on the Company's oil sands leases will not pose a risk to the Company's ability to recover the bitumen resources on these properties using SAGD technology, and such risk could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

For a more detailed discussion of this risk factor, including a discussion of some of the factors that may mitigate the impact of this risk factor on the Company, see "Project Development – MacKay Asset – Property Description – Reserves and Resources – Geology", "Project Development – Dover Asset – Property Description – Resources – Geology", "Project Development – Dover West Asset – Property Description – Resources – Geology – Area Overview" and "Comparison of Independent Evaluators' and Management's Estimates of Resources – Recovery Factors – Dover West".

Effect of Default Under the PetroChina Transaction Agreements

If the Company becomes a Defaulting Participant under the Umbrella Agreement, then in addition to customary and industry standard remedies, the Company's interest in the MacKay Joint Venture or Dover Joint Venture, as applicable, may, at the option of PetroChina International Subco, be acquired at a material discount. Any such event could have a material adverse effect on the Company's financial condition and results of operations and the market price of the Common shares. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements" for details.

Environmental Considerations

The operations of the Company are, and will continue to be, affected in varying degrees by federal and provincial statutes and regulations regarding the protection of the environment. Should there be changes to existing statutes or regulations, the Company's competitive position within the oil sands industry may be adversely affected, as many industry players have greater resources than the Company.

No assurance can be given that future environmental approvals, laws or regulations will not adversely impact the Company's ability to develop and operate its oil sands projects or increase or maintain production or will not increase unit costs of production, or to realize other business opportunities from its exploration leases and permits. Equipment from suppliers which can meet future emission standards may not be available on an economic or timely basis and other methods of reducing emissions to required levels in the future may significantly increase operating costs or reduce output. There is a risk that the federal and/or provincial governments could pass legislation that would tax such emissions or require, directly or indirectly, reductions in such emissions produced by energy industry participants, which the Company may be unable to mitigate.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. Although the Company believes that it is in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Greenhouse Gas Regulations

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other GHGs. Canada is also a signatory to the Copenhagen Accord which reinforces the commitment to reduce GHG emissions contained in the Kyoto Protocol. The Company's exploration and production facilities and other operations and activities emit GHGs which will require the Company to comply with the regulations ultimately adopted by the Federal Government, in addition to the proposed *Clean Air Act* (Canada) of 2006 and Alberta's *Climate Change and Emissions Management Act* and Specified Gas Emitters Regulation. The direct or indirect costs of these legislative requirements may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

There has been much public debate with respect to Canada's ability to meet GHG emission targets and the Government's strategy or alternative strategies with respect to climate change and the control of GHGs. Implementation of strategies for reducing GHGs, whether to meet the limits required by the Kyoto Protocol, the targets established by the Copenhagen Accord or as otherwise determined, could have a material impact on the nature of oil and natural gas operations. Given the evolving nature of the debate related to climate change and the control of GHGs and resulting requirements, it is not possible to predict the impact on the Company and its operations and financial condition.

See "Industry Regulation – Environmental Regulation – Greenhouse Gases and Industrial Air Pollutants".

United States Climate Change Legislation

Environmental legislation regulating carbon fuel standards in jurisdictions that import crude and synthetic crude oil in the United States could result in increased costs and/or reduced revenue for oil sands companies such as the Company. For example, both California and the United States federal government have passed legislation which, in some circumstances, considers the lifecycle GHG emissions of purchased fuel and which may negatively affect the marketing of bitumen, bitumen blend or SCO, or require the purchase of emissions credits in order to effect sales in such jurisdictions. See "Industry Regulation – Environmental Regulation – Greenhouse Gases and Industrial Air Pollutants".

Reliance on, Competition for, Loss of, and Failure to Attract Key Personnel

The design, development and construction of, and commencement of operations at, the MacKay Oil Sands Project, the Dover Oil Sands Project and Athabasca's other projects will require experienced executive, management and technical personnel and operational employees and contractors with expertise in a wide range of areas. There can be no assurance that all of the required employees with the necessary expertise will be available. It is likely that other oil sands projects or expansions will proceed in the same time frame as the MacKay Oil Sands Project, the Dover Oil Sands Project or Athabasca's other projects. Athabasca's projects will compete with these other projects for experienced employees and such competition may result in increases to compensation paid to such personnel or a lack of qualified personnel.

Any inability on the part of the MacKay JV Operator and the Dover JV Operator (or the Contractor, if applicable) to attract and retain qualified personnel may delay or interrupt the design, development and construction of, and commencement of operations at, the MacKay Oil Sands Project and the Dover Oil Sands Project. Sustained delays or interruptions could have a material adverse effect on the MacKay Oil Sands Project and the Dover Oil Sands Project and the financial condition and performance of the Company. In addition, rising personnel costs would adversely impact the costs associated with the design, development and construction of, and commencement of operations at, the MacKay Oil Sands Project and the Dover Oil Sands Project, which could be significant and material.

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on its business, financial condition, results of operations and prospects. The Company does not have any key person insurance in effect. The contributions of the existing management team to the Company's immediate and near term operations are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of management of the Company.

Substantial Capital Requirements

The Company anticipates making substantial capital expenditures to fund, among other things: the Company's share of the costs to develop the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project and the Dover West Leduc Carbonates Oil Sands Project; the ongoing exploration of the Company's other assets; and the future acquisition, exploration, development and production of oil and natural gas resources and reserves. The only source of future funds presently available to the Company is through the sale of additional equity capital, borrowing funds (including pursuant to the PetroChina Loan Agreements), or selling assets (including a portion of the Company's interest in the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project and the Dover West Leduc Carbonates Oil Sands Project). However, the PetroChina Loan Agreements, the Dover Joint Venture Agreement and the MacKay Joint Venture Agreement each contain restrictions on the ability of the Company to sell certain assets and/or incur additional debt. In addition, uncertain levels of near term industry activity coupled with the ongoing global credit crisis exposes the Company to additional access to capital risk. There can be no assurance that debt or equity financing, or cash, if any, that may be generated by future operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company. The inability to access sufficient capital for the Company's operations could result in, among other things: the default of the Company under the MacKay Joint Venture Agreement or the Dover Joint Venture Agreement relating to its obligations to fund the MacKay Oil Sands Project and the Dover Oil Sands Project, respectively; the inability of the Company to repay amounts owing by the Company under the PetroChina Loan Agreements; and the inability of the Company to conduct exploration and development programs on its other assets including the Dover West Clastics Oil Sands Project and the Dover West Leduc Carbonates Oil Sands Project. In addition, equity financing (if available) may result in substantial dilution to existing shareholders. Any of these results could have a material adverse effect on the Company's financial condition, results of operations and prospects.

Regulatory Approvals and Compliance

The construction, operation and decommissioning of the MacKay Oil Sands Project, the Dover Oil Sands Project and any additional projects that the Company undertakes including the Dover West Clastics Oil Sands Project and the Dover West Leduc Carbonates Oil Sands Project, are and will be conditional upon various environmental and regulatory approvals issued by governmental authorities, including but not limited to the approval of the ERCB. There is no assurance such approvals will be issued, or, once issued or renewed, that they will not contain terms and conditions which make the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project, the Dover West Leduc Carbonates Oil Sands Project or such other projects uneconomic, or cause the Company to significantly alter the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project, the Dover West Leduc Carbonates Oil Sands Project or such other projects. Further, the construction, operation and decommissioning of the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project, the Dover West Leduc Carbonates Oil Sands Project and such other projects will be subject to regulatory approvals and statutes and regulations relating to environmental protection and operational safety. Although the Company believes that the MacKay Oil Sands Project, the Dover Oil Sands Project or its other projects will be in general compliance with applicable environmental and safety regulatory approvals, statutes and regulations, risks of substantial costs and liabilities are inherent in oil sands recovery and upgrading operations and there can be no assurance that substantial costs and liabilities will not be incurred or that the MacKay Oil Sands Project, the Dover Oil Sands Project or its other projects will be permitted to carry on operations. Moreover, it is possible that other developments, such as increasingly strict environmental and safety statutes, regulations and enforcement policies thereunder, and claims for damages to property or persons resulting from the operations of the Company's projects, could result in substantial costs and liabilities to the Company or delays to or abandonment of make the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project, the Dover West Leduc Carbonates Oil Sands Project or such other projects.

Extent of, and Cost of Compliance with, Government Regulation

The oil and gas industry in Canada, including the oil sands industry, operates under federal and provincial statutes and regulations governing such matters as land tenure, prices, royalties, production rates, environmental protection controls, the export of crude oil, natural gas and other products, as well as other matters. The industry is also subject to regulation by governments in such matters as the awarding or acquisition of exploration and production rights, oil sands or other interests, the imposition of specific drilling obligations, control over the development and abandonment of oil and natural gas properties (including restrictions on production) and possible expropriation or cancellation of lease and permit rights. The regulatory scheme as it relates to oil sands, and the recovery and marketing of bitumen or bitumen by-products from oil sands, is somewhat different from that related to conventional oil and gas in general.

Government regulations may be changed from time to time in response to economic or political conditions. The exercise of discretion by governmental authorities under existing statutes or regulations, the implementation of new statutes or regulations or the modification of existing statutes or regulations affecting the crude oil and natural gas industry could impact the markets for crude oil and natural gas, delay or stop the development of the MacKay Oil Sands Project or the Dover Oil Sands Project, delay or prevent the exploration of the Company's other assets, or increase the Company's costs and have a material adverse impact on the Company.

In order to conduct oil and gas operations, the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all of the licenses and permits that may be required to conduct operations that it may wish to undertake.

Impact of Royalty Regimes on Operating Cash Flow

In the event that the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project, the Dover West Leduc Carbonates Oil Sands Project or any of the Company's other properties are commercially developed and become operational, the Company's revenue and expenses will be directly affected by the royalty regime applicable to such projects. The economic benefit of future capital expenditures for such projects is, in many cases, dependent on a satisfactory royalty regime. There can be no assurance that the Government of Canada or the Province of Alberta will not adopt new royalty regimes which will make capital expenditures uneconomic or that the regime currently in place will remain unchanged. An increase in royalties would reduce the Company's earnings and could make future capital expenditures or the Company's operations uneconomic and could, in the event of a material increase in royalties, make it more difficult to service and repay the Company's debt. Any material increase in royalties would also significantly reduce the value of the Company's associated assets.

Political Risks

The marketability and price of bitumen or other commodities that may be acquired or discovered by the Company is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle East, and other areas of the world, have a significant impact on the price of oil. Any particular event could result in a material decline in prices and therefore result in a reduction of the Company's net production revenue.

In addition, the Company's properties, wells and facilities could be subject to a terrorist attack. If any of the Company's properties, wells or facilities is the subject of a terrorist attack it may have a material adverse effect on its business, financial condition, results of operations and prospects. The Company will not have insurance to protect against the risk of terrorism.

Abandonment and Reclamation Costs

Estimates of the Company's abandonment and reclamation costs will be a function of regulatory requirements existing at the time that the estimates are made, which are subject to change in the future. In addition, the value of the salvaged equipment may be more or less than the abandonment and reclamation costs. Consequently, the estimates may or may not accurately reflect these future costs. In addition, in the future the Company or the operator of the Company's projects may determine it prudent, or be required by applicable laws or regulations, to establish and fund one or more reclamation funds to provide for payment of future abandonment and reclamation costs, which could result in a material increase in the cost of the Company's projects.

Exploration, Development and Production Risks

The Company's SAGD and other in-situ exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or personal injury. In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although the Company maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs. SAGD and other in-situ exploration and production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

In addition to the foregoing, recovering bitumen from oil sands and upgrading the recovered bitumen into a diluent-bitumen blend product, a synthetic crude-bitumen blend product or other products involves particular risks and uncertainties. The Company's projects will be susceptible to loss of production, slowdowns, or restrictions on its ability to produce higher value products due to the interdependence of its component systems. Severe climatic conditions can cause reduced production and in some situations result in higher costs.

Management Estimates and Assumptions

In preparing consolidated financial statements in conformity with Canadian GAAP (and, in the future, IFRS), estimates and assumptions are used by management in determining the reported amounts of assets and liabilities, revenues and expenses recognized during the periods presented and disclosures of contingent assets and liabilities known to exist as of the date of the financial statements. These estimates and assumptions must be made because certain information that is used in the preparation of such financial statements is dependent on future events, cannot be calculated with a high degree of precision from data available, or is not capable of being readily calculated based on generally accepted methodologies. In some cases, these estimates are particularly difficult to determine and the Company must exercise significant judgment. Estimates may be used in management's assessment of items such as depreciation and accretion, fair values, useful lives of assets, income taxes, stock based compensation and asset retirement obligations. Actual results for all estimates could differ materially from the estimates and assumptions used by the Company, which could have a material adverse effect on the financial condition, results of operations and cash flows of the Company.

Long Term Reliance on Third Parties

Athabasca will be obliged to enter into long term arrangements with third parties in order to construct and operate the MacKay Oil Sands Project, the Dover Oil Sands Project, the Dover West Clastics Oil Sands Project, the Dover West Leduc Carbonates Oil Sands Project, and any other bitumen recovery project that it may propose to undertake. Such arrangements may include engineering, equipment procurement and construction contracts, long term maintenance contracts for key equipment, contracts for shipping bitumen and bitumen products to market, and contracts for services of a constant or recurring nature. Athabasca will be dependent on the ability of these third parties to perform their obligations in a timely, cost efficient, reliable and effective manner. There is no assurance that such arrangements can be made on a cost-effective basis or that Athabasca will not be obliged to fund the creation of necessary resources, which could increase Athabasca's operating costs and thereby adversely affect Athabasca's results of operations and financial condition.

Reliance on Third Party Infrastructure for Project Facilities

The MacKay and Dover Oil Sands Projects, and any other bitumen recovery projects that Athabasca may propose to undertake, will depend on certain infrastructure owned and operated by third parties, including without limitation: pipelines for the transportation of feedstocks to the project, and petroleum products to be sold by the project; pipelines for the transportation of natural gas; electricity transmission systems for the provision and/or sale of electricity; and roads, bridges and highways for the transportation of heavy loads in the project areas. The failure of any or all of these third parties to provide an adequate supply of such services in a timely, cost efficient, reliable and effective manner could negatively impact the operation of the project or projects affected, and thereby adversely affect Athabasca's results of operations and financial condition.

Counterparty Risks

The Company has entered into (or may in the future from time to time enter into) contractual relationships with various counterparties, including without limitation: PetroChina International and PetroChina International Subco in connection with the PetroChina Transaction Agreements; other joint venture participants; the issuers of securities in which the Company has or will invest cash balances from time to time; and counterparties to risk management contracts, marketing arrangements (including long term agreements for the supply of natural gas, diluent and bitumen blend), operating agreements and other suppliers of products and services. The Company is subject to the risk that such counterparties may default on their obligations under such agreements or arrangements, including as a result of liquidity requirements or insolvency, particularly in light of the current economic situation. A failure by such counterparties to make payments or perform their operational or other obligations to the Company in compliance with the terms of such contractual arrangements could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

Availability of Drilling Equipment and Access

Oil sands exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Company and may delay exploration and development activities. There can be no assurance that sufficient drilling and completion equipment, services and supplies will be available when needed. Shortages could delay the Company's proposed exploration, development and sales activities. If the demand for, and wage rates of, qualified rig crews rise in the drilling industry then the oil industry may experience shortages of qualified personnel to operate drilling rigs. This could delay and increase the costs of the Company's drilling operations. One or more of these events could have a material adverse effect on the Company's results of operations and financial condition.

Claims Made by Aboriginal Peoples

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Company is not aware that any claims have been made in respect of its properties or assets; however, if a claim arose and was successful such claim could, among other things, delay or prevent the exploration or development of the Company's properties, which in turn could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Seasonality

The level of activity in the Canadian oil sands industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil producing areas (including most of the areas in which the Company operates) are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activities.

Hedging Risks

The nature of Athabasca's operations will result in exposure to fluctuations in commodity prices. Athabasca may use financial instruments and physical delivery contracts to hedge its exposure to these risks. If Athabasca engages in hedging it will be exposed to credit related losses in the event of non-performance by counterparties to the financial instruments. In addition, if product prices increase above those levels specified in any future hedging agreements, Athabasca could lose the cost of floors or a fixed price could limit Athabasca from receiving the full benefit of commodity price increases. If Athabasca enters into hedging arrangements, it may suffer financial loss if it is unable to commence operations on schedule or is unable to produce sufficient quantities of bitumen to fulfill its obligations.

Athabasca may also hedge its exposure to the costs of inputs to a project, such as natural gas, electricity or diluent. If the prices of these inputs fall below the levels specified in any future hedging agreements, Athabasca could lose the cost of ceilings or a fixed price could limit it from receiving the full benefit of commodity price decreases.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company undertakes a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and harm the trading price of the Common Shares.

Insurance Risks

The Company's property, business interruption and liability insurance is subject to deductibles, limits and exclusions, and may not provide sufficient coverage for these and other insurable risks. There can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance (net of applicable deductibles) will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of the Company.

Litigation Risks

In the normal course of the Company's operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, relating to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company and as a result, could have a material adverse effect on the Company's assets, liabilities, business, financial condition and results of operations. Even if the Company prevails in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the Company's business operations, which could adversely affect its financial condition.

Effect of Change of Control Under the PetroChina Transaction Agreements

PetroChina International Subco is entitled to exercise its call right pursuant to the MacKay Put/Call Option for the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) and its call right pursuant to the Dover Call Option for the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof) upon a change of control of any of the Company, AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof). This provision could deter third parties from either seeking to acquire the Company or seeking to elect a majority of directors of the Company who are not included in the slate of directors proposed by management of the Company, which could in turn have an adverse effect on the market price or trading volume of the Common Shares. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement" for details.

If a change of control of the Company occurs, the Company is obligated under the PetroChina Loans to offer to repay such loans (together with interest payable thereon) and PetroChina International Subco, at its option, can accept or decline such offer. The acceptance of any such offer by PetroChina International Subco could have a material adverse effect on the Company's financial condition and results of operations. In addition, this provision could deter third parties from seeking to acquire the Company, which could in turn have an adverse effect on the market price or trading volume of the Common Shares. See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The PetroChina Loan Agreements" for details.

Effect of Competition on the Company

The Canadian and international petroleum industry is highly competitive in all aspects, including the exploration for, and the development of, new sources of supply, the acquisition of resource interests, access to third party infrastructure and the distribution and marketing of petroleum products. The MacKay Oil Sands Project, the Dover Oil Sands Project and the Company will compete with other bitumen producers, other producers of SCO blends and other producers of conventional crude oil. Some of the conventional producers have lower operating costs than the Company is anticipated to have and many of them have greater resources then the Company has. Certain of the Company's competitors may have greater resources to source, attract, and retain the personnel, materials and services that the Company will require to conduct its operations. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers.

A number of companies other than the Company have announced plans to enter the oil sands business and begin production of bitumen, or expand existing operations. Expansion of existing operations and development of new projects could materially increase the supply of bitumen or synthetic crude oil and other competing crude oil products in the marketplace and could materially increase the costs of inputs such as natural gas, diluent, labour, equipment, materials or services. Depending on the levels of future demand, increased supplies could have a negative impact on prices of bitumen and, accordingly, the Company's results of operations and cash flow.

Expiration of Leases or Permits

The Company's properties are held in the form of leases and permits and working interests in leases and permits. If the Company or the holder of the lease or permit fails to meet the specific requirement of a lease or permit, the lease or permit may terminate or expire. There can be no assurance that any of the obligations required to maintain each lease or permit will be met. The termination or expiration of the Company's leases or permits or the working interests relating to a lease or permit may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Future Acquisition Activities May Have Adverse Effects

The Company may seek to acquire additional companies or assets in the Company's industry. The acquisition of oil and natural gas companies and assets is subject to substantial risks, including the failure to identify material problems during due diligence, the risk of over-paying for assets, and the inability to arrange financing for an acquisition as may be required or desired. Further, the integration and consolidation of acquisitions requires substantial human, financial and other resources and, ultimately, the Company's acquisitions may not be successfully integrated. There can be no assurances that any future acquisitions will perform as expected or that the returns from such acquisitions will support the indebtedness incurred to acquire them or the capital expenditures needed to develop them.

Historical and Pro Forma Financial Information

The historical financial information in this prospectus does not reflect the added costs the Company expects to incur as a public entity. As a public company, the Company will incur a significantly higher level of legal, accounting and other related expenses than it did as a private company. The Company expects current and future applicable Canadian securities laws and applicable stock exchange requirements to increase the Company's legal and financial compliance costs and to make some activities more time-consuming and costly.

In preparing the pro forma financial information contained in this prospectus, the Company has given effect to, among other items, the PetroChina Transaction (which includes the implementation of PetroChina Loan #1 and the repayment of the Senior Secured Notes), the Offering, the payment of the Special Dividend, the exercise of all of the Performance Warrants, and the exercise of all of the Purchase Warrants. The estimates used in the pro forma financial information contained in this prospectus may not be similar to the Company's actual experience as a public entity. The unaudited pro forma consolidated financial statements of the Company contained herein are not necessarily indicative of either the financial position or results of operations that actually would have occurred if the events reflected therein had been in effect on the dates indicated, or of the results that may be obtained by the Company in the future. For more information on historical financial information and pro forma financial information of the Company, see “Selected Historical and Pro Forma Financial Information”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical and pro forma financial statements of the Company included elsewhere in this prospectus.

Risks Related to the Offering

Volatile Market Price for Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control, including the following: (i) actual or anticipated fluctuations in the Company’s quarterly results of operations; (ii) actual or anticipated changes in crude oil, bitumen blend, natural gas, SCO and other diluent prices; (iii) recommendations by securities research analysts; (iv) changes in the economic performance or market valuations of other companies that investors deem comparable to the Company; (v) addition or departure of the Company’s executive officers and other key personnel; (vi) release or expiration of lock-up or other transfer restrictions on outstanding Common Shares; (vii) sales or perceived sales of additional Common Shares; (viii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and (ix) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company’s industry or target markets.

Financial markets have experienced significant price and volume fluctuations in the last several years that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company’s operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Company’s environmental, governance and social practices and performance against such institutions’ respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Common Shares by those institutions, which could adversely affect the trading price of the Common Shares. There can be no assurance that continuing fluctuations in the price and volume of publicly traded equity securities will not occur. If such increased levels of volatility and market turmoil continue, the Company’s operations could be adversely impacted and the trading price of the Common Shares may be adversely affected.

No Prior Public Market for Common Shares

Prior to the Offering, no public market existed for the Common Shares. An active and liquid market for the Common Shares may not develop following the completion of the Offering or, if developed, may not be maintained. If an active public market does not develop or is not maintained, investors may have difficulty selling their Common Shares.

The initial public offering price of Common Shares was determined by negotiation among the Company and the Underwriters and may not be indicative of the price at which the Common Shares will trade following the completion of the Offering. The Company cannot assure investors that the market price of the Common Shares will not materially decline below the initial public offering price.

Issuance of Additional Securities

The Board of Directors may issue an unlimited number of Common Shares, without any vote or action by the Company’s shareholders, subject to the rules of the TSX or such other stock exchange on which the Company’s securities may be listed from time to time. The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities. In addition, pursuant to the 2009 Option Plan and the RSU Plan, the Company may issue New Options and RSUs exercisable to acquire up to 10% of the number of Common Shares outstanding at any given time. If the Company issues any additional Common Shares, the percentage ownership of existing shareholders will be reduced and diluted.

Dividend Policy

Other than the Special Dividend described under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations – Subsequent Events – Special Dividend", the Company has never declared or paid any cash dividends on its Common Shares. The Company does not currently anticipate paying any cash dividends on its Common Shares in the foreseeable future but will review that policy from time to time as circumstances warrant. The Company currently intends to retain future earnings, if any, for future operations, expansion and debt repayment. Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board of Directors may deem relevant.

In addition to the foregoing, the Company's ability to pay dividends now or in the future may be limited by covenants contained in the agreements governing any indebtedness that the Company or its subsidiaries have incurred or may incur in the future, including the terms of the PetroChina Loan Agreements in respect of PetroChina Loan #1, PetroChina Loan #2 and PetroChina Loan #3.

As a result of the foregoing factors, purchasers of Common Shares may not receive any return on an investment in Common Shares purchased under the Offering unless they sell such Common Shares for a price greater than that which they paid for it.

See "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The PetroChina Loan Agreements" and "Dividend Policy".

Exceptions and Limitations to Lock-Up Obligations

The directors and executive officers of the Company and certain shareholders of the Company have entered into lock-up agreements with the Underwriters pursuant to which they have agreed to restrictions on dispositions of Common Shares without the prior written consent of Morgan Stanley Canada Limited and GMP Securities LP on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed. The purpose of these restrictions is to help ensure that there will be an orderly trading market in the Common Shares and to prevent persons who have held significant numbers of Common Shares prior to the completion of the Offering from attempting to dispose of a large number of their Common Shares before the Company has had an opportunity to establish a stable trading history.

The lock-up agreements are subject to a number of exceptions and limitations, including that the lock-up obligations do not apply to pledges of, or grants of security interests in, the Common Shares to banks, other financial institutions or investment dealers for the purpose of giving collateral for any obligation, including pursuant to a "margin account" (and such bank, financial institution or investment dealer shall not be subject to the terms of the lock-up agreements, including in connection with the realization on such collateral or the transfer, sale or other disposition thereof). Accordingly, in the event that a shareholder who is subject to a lock-up agreement pledges its shares as security for a loan or a margin account, and the shareholder defaults in paying the loan or fails to satisfy a margin call, the financial institution to which such Common Shares are pledged could realize upon that security interest, and that financial institution would be under no restrictions from selling the Common Shares immediately. In the case of a margin call, it is likely that the financial institution would attempt to sell the seized securities as quickly as possible to satisfy the shareholder's obligation. In such a circumstance, there could be significant selling pressure on the Common Shares, which could negatively affect the trading price of the Common Shares for a period of time.

If shareholders of the Company that have not entered into lock-up agreements with the Underwriters choose to sell their Common Shares following Closing, there could be significant selling pressure on the Common Shares, which could negatively affect the trading price of the Common Shares for a period of time.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings that the Company is or was a party to, or that any of the Company's property is or was the subject of, since January 1, 2008, that were or are material to the Company, and there are no such material legal proceedings that the Company knows to be contemplated. For the purposes of the foregoing, a legal proceeding is not considered to be "material" by the Company if it involves a claim for damages and the amount involved, exclusive of interest and costs, does not exceed 10% of the Company's current assets, provided that if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, the Company has included the amount involved in the other proceedings in computing the percentage.

There were no: (i) penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a security regulatory authority within the three years immediately preceding the date of this prospectus; (ii) other penalties or sanctions imposed by a court or regulatory body against the Company that the Company believes must be disclosed for this prospectus to contain full, true and plain disclosure of all material facts relating to the Common Shares; or (iii) settlement agreements the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this prospectus.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of any director or executive officer of the Company, any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any associate or affiliate of any of such persons or companies, in any transaction within the three years before the date of this prospectus that has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company.

EXPERTS

There is no person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion in this prospectus, other than Burnet, Duckworth & Palmer LLP, Blake, Cassels & Graydon LLP, GLJ, D&M (collectively, the "**Experts**") and Ernst & Young LLP.

There were no registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of its associates or affiliates: (i) held by an Expert or by the "designated professionals" (as defined in Form 51-102F2 to National Instrument 51-102) of such Expert, when such Expert prepared the report, valuation, statement or opinion referred to herein as having been prepared by such Expert; (ii) received by an Expert or by the "designated professionals" of such Expert, after the time specified above; or (iii) to be received by an Expert or by the "designated professionals" of such Expert; except in each case for the ownership of Common Shares, which in respect of each Expert and such Expert's "designated professionals", as a group, has at all relevant times represented less than one percent of the outstanding Common Shares. In addition, none of the Experts, and no director, officer or employee of any of the Experts, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

Ernst & Young LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants, Alberta.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's independent auditors are Ernst & Young LLP, Ernst & Young Tower, 1000, 440 2nd Avenue S.W., Calgary, Alberta T2P 5E9.

The transfer agent and registrar for the Common Shares is Olympia Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which the Company or any of its subsidiaries has entered into since January 1, 2008, has entered into prior to January 1, 2008 but which contract is still in effect, or to which the Company or any of its subsidiaries will become a party on or prior to closing of the Offering:

1. the Underwriting Agreement referred to under the heading "Plan of Distribution";

2. the following agreements relating to the PetroChina Transaction referred to under the heading “The PetroChina Transaction”:
   (a) the MacKay Joint Venture Agreement;
   (b) the Dover Joint Venture Agreement;
   (c) the Put/Call Option Agreement;
   (d) the Umbrella Agreement;
   (e) the PetroChina Loan Agreement in respect of PetroChina Loan #1;
   (f) the PetroChina Loan Agreement in respect of PetroChina Loan #2; and
3. the Rights Plan referred to under the heading “Shareholder Rights Plan”.

Copies of these material contracts are or will be available for review at the website maintained by the Canadian Securities Administrators at http://www.sedar.com.

PROMOTER

No person or company is, or has been within the two years immediately preceding the date hereof, a promoter of the Company or a subsidiary of the Company.

PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal adviser.

GLOSSARY

In this prospectus, unless otherwise indicated or the context otherwise requires, the following terms shall have the meaning set forth below:

"**2-D seismic data**" means two-dimensional seismic data, being an interpretive data that allows a view of a vertical cross-section beneath a prospective area.

"**3-D seismic data**" means three-dimensional seismic data, being geophysical data that depicts the subsurface strata in three dimensions. 3-D seismic data typically provides a more detailed and accurate interpretation of the subsurface strata than 2-D seismic data.

"**2009 Option Plan**" means the stock option plan of the Company dated effective as of September 1, 2009.

"**ABCA**" means the *Business Corporations Act* (Alberta).

"**AOSC (Dover)**" means AOSC (Dover) Energy Inc., a wholly-owned subsidiary of the Company incorporated under the ABCA, which holds an undivided 40% interest in the Dover Oil Sands Assets.

"**AOSC (MacKay)**" means AOSC (MacKay) Energy Inc., a wholly-owned subsidiary of the Company incorporated under the ABCA, which holds an undivided 40% interest in the MacKay Oil Sands Assets.

"**AOSC Newco**" means 1487645 Alberta Ltd., a corporation incorporated under the ABCA, that: (a) prior to the closing of the PetroChina Share Purchase Agreement, was a wholly-owned subsidiary of the Company; and (b) following the closing of the PetroChina Share Purchase Agreement and prior to the amalgamation of AOSC Newco and PetroChina International Subco, was a wholly-owned subsidiary of PetroChina International Subco.

"**API gravity**" means the American Petroleum Institute gravity, which is a measure of how heavy or light a petroleum liquid is compared to water. If a petroleum liquid's API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier than water and sinks. API gravity is thus a measure of the relative density of a petroleum liquid and the density of water, but it is used to compare the relative densities of petroleum liquids.

"**ARC**" means an Advance Ruling Certificate under Section 102 of the Competition Act.

"**Athabasca**" means Athabasca Oil Sands Corp., a corporation incorporated under the laws of the Province of Alberta.

"**Audit Committee**" means the audit committee of the Board.

"**Avenir**" means Avenir Capital Corporation.

"**Best Estimate**" has the meaning given to that term under "Independent Reserve and Resource Evaluations".

"**bitumen**" means a naturally occurring viscous mixture consisting mainly of pentanes and heavier hydrocarbons. Its viscosity is greater than 10,000 milliPascal seconds (centipoise) measured at original temperature in the reservoir and atmospheric pressure, on a gas-free basis. Crude bitumen may contain sulphur and other non-hydrocarbon compounds.

"**Board**" or "**Board of Directors**" means the board of directors of the Company.

"**bottom water**" means a reservoir interval that is primarily saturated with water and is immediately below and in communication with the bitumen zone.

"**cap rock**" means a relatively impermeable rock, commonly shale, that forms a barrier or seal above reservoir rock so that injected or in-situ fluids cannot migrate beyond the reservoir.

"**Canadian GAAP**" means Canadian generally accepted accounting principles.

“**Capital Costs**” means, for purposes of the PetroChina Transaction Agreements, the sum of (i) the Defaulting Participant’s Participating Interest share of the historical capital cost with respect to the MacKay Oil Sands Assets or Dover Oil Sands Assets, as applicable, as of November 1, 2009, and (ii) the capital costs with respect to the MacKay Oil Sands Assets or Dover Oil Sands Assets, respectively, incurred by the Defaulting Participant after November 1, 2009 and to the date the non-Defaulting Participant exercises its rights under the MacKay Joint Venture or Dover Joint Venture, as the case may be, to acquire the Defaulting Participant’s Participating Interest therein.

“**CAPP**” means Canadian Association of Petroleum Producers.

“**carbonate**” means a class of sedimentary rock whose chief mineral constituents (95% or more) are calcite, aragonite and dolomite. Limestone, dolostone (or dolomite) and chalk are carbonate rocks. Although carbonate rocks can be clastic in origin, they are more commonly formed through processes of precipitation or the activity of organisms such as coral and algae. Carbonates form in shallow and deep marine settings, evaporitic basins, lakes and windy deserts. Carbonate rocks are common hydrocarbon reservoir rocks, and contain more than 60% of the world’s proved conventional oil reserves. After deposition, the porosity and permeability of carbonate rocks are modified by a variety of processes such as mechanical compaction, dissolution, recrystallization, and dolomitization. One of the most important effects on carbonate reservoir rocks is the dolomitization process because it typically increases the porosity and permeability of the rock. Generally, fractures make a relatively minor contribution to the overall porosity of carbonate rocks, but they have a strong influence on fluid flow. Most carbonate rocks tend to have some fractures because of the brittle nature of the rock.

“**CCPC**” means a Canadian controlled private corporation for purposes of the Tax Act.

“**Cenovus**” means Cenovus Energy Inc.

“**CERI**” means The Canadian Energy Research Institute, an independent, non-profit research institute founded in 1975 that is committed to the analysis of energy economics and related environmental policy issues in the producing, transportation, and consuming sectors. Members of the Institute comprise Canadian government departments at both Federal and Provincial levels, the University of Calgary, and about 100 energy-related companies.

“**CICA**” means Canadian Institute of Chartered Accountants.

“**Class B Common Shares**” means the class B common shares in the capital of the Company created and issued pursuant to the Plan of Arrangement, and which were removed from the Company’s authorized capital at the completion of the Plan of Arrangement. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Subsequent Events – Special Dividend”.

“**clastic**” means sediment consisting of weathered fragments derived from pre-existing rocks and transported elsewhere and redeposited before forming another rock. Examples of common clastic sedimentary rocks include siliciclastic rocks such as conglomerate, sandstone, siltstone and shale.

“**Closing**” means the closing of the Offering.

“**CNRL**” means Canadian Natural Resources Limited.

“**COGE Handbook**” means the Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society), as amended from time to time.

“**Common Shares**” means the common shares in the capital of the Company as constituted on the date hereof.

“**Company**” means Athabasca Oil Sands Corp., a corporation incorporated under the laws of the Province of Alberta.

“**Company Interest**” means the Company’s total working interest share before deduction of royalties and without excluding any royalty interests.

“**Company Vendor**” means, in connection with a sale pursuant to a Put/Call Option Transaction, the Company and/or the affiliate of the Company that, on the date of closing of such Put/Call Option Transaction, is the owner of the shares and/or assets subject to the applicable Put/Call Option exercised.

“**Compensation and Governance Committee**” means the compensation and governance committee of the Board.

“**Competition Act**” means the *Competition Act* (Canada).

“**ConocoPhillips Canada**” means ConocoPhillips Canada Resources Corp.

“**Contingent Resources**” has the meaning given to that term under “Independent Reserve and Resource Evaluations”.

“**Contractor**” means, for purposes of the PetroChina Transaction Agreements, the Company pursuant to the Dover Contractor Agreement.

“**CSOR**” means the cumulative steam to oil ratio.

“**CSS**” means cyclic steam stimulation, an in-situ process used to recover bitumen from oil sands.

“**Cushing Reference Price**” means, for the purposes of the Put/Call Option Agreement, the arithmetic average of the price per barrel in $U.S. quotes as the Cushing, Oklahoma WTI Spot Price FOB by the Energy Information Administration of the U.S. Government in respect of each of the days for the 365 day period ending on the day prior to the delivery of a notice of exercise of the MacKay Put/Call Option or the Dover Put Option by the Company, as applicable, for which such a price is quoted.

“**Defaulting Participant**” means, for purposes of the PetroChina Transaction Agreements, as the context permits or requires, a Participant of the Dover Joint Venture that is subject to an event of default as set forth in the Dover Joint Venture Agreement, or a Participant of the MacKay Joint Venture that is subject to an event of default as set forth in the MacKay Joint Venture Agreement.

“**DeGolyer Report**” means the report of D&M dated effective as of December 31, 2009 assessing and evaluating the Contingent Resources of the Company located in the Birch and Hangingstone areas of Alberta.

“**delineation well**” means a well that is so located in relation to another well penetrating an accumulation of petroleum that there is a reasonable expectation that another portion of the accumulation will be penetrated by the first mentioned well and that the drilling of the first-mentioned well is necessary in order to determine the commercial value of the accumulation.

“**dilbit**” means a blend of condensate and bitumen.

“**diluent**” means lighter viscosity petroleum products that are used to dilute bitumen for transportation in pipelines.

“**D&M**” means DeGolyer and MacNaughton Canada Limited, an independent qualified resource evaluator.

“**Dover Call Option**” means the option granted by the Company to PetroChina International Subco to require the Company to sell to PetroChina International Subco or an affiliate of PetroChina International Subco all of the shares of AOSC (Dover) (or a wholly-owned subsidiary of AOSC (Dover)) pursuant to the Put/Call Option Agreement, as described in greater detail under the heading “The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement”.

“**Dover Contractor Agreement**” means the contractor agreement dated February 10, 2010 entered into as part of the PetroChina Transaction between Dover Joint Opco and the Company, as described in greater detail under the heading “The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Operating Services Agreement and the Dover Contractor Agreement”.

“**Dover Joint Opco**” means Dover Operating Corp., a corporation incorporated under the ABCA as part of the closing of the PetroChina Transaction by AOSC (Dover) and PetroChina International Subco in accordance with their respective Participating Interests in the Dover Joint Venture.

“**Dover Joint Opco Shareholders Agreement**” means the unanimous shareholder agreement dated February 10, 2010 entered into among AOSC (Dover), PetroChina International Subco and Dover Joint Opco as part of the PetroChina Transaction.

“**Dover Joint Venture**” means the joint venture between AOSC (Dover) and PetroChina International Subco formed as part of the closing of the PetroChina Transaction pursuant to the Dover Joint Venture Agreement.

“**Dover Joint Venture Agreement**” means the joint venture agreement dated February 10, 2010 entered into as part of the PetroChina Transaction among AOSC (Dover), PetroChina International Subco and Dover Joint Opco pertaining to the ownership and operation of the Dover Oil Sands Assets.

“**Dover JV Operator**” means Dover Joint Opco, as such appointment is provided for in the Dover Joint Venture Agreement.

“**Dover First Phase**” means the construction of the first phase of the Dover Oil Sands Project of 35,000 barrels per day.

“**Dover Oil Sands Assets**” or “**Dover assets**” means the interests of the Participants in approximately 60,043 hectares of land primarily between townships 92 to 97, ranges 15 to 18 west of the fourth meridian in northeastern Alberta near the city of Fort McMurray, including for greater certainty the Dover Oil Sands Leases, and from time to time, such additional assets, benefits and interests as may be acquired by or for the benefit of the Participants of the Dover Joint Venture, or that otherwise derive therefrom, including all tangible depreciable property, facilities, equipment and inventory owned or leased for the benefit of conducting the business of the Dover Joint Venture, as well as contracts, agreements and other interests of a miscellaneous nature that are typically acquired, owned or held in order to explore, develop, construct and operate facilities in relation to, and produce bitumen, together with cash and near cash equivalents, such as accounts receivable.

“**Dover Oil Sands Leases**” or “**Dover leases**” means the crown leases governed by the Dover Joint Venture Agreement.

“**Dover Oil Sands Project**” means an in-situ oil sands project in respect of the Dover Oil Sands Assets as described in greater detail under the heading “Project Development – Dover Asset”.

“**Dover Oil Sands Project Approval**” means, as it pertains to the Dover Oil Sands Project, ERCB approval pursuant to section 10 of the *Oil Sands Conservation Act* (Alberta) and Alberta Environment approval pursuant to Part 2, Division 2, of the *Environmental Protection and Enhancement Act* (Alberta).

“**Dover Put Option**” means the option granted to the Company by PetroChina International Subco to require PetroChina International Subco or an affiliate of PetroChina International Subco to acquire all of the shares or assets of AOSC (Dover) (or a wholly-owned subsidiary of AOSC (Dover)), as the case may be, pursuant to the Put/Call Option Agreement, as described in greater detail under the heading “The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement”.

“**Dover Put Event**” means the occurrence of Dover Oil Sands Project Approval.

“**Dover West Clastics**” has the meaning given to that term under “Athabasca Oil Sands Corp. – Business – Development Priorities – Clastic Resources”.

“**Dover West Clastics Oil Sands Project**” means a proposed in-situ oil sands project in respect of the Dover West Clastics asset more particularly described under “Project Development – Dover West Asset – Development Strategy – Dover West Clastics” and “Project Development – Dover West Asset – Development Schedule – Dover West Clastics”.

“**Dover West Leduc Carbonates**” has the meaning given to that term under “Athabasca Oil Sands Corp. – Business – Development Priorities – Carbonate Resources”.

“**Dover West Leduc Carbonates Oil Sands Project**” means a proposed in-situ oil sands project in respect of the Dover West Leduc Carbonates asset more particularly described under “Project Development – Dover West Asset – Development Strategy – Dover West Leduc Carbonates” and “Project Development – Dover West Asset – Development Schedule – Dover West Leduc Carbonates”.

"**EIA**" means the U.S. Energy Information Administration.

"**EPEA**" means the *Environmental Protection and Enhancement Act* (Alberta).

"**ERCB**" means the Energy Resources Conservation Board of Alberta.

"**fines**" means fragments or particles of rock or mineral that are too minute to be treated as ordinary coarse material.

"**GHG**" means greenhouse gas.

"**GLJ**" means GLJ Petroleum Consultants Ltd., an independent qualified reserve and resource evaluator.

"**GLJ Report**" means the report of GLJ dated effective as of December 31, 2009 assessing and evaluating the Probable and Possible Reserves and Contingent Resources of the Company located in the Dover, MacKay, Dover West and Grosmont areas of Alberta.

"**Gross Lease**" means the 100% working interest share before deduction of royalties and without excluding any royalty interests.

"**High Estimate**" has the meaning given to that term under "Independent Reserve and Resource Evaluations".

"**Husky**" means Husky Energy Inc.

"**IEA**" means the International Energy Agency, the energy forum for 28 industrialized countries. IEA member governments are committed to taking joint measures to meet oil supply emergencies. They also have agreed to share energy information, to coordinate their energy policies and to cooperate in the development of rational energy programs that ensure energy security, encourage economic growth and protect the environment. These provisions are embodied in the Agreement on an International Energy Programme, the treaty pursuant to which the IEA was established in 1974**.**

"**Incentive Shares**" means Common Shares that have been granted to service providers to Athabasca as a form of equity compensation.

"**Independent Evaluators**" means, collectively, D&M and GLJ.

"**Independent Reports**" means, collectively, the DeGolyer Report and the GLJ Report.

"**Initial Dover JV Period**" means the period commencing on the closing of the PetroChina Transaction and ending on the later of: (a) the date that is the earlier of: (i) the date the MacKay Put/Call Option is exercised; and (ii) the last day that the MacKay Put/Call Option may be exercised; and (b) if the MacKay Put/Call Option is exercised, the date that is the earlier of: (i) the date the Dover Call Option or the Dover Put Option is exercised; and (ii) the last day that the Dover Call Option or the Dover Put Option may be exercised.

"**Initial Dover JV Period Activities**" includes among other things, preparing and submitting an application for the Dover Oil Sands Project Approval, undertaking sufficient technical work reasonably necessary to support the application, responding to supplemental information requests from applicable regulatory authorities in respect of the application and undertaking such other activities that advance the Dover Oil Sands Project.

"**Initial MacKay JV Period**" means the period commencing on the closing of the PetroChina Transaction and ending on the later of: (a) the date that is the earlier of: (i) the date the MacKay Put/Call Option is exercised; and (ii) the last day that the MacKay Put/Call Option may be exercised; and (b) if the MacKay Put/Call Option is exercised, the date that is the earlier of: (i) the date the Dover Call Option or the Dover Put Option is exercised; and (ii) the last day that the Dover Call Option or the Dover Put Option may be exercised.

"**Initial MacKay JV Period Activities**" includes among other things, in connection with the application for the MacKay Oil Sands Project Approval, undertaking sufficient technical work reasonably necessary to support the application, responding to supplemental information requests from applicable regulatory authorities in respect of the application and undertaking such other activities that advance the MacKay Oil Sands Project.

"**in-situ**" means "in place" and, when referring to oil sands, means a process for recovering bitumen from oil sands by means other than surface mining, such as SAGD or CSS.

"**LIBOR period**" means the nearest period to three months, as available on the "LIBOR 01 Page" of Reuters Monitor Money Rates Service for deposits in Canadian dollars, and determined on the date of determination.

"**LIBOR Rate**" means, for the purposes of the PetroChina Loan Agreements, the per annum rate of interest determined by PetroChina International Subco, based on a 360 day year, rounded upwards, if necessary, to the nearest whole multiple of one-one hundredth of one percent (0.01%), as the average of the offered quotations appearing on the display referred to as the "LIBOR 01 Page" of Reuters Monitor Money Rates Service for deposits in Canadian dollars for a period equal in length to the LIBOR period, at or about 11:00 a.m. (London, England time) on the day prior to the initial drawdown date and on the day prior to the first day of each interest period thereafter.

"**Low Estimate**" has the meaning given to that term under "Independent Reserve and Resource Evaluations".

"**MacKay and Dover Joint Opcos**" means, collectively, MacKay Joint Opco and Dover Joint Opco.

"**MacKay and Dover Joint Ventures**" means, collectively, the MacKay Joint Venture and the Dover Joint Venture.

"**MacKay and Dover Oil Sands Assets**" means, collectively, the MacKay Oil Sands Assets and the Dover Oil Sands Assets.

"**MacKay First Phase**" means the construction of the first phase of the MacKay Oil Sands Project of 35,000 bbls/d.

"**MacKay Joint Opco**" means MacKay Operating Corp., a corporation incorporated under the ABCA as part of the closing of the PetroChina Transaction by AOSC (MacKay) and PetroChina International Subco in accordance with their respective Participating Interests in the MacKay Joint Venture.

"**MacKay Joint Opco Shareholders Agreement**" means the unanimous shareholder agreement dated February 10, 2010 entered into among AOSC (MacKay), PetroChina International Subco and MacKay Joint Opco as part of the PetroChina Transaction.

"**MacKay Joint Venture**" means the joint venture between AOSC (MacKay) and PetroChina International Subco formed as part of the closing of the PetroChina Transaction pursuant to the MacKay Joint Venture Agreement.

"**MacKay Joint Venture Agreement**" means the joint venture agreement dated February 10, 2010 entered into as part of the PetroChina Transaction among AOSC (MacKay), PetroChina International Subco and MacKay Joint Opco pertaining to the ownership and operation of the MacKay Oil Sands Assets.

"**MacKay JV Operator**" means MacKay Joint Opco, as such appointment is provided for in the MacKay Joint Venture Agreement.

"**MacKay Oil Sands Assets**" or "**MacKay assets**" means the interests of the Participants in approximately 76,032 hectares of land primarily between townships 87 to 91, ranges 12 to 15 west of the fourth meridian in northeastern Alberta, including for greater certainty the MacKay Oil Sands Leases, and from time to time, such additional assets, benefits and interests as may be acquired by or for the benefit of the Participants of the MacKay Joint Venture, or that otherwise derive therefrom, including all tangible depreciable property, facilities, equipment and inventory owned or leased for the benefit of conducting the business of the MacKay Joint Venture, as well as contracts, agreements and other interests of a miscellaneous nature that are typically acquired, owned or held in order to explore, develop, construct and operate facilities in relation to, and produce bitumen, together with cash and near cash equivalents, such as accounts receivable.

"**MacKay Oil Sands Leases**" or "**MacKay leases**" means the crown leases governed by the MacKay Joint Venture Agreement.

"**MacKay and Dover Oil Sands Projects**" means, collectively, the MacKay Oil Sands Project and the Dover Oil Sands Project.

"**MacKay Oil Sands Project**" means an in-situ oil sands project in respect of the MacKay Oil Sands Assets as described in greater detail under the heading "Project Development – MacKay Asset".

"**MacKay Oil Sands Project Approval**" means, as it pertains to the MacKay Oil Sands Project, ERCB approval pursuant to section 10 of the *Oil Sands Conservation Act* (Alberta) and Alberta Environment approval pursuant to Part 2, Division 2, of the *Environmental Protection and Enhancement Act* (Alberta).

"**MacKay Put/Call Event**" means the occurrence of MacKay Oil Sands Project Approval.

"**MacKay Put/Call Option**" means the options granted by each of the Company and PetroChina International Subco to one another pursuant to the Put/Call Option Agreement, to acquire all of the assets or shares of AOSC (MacKay) (or a wholly-owned subsidiary of AOSC (MacKay)), as the case may be, pursuant to the Put/Call Option Agreement, as described in greater detail under the heading "The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Put/Call Option Agreement".

"**MacKay River Central Plant**" means the central plant for the MacKay Oil Sands Project, as described in greater detail under the heading "Project Development – MacKay Asset".

"**Majority Approval**" means: (a) with reference to any action, determination or decision of the boards of directors of Dover Joint Opco or MacKay Joint Opco, the approval of such action, determination or decision of director(s) holding voting rights greater than 50%; and (b) with reference to any action, determination or decision of the Management Committee, the approval of such action, determination or decision of one or more Participants holding Participating Interests greater than 50%.

"**Management Committee**" means: (i) with reference to the Dover Joint Venture and Dover Joint Opco, the management committee formed to supervise the business and affairs of the Dover Joint Venture and the activities of Dover Joint Opco; and (ii) with reference to the MacKay Joint Venture and MacKay Joint Opco, the management committee formed to supervise the business and affairs of the MacKay Joint Venture and the activities of MacKay Joint Opco, as the context requires or permits.

"**M$**" means thousands of Canadian dollars.

"**MM$**" means millions of Canadian dollars.

"**NEB**" means the National Energy Board (Canada).

"**Nexen**" means Nexen Inc.

"**New Option**" means an option to purchase a Common Share granted under the 2009 Option Plan.

"**NI 51-101**" means National Instrument 51-101 *Standards Of Disclosure For Oil and Gas Activities*.

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

"**NYSE**" means the New York Stock Exchange.

"**OECD**" means the Organisation for Economic Cooperation and Development, an international organization of 30 countries that accept the principles of representative democracy and free-market economy.

"**oil sands**" means deposits of sand, sandstone, carbonate or other mineral material containing bitumen.

"**Offering**" means the offering of Common Shares described in this prospectus.

"**Old Option**" means an option to purchase a Common Share granted under the Old Option Plan.

"**Old Option Plan**" means the stock option plan of the Company dated effective as of July 28, 2008.

“**Operating Services Agreement**” means the operating services agreement dated February 10, 2010 entered into as part of the PetroChina Transaction between MacKay Joint Opco and Dover Joint Opco, as described in greater detail under “The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Operating Services Agreement and the Dover Contracting Agreement”.

“**Option**” means a New Option or an Old Option, as the case may be.

“**Option Purchase Agreements**” means the agreements of purchase and sale to be entered into between the Company Vendor and PetroChina International Subco (or its affiliates) to give effect to the exercise of one or more of the Put/Call Options.

“**Optionholder**” means a holder of an Old Option or a New Option, as the case may be.

“**Over-Allotment Option**” means the option granted by the Company to the Underwriters to purchase from the Company at the Offering price up to an additional 11,250,000 Common Shares, all as more particularly described herein under the heading “Plan of Distribution”.

“**PADD**” means Petroleum Administration for Defense District, which districts are designated by the U.S. Department of Transportation.

“**Participant**” means: (i) with reference to the MacKay Joint Venture, a person that has a Participating Interest in the MacKay Joint Venture and is a party to the MacKay Joint Venture Agreement; and (ii) with reference to the Dover Joint Venture, a person that has a Participating Interest in the Dover Joint Venture and is a party to the Dover Joint Venture Agreement, in any case, as the context requires or permits.

“**Participating Interest**” means: (i) with reference to the MacKay Joint Venture, an undivided beneficial ownership interest in the MacKay Joint Venture, the MacKay Oil Sands Assets and bitumen recovered from the lands underlying the MacKay Oil Sands Leases; and (ii) with reference to the Dover Joint Venture, an undivided beneficial ownership interest in the Dover Joint Venture, the Dover Oil Sands Assets and bitumen recovered from the lands underlying the Dover Oil Sands Leases, in any case, as the context requires or permits.

“**Performance Warrants**” means the Series I Performance Warrants and the Series II Performance Warrants, all of which have been exercised prior to the date hereof.

“**permeability**” is a measure of the ability of a rock to conduct a fluid through its interconnected pores when that fluid is at 100% saturation. A rock may be highly porous and yet impermeable if it has no interconnecting pore network (communication). Permeability is measured in darcies or millidarcies.

“**PetroChina**” means PetroChina Company Limited, a joint stock company with limited liabilities existing under the laws of the PRC.

“**PetroChina International**” means PetroChina International Investment Company Limited, a body corporate existing under the laws of the PRC and a wholly-owned subsidiary of PetroChina.

“**PetroChina International Subco**” means Cretaceous Oilsands Holdings Limited, a corporation incorporated under the ABCA that is a wholly-owned subsidiary of PetroChina International and that, after the closing of the PetroChina Share Purchase Agreement, amalgamated with AOSC Newco under the name Cretaceous Oilsands Holdings Limited.

“**PetroChina Joint Ventures**” means, collectively, the Dover Joint Venture and the MacKay Joint Venture.

“**PetroChina Loan #1**” means the non-revolving loan provided by PetroChina International Subco to the Company in the principal amount of $430 million, as described in greater detail under “The PetroChina Transaction – Overview of the PetroChina Transaction – The PetroChina Loans – PetroChina Loan #1”.

“**PetroChina Loan #2**” means the limited recourse, non-revolving, multi-draw credit facility provided by PetroChina International Subco to the Company up to a maximum principal amount of $100 million, as described in greater detail under “The PetroChina Transaction – Overview of the PetroChina Transaction – The PetroChina Loans – PetroChina Loan #2”.

“**PetroChina Loan #3**” means, in the event the MacKay Put/Call Option is not exercised, the limited recourse, non-revolving, multi-draw credit facility to be provided by PetroChina International Subco to the Company up to a maximum principal amount of $560 million, as described in greater detail under “The PetroChina Transaction – Overview of the PetroChina Transaction – The PetroChina Loans – PetroChina Loan #3”.

“**PetroChina Loan Agreements**” means the agreements entered into between PetroChina International Subco and the Company in respect of the PetroChina Loans.

“**PetroChina Loans**” means, collectively, PetroChina Loan #1, PetroChina Loan #2 and PetroChina Loan #3.

“**PetroChina Share Purchase Agreement**” means the agreement dated February 10, 2010 between the Company and PetroChina International Subco pursuant to which PetroChina International Subco acquired the AOSC Newco shares from the Company as part of the PetroChina Transaction.

“**PetroChina Transaction**” means, collectively, the transactions contemplated by the PetroChina Transaction Agreements; provided that references in this prospectus to the closing or completion of the PetroChina Transaction do not include the exercise of any of the Put/Call Options or the closing of any Put/Call Option Transaction.

“**PetroChina Transaction Agreements**” means, collectively, the following agreements: the PetroChina Share Purchase Agreement; the MacKay Joint Venture Agreement; the Dover Joint Venture Agreement; the MacKay Joint Opco Shareholders Agreement; the Dover Joint Opco Shareholders Agreement; the Operating Services Agreement; the Dover Contractor Agreement; the Put/Call Option Agreement; the Umbrella Agreement; the PetroChina Loan Agreements; and the Security Agreements.

“**PIIP**” or “**discovered petroleum initially-in-place**” means that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production. The recoverable portion of discovered petroleum initially-in-place includes production, reserves and Contingent Resources; the remainder is unrecoverable.

“**Plan of Arrangement**” means the plan of arrangement under the ABCA effective March 22, 2010 pursuant to which, among other things, the Special Dividend was paid. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Subsequent Events – Special Dividend”.

“**Possible Reserves**” has the meaning ascribed thereto under the heading “Independent Reserve and Resource Evaluations – Pro Forma Reserve Estimates (MacKay Phase 1)”.

“**porosity**” means the volume of a rock available to contain fluids; the ratio of void space to the bulk volume of rock containing that void space. Porosity can be expressed as a fraction or percentage of pore volume in a volume of rock.

“**PRC**” means the People’s Republic of China.

“**Preferred Shares**” means (i) the first preferred shares, issuable in series, of the Company, and (ii) the second preferred shares, issuable in series, of the Company, in each case as described under “Description of Share Capital”.

“**Probable Reserves**” has the meaning ascribed thereto under the heading “Independent Reserve and Resource Evaluations – Pro Forma Reserve Estimates (MacKay Phase 1)”.

“**prospective resources**” are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.

“**Proved Reserves**” are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

“**Purchase Warrants**” means warrants of the Company issued on September 1, 2006. Each Purchase Warrant entitled the holder to purchase one Common Share at any time on or prior to 4:00 p.m. (Calgary time) on August 31, 2011 at an exercise price of $1.25 per Common Share. All of the Purchase Warrants have been exercised prior to the date hereof.

“**Put/Call Option Agreement**” means the agreement dated February 10, 2010 setting forth the MacKay Put/Call Option, the Dover Call Option and the Dover Put Option among the Company, PetroChina International Subco, AOSC (MacKay), AOSC (Dover), AOSC MacKay Corp. and AOSC Dover Corp.

“**Put/Call Option Transactions**” means the transactions contemplated by the Put/Call Options.

“**Put/Call Options**” means the options granted by and to the Company and PetroChina International Subco pursuant to the Put/Call Option Agreement.

“**recovery factor**” means the percentage of PIIP in a reservoir that ultimately can be recovered at a specific point in time.

“**Regulations**” means the regulations under the Tax Act.

“**Reserves**” are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on: (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable. Reserves are classified according to the degree of certainty associated with the estimates.

“**Reserves and Health, Safety and Environmental Committee**” means the reserves and health, safety and environmental committee of the Board.

“**reservoir**” means a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids.

“**Rights Plan**” means the shareholder rights plan of Athabasca having the terms set forth in the shareholder rights plan agreement to be entered into between Athabasca and Olympia Trust Company, as rights agent, as described under “Shareholder Rights Plan”.

“**RSU**” means a restricted share unit granted under the Company’s RSU Plan.

“**RSU Plan**” means the restricted share unit plan of the Company dated effective as of February 25, 2010.

“**SAGD**” means steam assisted gravity drainage, an in-situ process used to recover bitumen from oil sands.

“**saturation**” is the fraction or percentage of the pore volume occupied by a specific fluid (e.g., oil, gas, water, etc.).

“**SCO**” or “**synthetic crude oil**” means crude oil produced by upgrading bitumen to a mixture of hydrocarbons similar to light crude oil produced either by the removal of carbon (coking) or the addition of hydrogen through hydrotreating. It is considered synthetic because its original composition mark has been altered in the upgrading process.

“**Secondee**” means an employee of the Company or PetroChina International Subco nominated to a position with MacKay JV Operator or Dover JV Operator, as applicable.

“**Security Agreements**” means the agreements pursuant to which AOSC (MacKay) and AOSC (Dover) or, in the case of PetroChina Loan #1, the Company and certain additional subsidiaries of the Company, as the case may be, have granted security to PetroChina International Subco in respect of indebtedness owing under the PetroChina Loan Agreements.

“**Securityholders**” means, collectively, the Shareholders and the Warrantholders.

“**Senior Secured Note Indenture**” means the trust indenture dated effective July 30, 2008 between the Company and Olympia Trust Company, as trustee, pursuant to which the Senior Secured Notes were issued.

“**Senior Secured Noteholders**” means the holders of Senior Secured Notes.

“**Senior Secured Notes**” means the $400,000,000 aggregate principal amount of 13% senior, secured notes of the Company issued pursuant to and governed by the Senior Secured Note Indenture.

“**Series I Performance Warrants**” means the 9,500,000 warrants to purchase Common Shares issued on August 1, 2006, all of which have been exercised as of the date hereof.

“**Series II Performance Warrants**” means the 9,500,000 warrants to purchase Common Shares issued on August 1, 2006, all of which have been exercised as of the date hereof.

“**Share Ratio**” means: (a) with respect to a shareholder of MacKay Joint Opco the number of voting shares of any class of MacKay Joint Opco held by such shareholder from time to time; and (b) with respect to a shareholder of Dover Joint Opco the number of voting shares of any class of Dover Joint Opco held by such shareholder from time to time, in each case expressed as a percentage of the total number of shares issued and outstanding at that time, equal in any event, to 100% of all of the issued and outstanding voting shares.

“**Shareholders**” means the holders, from time to time, of the Common Shares, collectively or individually, as the context requires.

“**Shell Canada**” means Shell Canada Ltd.

“**SOR**” means steam to oil ratio.

“**Special Dividend**” means the dividends paid on March 22, 2010 pursuant to the Plan of Arrangement in the aggregate amount of $4.25 per share (approximately $1.332 billion in total) utilizing a portion of the proceeds of the PetroChina Transaction. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Subsequent Events – Special Dividend”.

“**Special Securityholders Meeting**” means the special meeting of Securityholders held on March 19, 2010, at which Securityholders, as applicable, approved: (i) the Plan of Arrangement; (ii) the creation of the Preferred Shares; and (iii) the adoption of the Rights Plan. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Subsequent Events – Special Dividend”, “Description of Share Capital” and “Shareholder Rights Plan”.

“**Suncor**” means Suncor Energy Inc.

“**synbit**” means a blend of bitumen and SCO.

“**Tax Act**” means the *Income Tax Act* (Canada).

“**top gas**” means an accumulation of natural gas that is located above an accumulation of bitumen. When natural gas pools are in pressure communication with underlying bitumen reservoirs, the depletion of the gas pool causes lower pressures in the zone above the bitumen reservoir and when steam is injected into the bitumen reservoir, there is a potential for the steam to escape into the depleted gas pool.

“**Total Canada**” means Total E&P Canada Ltd.

“**Total PIIP**” or “**Total Petroleum Initially-In-Place**” is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to “**total resources**”).

“**TSX**” means the Toronto Stock Exchange.

“**TSXV**” means the TSX Venture Exchange.

“**Umbrella Agreement**” means the umbrella agreement dated February 10, 2010 entered into among the Company, AOSC MacKay Corp., AOSC Dover Corp., AOSC (MacKay), AOSC (Dover), PetroChina International Subco, PetroChina International, MacKay Joint Opco and Dover Joint Opco, as described in greater detail under the heading “The PetroChina Transaction – Summary of the PetroChina Transaction Agreements – The Umbrella Agreement”.

“**Unanimous Approval**” means: (a) with reference to any action, determination or decision of the boards of directors of Dover Joint Opco or MacKay Joint Opco, the approval of such action, determination or decision of director(s) holding voting rights equal to 100%; and (b) with reference to any action, determination or decision of the Management Committee, the approval of such action, determination or decision of Participants holding Participating Interests equal to 100%.

“**unconventional oil**” means extra heavy oil (excluding extra heavy oil sourced from Venezuela), natural bitumen derived from oil sands, chemical additives, gas-to-liquids and coal-to-liquids (and excluding biofuels).

“**Underwriters**” means Morgan Stanley Canada Limited, GMP Securities L.P., FirstEnergy Capital Corp., Raymond James Ltd., TD Securities Inc., Peters & Co. Limited, Genuity Capital Markets, Barclays Capital Canada Inc., Acumen Capital Finance Partners Limited, Haywood Securities Inc. and Dundee Securities Corporation.

“**Underwriting Agreement**” means the underwriting agreement dated March 30, 2010 among the Company and the Underwriters.

“**Unrecoverable PIIP**” means that portion of PIIP quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

“**U.S.**” means the United States of America.

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended.

“**UTF**” means the Underground Test Facility initiated in 1984 by the Alberta Oil Sands Technology and Research Authority (a predecessor to the Alberta Energy Research Institute) as an in-situ SAGD bitumen recovery facility. The facility was owned and operated by ten industrial participants and received government support. The SAGD process and its commercial viability were initially confirmed at this site.

“**Warrantholders**” means the former holders of Purchase Warrants, collectively or individually, as the context requires.

“**WI**” means working interest.

“**WTI**” means West Texas Intermediate grade crude oil at a reference sales point in Cushing, Oklahoma, a common benchmark for crude oils.

ABBREVIATIONS

bbl	barrel
bbls	barrels
bbls/d	barrels per day
mbbls	thousand barrels
mbbls/d	thousand barrels per day
mmbbls	million barrels
mmbbls/d	million barrels per day
mcf	thousand cubic feet

CONVERSION

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

INDEX TO FINANCIAL STATEMENTS OF ATHABASCA OIL SANDS CORP.

AUDITORS' CONSENT

We have read the prospectus of Athabasca Oil Sands Corp. (the "**Company**") dated March 30, 2010 relating to the distribution of up to 86,250,000 common shares of the Company (the "**Prospectus**"). We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned Prospectus of our report to the directors of the Company on the consolidated balance sheets of the Company as at December 31, 2008 and 2007 and the consolidated statements of net loss, comprehensive loss and accumulated deficit and cash flows for the years then ended and for the period from inception on August 23, 2006 to December 31, 2006. Our report is dated April 16, 2009 except note 19, which is dated as of March 30, 2010.

(Signed) Ernst & Young LLP
Chartered Accountants
Calgary, Canada
March 30, 2010

Athabasca Oil Sands Corp.

Pro Forma Consolidated Financial Statements
(unaudited)
September 30, 2009 and December 31, 2008
(expressed in thousands of Canadian dollars)

Athabasca Oil Sands Corp.
Pro Forma Consolidated Balance Sheet
(Unaudited)

(Cdn $000s)	September 30, 2009	Pro Forma Adjustments	Note	Pro Forma September 30, 2009
Assets				
Current assets				
Cash and cash equivalents	174,152	1,900,000	2(a)	2,105,453
		(21,000)	2(a)	
		(1,332,299)	2(d)	
		1,262,500	2(e)	
		122,100	2(f)	
Short-term investments	4,490	—		4,490
Accounts receivable	1,438	—		1,438
Prepaid expenses and other	123	—		123
	180,203			2,111,504
Deferred charges	63	—		63
Investments	—	154,135	2(b)	154,135
Property and equipment	343,462	(154,135)	2(b)	189,327
Assets held for sale	231,202	(231,202)	2(a)	—
Future income tax asset	71,278	(71,278)	2(a)	—
	826,208			2,455,029
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	19,091	—		19,091
Income taxes payable	—	235,368	2(a)	87,160
		(140,508)	2(d)	
		(7,700)	2(e)	
	19,091			106,251
Long-term debt	392,041	(400,000)	2(c)	430,000
		430,000	2(c)	
		7,959	2(c)	
Asset retirement obligations	490	—		490
Future income tax liability related to assets held for sale	33,051	(33,051)	2(a)	—
Future income tax liability	—	39,092	2(a)	21,592
		(17,500)	2(e)	
	444,673			558,333
Shareholders' equity				
Common shares	383,876	1,287,700	2(e)	1,793,676
		122,100	2(f)	
Contributed surplus	45,287	—		45,287
Accumulated (deficit) earnings	(47,628)	105,361	2(a)(c)(d)	57,733
	381,535			1,896,696
	826,208			2,455,029

See accompanying notes

Athabasca Oil Sands Corp.
Pro Forma Consolidated Statement of Income (Loss)
(Unaudited)

(Cdn $000s, except per share data)	Nine Months Ended September 30, 2009	Pro Forma Adjustments	Note	Pro Forma Nine Months Ended September 30, 2009
Revenue				
Interest income	2,436	—		2,436
Expenses				
Stock-based compensation	1,893	—		1,893
General and administrative	8,488	—		8,488
Financing and interest	34,701	(8,467)	3(a)	11,900
		(14,334)	3(b)	
Depreciation and amortization	205	—		205
Research and development	521	—		521
	45,808			23,007
Net income (loss) before income taxes	(43,372)			(20,571)
Future income tax expense (recovery)	(50,446)	6,612	3(c)	(3,750)
		40,084	3(d)	
Net income (loss)	7,074			(16,821)
Basic income (loss) per share	0.04		4	(0.04)
Diluted income (loss) per share	0.02		4	(0.04)

See accompanying notes

Athabasca Oil Sands Corp.
Pro Forma Consolidated Statement of Income (Loss)
(Unaudited)

(Cdn $000s, except per share data)	Year Ended December 31, 2008	Pro Forma Adjustments	Note	Pro Forma Year Ended December 31, 2008
Revenue				
Interest income	5,451	—		5,451
Expenses				
Stock-based compensation	7,136	—		7,136
General and administrative	7,381	—		7,381
Financing and interest	23,100	(2,928)	3(a)	12,396
		(7,776)	3(b)	
Depreciation and amortization	169	—		169
Research and development	139	—		139
	37,925			27,221
Net income (loss) before income taxes	(32,474)			(21,770)
Future income tax expense (recovery)	(7,827)	3,104	3(c)	(4,723)
Net income (loss)	(24,647)			(17,047)
Net income (loss) per share, basic and diluted	(0.14)		4	(0.05)

See accompanying notes

1) BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated balance sheet as at September 30, 2009 and the unaudited pro forma consolidated statements of income (loss) for the nine months ended September 30, 2009 and the year ended December 31, 2008 (collectively, the "unaudited pro forma consolidated financial statements") have been prepared solely for inclusion in the prospectus for the initial public offering of Common Shares of Athabasca Oil Sands Corp. (the "Company") dated March 30, 2010.

The unaudited pro forma consolidated financial statements have been prepared by management of the Company in accordance with Canadian generally accepted accounting principles. In the opinion of management, these unaudited pro forma consolidated financial statements include all adjustments necessary for fair presentation in accordance with Canadian generally accepted accounting principles.

The unaudited pro forma consolidated financial statements are not necessarily indicative of either the financial position or results of operations that actually would have occurred if the events reflected therein had been in effect on the dates indicated or of the results that may be obtained in the future. These unaudited pro forma consolidated financial statements also do not contemplate future changes in accounting policies due to the adoption of International Financial Reporting Standards.

The unaudited pro forma consolidated balance sheet of the Company as at September 30, 2009 and the unaudited pro forma consolidated statement of income (loss) for the nine months ended September 30, 2009 have been prepared with information derived from the unaudited consolidated financial statements of the Company as at and for the nine months ended September 30, 2009.

The unaudited pro forma consolidated statement of income (loss) for the year ended December 31, 2008 has been prepared with information derived from the audited consolidated financial statements of the Company as at and for the year ended December 31, 2008.

Accounting policies applicable to the preparation of the unaudited pro forma consolidated financial statements are disclosed in the unaudited consolidated financial statements of the Company as at and for the nine months ended September 30, 2009 and in the audited consolidated financial statements of the Company as at and for the year ended December 31, 2008.

The unaudited pro forma consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended December 31, 2008 and the unaudited consolidated financial statements of the Company as at and for the nine months ended September 30, 2009.

2) UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma consolidated balance sheet of the Company as at September 30, 2009 gives effect to the following adjustments as if they occurred on September 30, 2009.

a) Transaction with PetroChina International ("PetroChina Transaction")

On August 28, 2009, the Company entered into the Principles of Joint Venture Agreement with PetroChina International Investment Company Limited ("PetroChina International"), a wholly owned subsidiary of PetroChina Company Limited ("PetroChina"), and on February 10, 2010, the Company entered into a series of agreements (the "PetroChina Transaction Agreements"), pursuant to which, among other things, a wholly-owned subsidiary of PetroChina International ("PetroChina International Subco") acquired 100% of the shares of 1487645 Alberta Ltd. ("AOSC Newco"), a corporation which held a 60% working interest in the Company's MacKay and Dover oil sands projects for cash consideration of $1.9 billion. PetroChina International Subco also agreed to reimburse the Company for 60% of the expenditures incurred in respect of the oil sands assets of AOSC Newco by the Company during the period commencing November 1, 2009 and ending on the February 10, 2010 closing date of the PetroChina Transaction. As part of the PetroChina Transaction, on February 10, 2010, AOSC (MacKay) Energy Inc. ("AOSC (MacKay)") and AOSC (Dover) Energy Inc. ("AOSC (Dover)"), wholly-owned subsidiaries of the Company, and PetroChina International Subco formed the MacKay and Dover joint ventures. The financing arrangements forming part of the PetroChina Transaction include a loan to the Company to repay its existing long-term debt. PetroChina International Subco provided to the Company a non-revolving loan of $430.0 million ("PetroChina Loan #1") which was used to repay the Company's existing indebtedness and related costs under the note indenture dated July 30, 2008 for the $400.0 million senior secured notes. The PetroChina Transaction also provides for a put/call option pursuant to which, in certain circumstances, PetroChina International Subco may be required to purchase or may exercise the right to acquire the Company's remaining 40% working interest in one or both of the MacKay and Dover oil sands projects by acquiring the assets or shares of the Company's wholly-owned subsidiaries that own those assets for an aggregate cash consideration of up to $2.0 billion.

(amounts in Cdn$ thousands, except as otherwise noted)

Assets held for sale have been eliminated at September 30, 2009, to reflect closing of the PetroChina Transaction, which has been accounted for as follows:

Cash proceeds from sale	1,900,000
Net book value of assets sold	(231,202)
Estimated Transaction costs	(21,000)
Early redemption cost on Senior Secured Notes (note 2(c))	(28,000)
Write-off of unamortized deferred borrowing costs (note 2(c))	(7,959)
Current income tax	(235,368)
Future income tax	(77,320)
Gain on sale	1,299,151

The gain on sale has not been reflected in the unaudited pro forma consolidated statements of income (loss) due to its non-recurring nature.

b) Variable Interest Entity

The Company's remaining 40% interest in the MacKay assets is held in AOSC (MacKay) and the Company's remaining 40% interest in the Dover assets is held in AOSC (Dover). Through a combination of direct and indirect ownership, both companies are owned 100% by the Company, however the companies are considered to be variable interest entities ("VIEs") of the Company. The Company is required to account for their investment in the VIEs as an investment using the equity method of accounting, where it is not the VIEs primary beneficiary. VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The primary beneficiary is the party that has exposure to a majority of the expected losses and/or expected residual returns of the VIE. Accordingly, the unaudited pro forma consolidated balance sheet reflects an adjustment to reclassify $154.1 million out of Property and Equipment into Investments.

c) Loan from PetroChina

The financing arrangements in the PetroChina Transaction included PetroChina Loan #1 to provide the funds needed by the Company to repay its existing long-term debt. PetroChina International Subco provided the Company with a non-revolving loan of $430.0 million. The proceeds were used to redeem the Company's $400.0 million principal amount of senior secured notes, pay $28.0 million of early redemption costs on the senior secured notes and pay approximately $2.0 million of accrued interest on the senior secured notes. The PetroChina Loan #1 is repayable from cash flow from the MacKay and Dover assets and any amount remaining in 2022 must be repaid in full.

The unaudited pro forma consolidated balance sheet at September 30, 2009 reflects a net increase in long-term debt of $30.0 million, and the write-off of $8.0 million of unamortized deferred borrowing costs remaining at September 30, 2009.

d) Special Dividend

The unaudited pro forma consolidated balance sheet at September 30, 2009 reflects a decrease in cash and cash equivalents and a decrease in accumulated earnings of $1.332 billion as a result of a special dividend paid on March 22, 2010. As a result of paying this dividend, the Company is entitled to a dividend tax refund of $140.5 million, reflected as a decrease to current income taxes payable. This adjustment is not reflected in the unaudited pro forma consolidated statements of income (loss) due to its non-recurring nature.

e) Initial Public Offering

The Company entered into an underwriting agreement and therefore has included an adjustment for the issue of an additional 75,000,000 common shares priced at $18.00 per share pursuant to the initial public offering, which assumes no exercise of an over-allotment option, resulting in estimated gross proceeds of $1.35 billion less estimated underwriting commission of $81.0 million and estimated offering expenses of $6.5 million. If the over-allotment option is exercised in full an additional 11,250,000 common shares will be issued for net proceeds of $190.4 million. The corresponding tax impact relating to the underwriting commission and other offering expenses is a reduction of current income tax liability of $7.7 million and future income tax liability of $17.5 million and is recorded as an increase to common shares.

f) Purchase Warrants and Performance Warrants

The Warrantholders approved the Plan of Arrangement at the Special Securityholders Meeting held on March 19, 2010. As a result, all of the Purchase Warrants were deemed to have been exercised on the effective date of the Plan of Arrangement and a total of 97,609,250 Common Shares were issued for aggregate cash consideration of $122 million. In addition, all 10.0 million performance warrants were exercised subsequent to September 30, 2009, resulting in the issuance of 10.0 million common shares for total cash consideration of $0.1 million.

3) UNAUDITED PRO FORMA CONSOLIDATED STATEMENTS OF INCOME (LOSS) ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma consolidated statements of income (loss) for the year ended December 31, 2008 and nine months ended September 30, 2009 are based on the audited consolidated statement of loss for the year ended December 31, 2008 and the unaudited consolidated statement of income (loss) for the nine months ended September 30, 2009 and gives effect to the following adjustments as if they had occurred on January 1, 2008 and 2009, respectively.

a) Amortization of Deferred Borrowing Costs

As a result of the loan from PetroChina International Subco and the repayment of the existing long-term debt described in 2(c) above, the unaudited pro forma consolidated statement of income (loss) for the nine months ended September 30, 2009 reflects a decrease in financing and interest expense of $8.5 million (year ended December 31, 2008 – $2.9 million) to eliminate amortization of deferred borrowing costs related to the senior secured notes.

b) Interest Expense

The non-revolving loan from PetroChina International Subco bears interest at the Libor Rate plus 450 basis points. For the purposes of these unaudited pro forma consolidated financial statements, the interest rate on this new loan has been assumed to range from approximately 4.75% to 8.5%, which is lower than the 13% interest rate on the senior secured notes. Accordingly, the unaudited pro forma consolidated statement of income (loss) for the nine months ended September 30, 2009 reflects a decrease in financing and interest expense of $14.3 million (year ended December 31, 2008 – $7.8 million).

c) Future Income Tax Recovery

The unaudited pro forma consolidated statement of income (loss) for the nine months ended September 30, 2009 reflects a decrease in the future income tax recovery of $6.6 million (year ended December 31, 2008 – $3.1 million) reflecting the tax effect of adjustments described in 3a and 3b above.

d) Reversal of Future Income Tax Recovery

The September 30, 2009 historical income statement contains an adjustment to eliminate a tax recovery of $40.1 million associated with estimated temporary difference reversals due to the impending sale of working interests in the MacKay assets and the Dover assets to PetroChina International Subco. This tax recovery is eliminated upon closing the PetroChina Transaction.

The unaudited pro forma consolidated statements of income (loss) for the year ended December 31, 2008, and for the nine months ended September 30, 2009 have not been adjusted for the following items:

e) Interest Income

The Company may have used the proceeds from the sale of the working interests to PetroChina for strategic acquisitions, accelerated exploration and/or development, to reduce indebtedness, or a combination of any or all of these options. Accordingly, no adjustment has been made to the unaudited pro forma consolidated statements of income (loss) for the year ended December 31, 2008, and for the nine months ended September 30, 2009 for interest income on surplus cash.

f) Equity Earnings (Loss)

The majority of the Company's expenditures on the MacKay and Dover oil sands projects during the year ended December 31, 2008, and the nine months ended September 30, 2009, have been capitalized since the Company is in the development stage. Certain research and development costs were expensed during the year ended December 31, 2008, and the nine months ended September 30, 2009 and would be recorded separately as net equity earnings (loss) on the unaudited pro forma consolidated statement of income (loss), however, no adjustment has been made since the amounts are not material to the unaudited pro forma consolidated statements of income (loss) for the year ended December 31, 2008, and for the nine months ended September 30, 2009.

g) Incentive plan agreements

Effective October 15, 2009, the Company amended incentive plan agreements with certain employees, consultants and directors. The amendments were agreed to in exchange for the waiver of certain rights pertaining to change of control conditions in the original incentive plan agreements. These amendments would have taken place in any event and are not specifically related to the PetroChina Transaction. Accordingly, no adjustment has been made for stock-based compensation expense in the unaudited pro forma consolidated statements of income (loss) for the year ended December 31, 2008, and for the nine months ended September 30, 2009, nor has an adjustment been made to property and equipment for capitalized stock-based compensation in the unaudited pro forma consolidated balance sheet at September 30, 2009.

(amounts in Cdn$ thousands, except as otherwise noted)

4) Common Shares Outstanding and Pro Forma Loss Per Share

After completion of the transaction, the outstanding and weighted average outstanding common shares and pro forma loss per share for the Company are as follows:

	Nine months ended September 30, 2009		**Year ended December 31, 2008**	
	Issued and Outstanding	**Weighted Average**	**Issued and Outstanding**	**Weighted Average**
Common Shares, as initially stated	202,938,094	196,116,387	192,529,661	181,550,247
Issued in connection with the exercise of Purchase Warrants (note 2(f))	97,609,250	97,609,250	97,609,250	97,609,250
Issued in connection with the exercise of Performance Warrants (note 2(f))	10,000,000	10,000,000	10,000,000	10,000,000
Issued in connection with the initial public offering (note 2(e))	75,000,000	75,000,000	75,000,000	75,000,000
Total Common Shares	385,547,344	378,725,637	375,138,911	364,159,497
Pro forma income (loss) per share – basic		(0.04)		(0.05)
– diluted		(0.04)		(0.05)

5) Put/Call Options

As noted in note 2(a), the PetroChina Transaction provides for put/call options. Management of the Company has conducted a review of the value of each put/call option and has determined that the value of the put/call options at inception was nil. Accordingly, no adjustment has been made to recognize these derivatives as an asset or liability on the unaudited pro forma consolidated balance sheet at September 30, 2009. No adjustment has been made to the unaudited pro forma consolidated statements of income (loss) for the year ended December 31, 2008, and for the nine months ended September 30, 2009, in respect of revaluing the put/call options due to the numerous variables that may not be reliably measured when computing the value of the put/call options.

Athabasca Oil Sands Corp.

Interim Consolidated Financial Statements
(unaudited)
September 30, 2009 and September 30, 2008
(expressed in thousands of Canadian dollars)

Athabasca Oil Sands Corp.
Consolidated Balance Sheets (Note 1)
(Unaudited)

(Cdn $000s)	September 30, 2009	December 31, 2008
Assets		(restated Note 6)
Current assets		
Cash and cash equivalents (Note 4)	**174,152**	117,705
Short-term investments (Note 4)	**4,490**	146,138
Cash held in trust	**—**	26,000
Accounts receivable	**1,438**	4,395
Prepaid expenses and other	**123**	387
	180,203	294,625
Deferred charges	**63**	70
Property and equipment (Notes 5, 8 and 9)	**343,462**	292,498
Assets held for sale (Note 6)	**231,202**	181,183
Future income tax asset (Notes 6 and 11)	**71,278**	33,471
	826,208	801,847
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	**19,091**	15,639
	19,091	15,639
Long-term debt (Note 9)	**392,041**	378,906
Asset retirement obligations (Note 10)	**490**	—
Future income tax liability related to assets held for sale (Notes 6 and 11)	**33,051**	45,036
	444,673	439,581
Shareholders' equity		
Common shares (Note 15)	**383,876**	374,041
Warrants (Note 15)	**—**	1,495
Contributed surplus (Notes 15 and 16)	**45,287**	41,432
Accumulated deficit	**(47,628)**	(54,702)
	381,535	362,266
	826,208	801,847

Commitments (Notes 15, 18 and 20)

See accompanying notes to the unaudited interim consolidated financial statements

Athabasca Oil Sands Corp.
Consolidated Statements of Income (Loss), Comprehensive Income (Loss) and Accumulated Deficit (Unaudited)

(Cdn $000s, except per share amounts)	Three months ended September 30 2009	Three months ended September 30 2008	Nine months ended September 30 2009	Nine months ended September 30 2008
Revenue				
Interest and other income	**160**	1,652	**2,436**	2,764
Expenses				
General and administrative	**3,750**	2,371	**8,488**	5,212
Stock-based compensation (Note 16)	**661**	1,359	**1,893**	6,574
Financing and interest (Note 9)	**14,108**	10,279	**34,701**	10,315
Depreciation and accretion	**72**	48	**205**	117
Research and development expense	**29**	77	**521**	97
	18,620	14,134	**45,808**	22,315
Net loss before income taxes	**(18,460)**	(12,482)	**(43,372)**	(19,551)
Future income tax recovery (Note 11)	**(44,523)**	(2,781)	**(50,446)**	(4,762)
Net income (loss) and comprehensive income (loss)	**26,063**	(9,701)	**7,074**	(14,789)
Accumulated deficit, beginning of period	**(73,691)**	(35,143)	**(54,702)**	(30,055)
Accumulated deficit, end of period	**(47,628)**	(44,844)	**(47,628)**	(44,844)
Basic income (loss) per share (Note 17)	**0.13**	(0.05)	**0.04**	(0.08)
Diluted income (loss) per share (Note 17)	**0.09**	(0.05)	**0.02**	(0.08)

See accompanying notes to the unaudited interim consolidated financial statements

Athabasca Oil Sands Corp.
Consolidated Statements of Cash Flows
(Unaudited)

(Cdn $000s)	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
		(restated Note 6)		(restated Note 6)
Operating activities				
Net income (loss)	**26,063**	(9,701)	**7,074**	(14,789)
Items not effecting cash				
Stock-based compensation (Note 16)	**661**	1,359	**1,893**	6,574
Future income tax recovery	**(44,523)**	(2,781)	**(50,446)**	(4,762)
Changes to long-term deferred charges	**2**	2	**7**	5
Deferred borrowing cost amortization (Note 9)	**5,740**	1,354	**8,468**	1,354
Depreciation and accretion	**72**	48	**205**	117
	(11,985)	(9,719)	**(32,799)**	(11,501)
Changes in non-cash working capital (Note 12)	**13,543**	9,339	**15,485**	7,892
	1,558	(380)	**(17,314)**	(3,609)
Financing activities				
Proceeds from share / warrant issuances (Note 15)	**7,865**	4,670	**8,340**	5,777
Share issuance costs	**—**	(25)	**—**	(69)
Proceeds from senior secured notes (Note 9)	**—**	400,000	**—**	400,000
Senior secured notes borrowing costs (Note 9)	**—**	(24,391)	**—**	(24,391)
Cash held in trust	**—**	(47,868)	**—**	(47,868)
Short-term credit facility repayments	**—**	(13,730)	**—**	—
Decrease in cash held in trust	**—**	—	**26,000**	—
Changes in non-cash working capital (Note 12)	**—**	201	**(18)**	(27)
	7,865	318,857	**34,322**	333,422
Investing activities				
Additions to property and equipment	**(7,258)**	(23,242)	**(47,293)**	(92,563)
Additions on assets held for sale (Note 6)	**(7,594)**	(10,289)	**(46,122)**	(51,022)
(Increase) decrease in short-term investments	**45,069**	(146,139)	**141,648**	(146,139)
Changes in non-cash working capital (Note 12)	**(388)**	(1,524)	**(8,794)**	(10,056)
	29,829	(181,194)	**39,439**	(299,780)
Net increase in cash and cash equivalents	**39,252**	137,283	**56,447**	30,033
Cash and cash equivalents, beginning of period	**134,900**	—	**117,705**	107,250
Cash and cash equivalents, end of period	**174,152**	137,283	**174,152**	137,283

See accompanying notes to the unaudited interim consolidated financial statements

1. NATURE OF OPERATIONS

Athabasca Oil Sands Corp. (the "Company" or "Athabasca") was incorporated on August 23, 2006 under the laws governing the Province of Alberta. The Company is in business to explore for, develop and produce oil sands-related assets in the Athabasca region of northern Alberta. To date, the Company has not earned significant revenues and is considered to be a development stage company.

Due to the long lead times and high costs associated with implementing the technology and creating the infrastructure necessary to bring identified resources to market, the success of the Company is heavily dependent upon its ability to raise additional capital to fund further exploration to maintain its interests in existing oil sands properties and to identify and develop commercially productive resources.

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") assuming that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. If the going concern assumption was not appropriate for these statements, adjustments would be required to the Company's overall financial presentation.

The consolidated financial statements reflect the activities of the Company and its wholly owned subsidiaries and partnerships. Intercompany transactions and balances are eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS FOR PRESENTATION

The unaudited interim consolidated financial statements of the Company have been prepared in accordance with GAAP. These interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2008 except as disclosed in note 3. These interim consolidated financial statements do not include all disclosures required in the annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated annual financial statements and notes thereto for the year ended December 31, 2008.

3. ADOPTION OF NEW ACCOUNTING POLICIES

a) Asset Retirement Obligations ("ARO")

During the first quarter of 2009, the Company incurred asset retirement obligations and adopted CICA Handbook section 3110 "Asset Retirement Obligations". The estimated fair value of the statutory, contractual or legal liability associated with the retirement and reclamation of tangible long-lived assets is recorded when incurred, with a corresponding increase to the carrying amount of the related assets, when a reasonable estimate of the fair value can be made. The increase to capitalized costs is amortized to net income on a basis consistent with depletion, depreciation, and accretion ("DD&A") of the underlying assets. On a periodic basis, management will review these estimates and changes, if any, in the estimated fair value of the ARO are capitalized to property and equipment and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the consolidated balance sheets at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included in DD&A. Actual expenditures incurred are charged against the accumulated obligation. Any difference between the recorded ARO and the actual retirement costs incurred is recorded as a gain or loss in the settlement period.

b) Future Accounting Pronouncements

In January 2009, the CICA issued a new accounting standard, section 1582 "Business Combinations", which prospectively establishes principles and requirements of the acquisition method for business combinations and related disclosures that will be effective for the Company's 2011 reporting. These standards are effective for business combinations occurring after January 1, 2011, although early adoption is permitted. The adoption of these recommendations is not expected to have a material impact on the Company.

(Tabular amounts in Cdn $000s, except as otherwise noted)

In January 2009, the CICA issued new accounting standards, section 1601, "Consolidated Financial Statements", and section 1602, "Non-controlling Interests", which together replace section 1600, "Consolidated Financial Statements". These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary subsequent to a business combination. These recommendations are not expected to have a material impact on the Company, unless the Company chooses to adopt them prior to January 1, 2011.

In June 2009, the CICA revised section 3862 "Financial Instruments – Disclosures", to include a hierarchy concept in measuring financial instruments, a requirement to provide disclosure concerning the fair value measurements of assets and liabilities for each hierarchy level and amendments to the liquidity disclosure requirements. The standards are effective for the Company's 2009 annual reporting. The adoption of these recommendations is not expected to have a material impact on the Company, but may require additional disclosures in the financial statements.

On February 13, 2008, the Canadian Accounting Standards Board confirmed the use of International Financial Reporting Standards ("IFRS") for publicly accountable profit-oriented enterprises, beginning on January 1, 2011 with appropriate comparative data from the prior year. IFRS will replace the current CICA Handbook as Canadian GAAP for these entities. Under IFRS significantly increased disclosure is required, especially for interim reporting. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The Company is evaluating the impact the adoption of IFRS will have on the Company's consolidated financial statements. The Company has appointed internal staff to lead the conversion project along with sponsorship from the senior management team. In addition, an external advisor was retained to assist the Company in scoping its conversion project and performed a diagnostic analysis that identified high level differences between GAAP and IFRS as it relates to the Company's current accounting policies. The Company is performing a detailed analysis that identifies differences between the Company's current accounting policies and IFRS in order to make appropriate accounting policy choices under IFRS.

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Term (days)	Interest rate (%)	Amount
September 30, 2009			
Cash			**174,152**
Short-term investments	**171 - 181**	**0.45**	**4,490**
Total			**178,642**
December 31, 2008			
Cash			3,052
Cash equivalents	17 - 78	1.50 - 2.51	114,653
			117,705
Short-term investments	182 - 327	3.35 - 3.50	146,138
Total			263,843

The interest rate on amounts invested in the Company's cash accounts is the bank prime rate minus 2%.

(Tabular amounts in Cdn $000s, except as otherwise noted)

5. PROPERTY & EQUIPMENT

	Cost	Accumulated DD&A	Net Book Value
September 30, 2009			
Oil Sands Assets			
Mineral properties	**218,531**	**—**	**218,531**
Exploration and evaluation	**105,261**	**—**	**105,261**
Engineering and development	**18,290**	**—**	**18,290**
	342,082	**—**	**342,082**
Corporate assets	**1,779**	**(399)**	**1,380**
Total	**343,861**	**(399)**	**343,462**
December 31, 2008 (restated Note 6)			
Oil Sands Assets			
Mineral properties	210,515	—	210,515
Exploration and evaluation	72,426	—	72,426
Engineering and development	8,562	—	8,562
	291,503	—	291,503
Corporate assets	1,219	(224)	995
Total	292,722	(224)	292,498

The cost of the oil sands assets is not being depleted or depreciated as the properties have not been fully developed and there is no commercial production associated with these assets. All other corporate assets are currently being depreciated.

For the three and nine months ended September 30, the Company capitalized the following amounts to property and equipment directly attributable to exploration and development activity:

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Borrowing costs	**8,171**	598	**17,590**	650
Employee salaries	**673**	993	**2,275**	2,019
Stock-based compensation (including future income tax effect)	**1,131**	2,771	**2,616**	6,053
Total	**9,975**	4,362	**22,481**	8,722

6. ASSETS HELD FOR SALE

On August 28, 2009, the Company entered into the Principles of Joint Venture Agreement with PetroChina International Investment Company Limited ("PetroChina International"), a wholly owned subsidiary of PetroChina Company Limited ("PetroChina"), and on February 10, 2010, the Company entered into a series of agreements (the "PetroChina Transaction Agreements"), pursuant to which, among other things, a wholly-owned subsidiary of PetroChina International ("PetroChina International Subco") acquired 100% of the shares of 1487645 Alberta Ltd. ("AOSC Newco"), a corporation which holds a 60% working interest in the Company's MacKay and Dover oil sands projects for cash consideration of $1.9 billion (the "PetroChina Transaction"). PetroChina International Subco also agreed to reimburse the Company for 60% of the expenditures incurred in respect of the oil sands assets of AOSC Newco by the Company during the period commencing November 1, 2009 and ending on the February 10, 2010, closing date of the PetroChina Transaction. On February 10, 2010, as part of the PetroChina Transaction, AOSC (MacKay) Energy Inc. ("AOSC (MacKay)") and AOSC (Dover)

(Tabular amounts in Cdn $000s, except as otherwise noted)

Energy Inc. ("AOSC (Dover)"), wholly-owned subsidiaries of the Company, and PetroChina International Subco formed the MacKay and Dover joint ventures. The financing arrangements forming part of the PetroChina Transaction included a loan to the Company to repay its existing long-term debt. PetroChina International Subco provided to the Company a non-revolving loan of $430.0 million ("PetroChina Loan #1") which was used to repay the Company's existing indebtedness and related costs under the note indenture dated July 30, 2008 for the $400.0 million senior secured notes. The PetroChina Transaction also provides for a put/call option pursuant to which, in certain circumstances, PetroChina International Subco may be required to purchase or may exercise the right to acquire the Company's remaining 40% working interest in one or both of the MacKay and Dover oil sands projects by acquiring the assets or shares of the Company's wholly-owned subsidiaries that own those assets for an aggregate cash consideration of up to $2.0 billion.

The assets and liabilities related to assets held for sale have been reclassified as assets or liabilities held for sale on the consolidated balance sheets. There is no effect on consolidated net income related to these assets held for sale. Comparative period balances have been restated.

The assets and liabilities of assets held for sale presented on the consolidated balance sheets include the following:

	September 30, 2009	December 31, 2008
Assets		
Property and equipment	**231,202**	181,183
Liabilities		
Future income taxes	**33,051**	45,036
Net Assets Held for Sale	**198,151**	136,147

As part of the PetroChina Transaction, PetroChina International Subco loaned to the Company (PetroChina Loan #1) sufficient monies to enable the Company to repay its indebtedness to its senior secured noteholders. In addition, a second credit facility ("PetroChina Loan #2") of up to $100 million was provided by PetroChina International Subco to enable the Company (or its wholly owned subsidiaries) to fund its share of certain capital expenditures for the MacKay and Dover joint ventures prior to the date of closing any transaction resulting from the exercise of the put/call options. If the put/call options are not exercised and regulatory approvals have been obtained for the MacKay Oil Sands Project, PetroChina International Subco will provide a third credit facility ("PetroChina Loan #3") of up to a maximum principal amount of $560 million to enable the Company (or its wholly owned subsidiaries) to fund its share of certain of the capital required for the business and activities of the MacKay and the Dover joint ventures.

7. ACCOUNTS PAYABLE & ACCRUED LIABILITIES

	September 30, 2009	December 31, 2008
Trade payables	**679**	4,856
Accrued trade payables	**5,257**	10,638
Accrued debenture interest	**13,000**	—
Other payables	**155**	145
Total	**19,091**	15,639

8. SHORT-TERM CREDIT FACILITY

The Company has available a $25.0 million revolving demand credit facility with a Canadian Chartered Bank. Until June 2009, the effective interest rate on amounts borrowed under the facility was the bank prime rate. Following an amendment, the effective interest rate on amounts borrowed under the facility is the bank prime rate plus 1.5%. In addition, a 0.75% availability fee applies on undrawn amounts. The credit facility is collateralized by a fixed and floating charge debenture in the principal amount of $100 million and a general assignment of debt over oil sands leases. At September 30, 2009, no amount was outstanding on the credit facility. The Company cancelled the credit facility immediately prior to closing the PetroChina Transaction.

(Tabular amounts in Cdn $000s, except as otherwise noted)

9. LONG-TERM DEBT

On July 30, 2008, the Company issued $400.0 million of senior secured notes with a term of three years, maturing July 30, 2011. The senior secured notes bear an interest rate of 13% paid semi-annually in arrears on December 31 and June 30. The senior secured notes also include early redemption and change of control features, which would result in payout between 105% and 110% of face value. The senior secured notes are collateralized by a floating charge and general security interest over all of the present and after acquired real and personal property of the Company and its material subsidiaries, including their oil sands leases.

	September 30, 2009	December 31, 2008
Senior secured notes – face value	**400,000**	400,000
Deferred borrowing costs	**(24,391)**	(24,391)
Amortization of deferred borrowing costs	**16,432**	3,297
Total	**392,041**	378,906

For the three and nine months ended September 30, 2009 the Company amortized $9.1 million and $13.1 million (2008 – $1.3 million and $1.3 million) of deferred borrowing costs to the balance of the senior secured notes, using the effective interest rate method.

Pursuant to the PetroChina Transaction, PetroChina International Subco provided the Company with a non-revolving loan of $430.0 million, which was used to repay the Company's existing indebtedness and related costs under the Note Indenture dated July 30, 2008 for the $400.0 million of senior secured notes. The PetroChina loan is repayable from cash flow and any amount remaining on June 30, 2022 will be repaid in full.

See note 6 for further discussion of this transaction.

10. ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligations were estimated by management based on the Company's ownership interest in all wells, estimated costs to reclaim and abandon the wells, and the estimated timing of the costs to be incurred in future periods. The Company has calculated the net present value of its asset retirement obligations using an inflation rate of 2% and discounted using a credit-adjusted risk free rate of 14% per annum. The payments to settle these obligations are expected to occur over a period of up to 5 years and are expected to be funded from general resources of the Company at their respective settlement dates. The total undiscounted amount of estimated cash flows required to settle the obligations at September 30, 2009 is $0.8 million (2008 – $nil).

The following table reconciles the change in asset retirement obligations:

	September 30, 2009
ARO liability at January 1, 2009	**—**
Liabilities incurred	**459**
Accretion expense	**31**
Total liability at end of period	**490**

(Tabular amounts in Cdn $000s, except as otherwise noted)

11. INCOME TAXES

	September 30, 2009	December 31, 2008 (restated Note 6)
Future income tax assets		
Share issuance costs	**2,286**	2,992
Debt issuance costs	**1,825**	—
Non capital loss carry-forward	**85,075**	48,720
Other	**—**	339
Future income tax liabilities		
Capital assets in excess of tax values	**(17,908)**	(18,232)
Debt issuance costs	**—**	(348)
Valuation allowance	**—**	—
	71,278	33,471
Capital assets in excess of tax values – assets held for sale	**(33,051)**	(45,036)
Net future income tax asset (liability)	**38,227**	(11,565)

The following table reconciles income taxes calculated at the Canadian statutory rate of 29% (2008 – 29.5%) with actual income taxes:

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Net loss before income taxes	**(18,460)**	(12,482)	**(43,372)**	(19,551)
Expected income tax recovery				
Income tax recovery at statutory rate	**(5,353)**	(3,682)	**(12,578)**	(5,768)
Actual income tax reconciliation				
Stock-based compensation	**192**	401	**549**	1,939
Reversal of valuation allowance	**—**	—	**—**	(1,528)
Effects of tax rate changes, timing of use and other	**(39,362)**	500	**(38,417)**	595
Income tax (recovery)	**(44,523)**	(2,781)	**(50,446)**	(4,762)

At September 30, 2009, the Company had approximately $571.5 million of tax pools available for deduction against future taxable income. The Company has non-capital losses of $293.4 million which begin to expire in 2026.

12. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Non-cash Working Capital

	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Accounts receivable	**1,604**	(114)	**2,957**	(6,514)
Prepaid expenses and other	**109**	77	**264**	242
Accounts payable	**11,442**	8,053	**3,452**	4,081
	13,155	8,016	**6,673**	(2,191)
Related to:				
Operating activities	**13,543**	9,339	**15,485**	7,892
Financing activities	**—**	201	**(18)**	(27)
Investing activities	**(388)**	(1,524)	**(8,794)**	(10,056)
Net change in non-cash working capital	**13,155**	8,016	**6,673**	(2,191)

13. FINANCIAL INSTRUMENTS

The Company's financial instruments at September 30, 2009 include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt.

The Company is exposed to financial risks arising from its financial instruments. The financial risks include credit risk, liquidity risk, and market risk related to interest rates.

Fair Value

The carrying values of the Company's financial instruments approximate their fair value, with the exception of the senior secured notes.

Because no observable market exists, the fair value for the senior secured notes is estimated based on discounted cash flow analysis using an estimated discount rate, with consideration for changes in economic and market conditions since issuance. Changes in the discount rate will impact the fair value of the senior secured notes. A 1% change in the discount rate will impact the fair value of the senior secured notes by approximately $6.5 million. At September 30, 2009 the fair value of the senior secured notes was estimated at $428.0 million based on recent grey market transactions. Part of the financing arrangements for the PetroChina Transaction included a loan to the Company to repay its existing long-term debt. See note 6 for further discussion on the impact of this transaction.

Credit Risk

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents, short-term investments, and accounts receivable on the balance sheet.

At September 30, 2009, 64% of the Company's consolidated accounts receivable are due from two counterparties, compared to 29% at December 31, 2008. Accounts receivable outstanding from both of the counterparties was collected subsequent to September 30, 2009.

Cash and cash equivalents and short-term investments held by the Company are only invested with counterparties meeting credit quality requirements and issuer 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. Therefore, the Company's management believes that credit risk associated with these investments is low.

Liquidity Risk

The Company's objective in managing liquidity risk is to maintain sufficient available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by managing its capital spending and maintaining sufficient funds in its credit facility.

With the successful completion of the PetroChina Transaction, the Company does not anticipate having liquidity risk related to the financing of its capital projects for the foreseeable future. See note 6 for further discussion of the PetroChina Transaction.

The Company's outstanding financial liabilities mature within one year, with the exception of the Company's senior secured notes, which mature July 30, 2011. However, part of the financing arrangements for the PetroChina Transaction included a loan to the Company to repay its existing long-term debt. PetroChina International Subco provided to the Company a non-revolving loan of $430 million which was used to repay the Company's existing indebtedness and related costs under the Note Indenture dated July 30, 2008 for the $400 million of the Company's senior secured notes. The Company will pay interest semi-annually at a rate equal to LIBOR plus 450 basis points. The loan will be repaid as to principal and outstanding interest in full on the earlier of June 30, 2022, a change of control of the Company, the date the any of the put/call options are exercised by either the Company or PetroChina International Subco, and in certain other events. If none of the put/call options are exercised, the loan will be repaid as to principal and outstanding interest on a pro rata basis with indebtedness under PetroChina Loan #2 and PetroChina Loan #3 from 90% of revenues of AOSC (MacKay) and AOSC (Dover) less certain costs of AOSC (MacKay) and AOSC (Dover).

(Tabular amounts in Cdn $000s, except as otherwise noted)

Monies loaned under PetroChina Loan #1 are secured by guarantees from the Company's material subsidiaries and a security interest in all of the present and after-acquired assets of the Company and its material subsidiaries. As part of PetroChina Loan #1, the Company has made customary negative and positive covenants in favour of PetroChina International Subco.

Interest Rate Risk

For the nine months ended September 30, 2009, the Company's exposure to interest charged on the average outstanding credit facility balance, from a 1% change in interest rates, would have an insignificant impact on the consolidated financial statements. The Company's exposure to interest rate fluctuations on interest earned on the average cash and cash equivalents and short-term investment balances, from a 1% change in interest rates, would be approximately $2.1 million.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition, exploration and development of its oil sands properties or potential other business and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company considers the items included in shareholders' equity and bank debt as capital. The Company is currently in the development stage and earns no operating revenue; as such the Company is dependent on external financing to fund its activities. At September 30, 2009 the Company had a $25.0 million credit facility with a Canadian chartered bank. Immediately prior to closing the PetroChina Transaction, the credit facility was cancelled. Immediately following the closing of the PetroChina Transaction, the senior secured notes were repaid with the proceeds from PetroChina Loan #1.

Capital managed by the Company is as follows:

	September 30, 2009	December 31, 2008
Bank credit facility	**—**	—
Senior secured notes	**392,041**	378,906
Shareholders' equity	**381,535**	362,266
Capital managed	**773,576**	741,172

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, obtain or repay bank debt, or enter into joint exploration and development arrangements with other parties.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary and which are approved by the Board of Directors. Longer term financial models are also utilized to schedule and forecast anticipated cash requirements. Excess cash is invested in accordance with an investment policy, which is reviewed periodically, thereby ensuring that cash is invested in highly liquid short-term interest-bearing investments, possessing pre-approved risk profiles, and is available as required. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2009.

The Company is not subject to externally imposed capital requirements.

(Tabular amounts in Cdn $000s, except as otherwise noted)

15. SHARE CAPITAL

a) Authorized

Authorized share capital of the Company consists of an unlimited number of common shares.

b) Issued and Outstanding Common Shares

The following table summarizes changes to the Company's common share capital:

	September 30, 2009		December 31, 2008	
	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	**192,529,661**	**374,041**	177,372,811	383,872
Exercise of purchase warrants (c)	**6,672,000**	**8,340**	6,156,850	7,696
Exercise of performance warrants (e)	**—**	**—**	9,000,000	90
Liquidity rights/warrants converted to common shares (d)	**3,736,433**	**1,495**	—	—
Share issue costs (net of tax benefit)	**—**	**—**	—	(52)
Tax effect of flow through shares	**—**	**—**	—	(17,565)
Balance, end of period	**202,938,094**	**383,876**	192,529,661	374,041

During the year ended December 31, 2008 the Company renounced $70.3 million of qualifying exploration expenditures to flow-through common share subscribers under the look back rule, for flow-through financing proceeds from 2007. The effective date of the renouncement was December 31, 2007 based on actual core hole drilling program expenditures incurred in the first three months of 2008. The future tax effect of this renouncement at a future estimated tax rate of 25% is $17.6 million and has been recorded as a reduction to share capital.

c) Outstanding Purchase Warrants

The Company reserved 112.0 million common shares for issuance upon exercise of certain issued and outstanding purchase warrants, each whole purchase warrant exercisable at a price of $1.25 per share on or before five years from the date of issuance. The following table summarizes changes to the Company's purchase warrants:

	September 30, 2009	December 31, 2008
	Number of warrants	Number of warrants
Balance, beginning of period	**104,281,250**	110,438,100
Exercised	**(6,672,000)**	(6,156,850)
Balance, end of period	**97,609,250**	104,281,250

No value was assigned to these warrants at the time of issuance.

d) Outstanding Liquidity Rights/Warrants

The Company reserved 3.7 million common shares to be issued provided the Company did not meet the liquidity event requirements by February 16, 2009 as outlined in the August 2007 and December 2007 share subscriptions. These common shares represent approximately 0.10 shares per right/warrant issued under the 2007 financings.

Each flow-through share subscribed during the August 2007 or December 2007 offerings had a liquidity warrant attached, which provided the security holder with a right to approximately 0.10 additional common shares per warrant subscribed if the Company did not satisfy a liquidating event by February 16, 2009. Each common share subscribed during the August 2007 offering had a similar right to approximately 0.10 additional common shares for each share subscribed if the liquidating event did not take place before February 16, 2009.

(Tabular amounts in Cdn $000s, except as otherwise noted)

A liquidity event, as it relates to the securities described above, meant:

I. an initial public offering whereby the common shares of the Company are listed and posted for trading on a recognized Canadian or U.S. stock exchange, or

II. the completion of any transaction as a result of which all or substantially all of the outstanding common shares are exchanged for the securities of another issuer, and such securities will be listed on a recognized exchange.

The Company did not meet the liquidity event requirements under the share subscription agreements and issued 3.7 million common shares upon automatic conversion of the outstanding liquidity rights/warrants on February 16, 2009.

The following table summarizes changes to the Company's liquidity rights/warrants:

	September 30, 2009		December 31, 2008	
	Number of warrants/rights	Number of common shares if converted	Number of warrants/rights	Number of common shares if converted
Balance, beginning of period	**37,364,450**	**3,736,433**	37,364,450	3,736,433
Converted to common shares	**(37,364,450)**	**(3,736,433)**	—	—
Balance, end of period	**—**	**—**	37,364,450	3,736,433

e) Outstanding Performance Warrants

Two series of performance warrants were initially issued totaling 19.0 million warrants. 9.5 million Series I performance warrants and 9.5 million Series II performance warrants were issued, which are exercisable for a period of nine years from the date of issuance and only if the net asset value per fully diluted common share is equal to or greater than $1.50 and $2.50 per share (for the Series I and II performance warrants respectively), and certain liquidity thresholds have been achieved. The exercise price is $0.01 per performance warrant.

During 2007 all performance criteria associated with these performance warrants were achieved.

The following table summarizes changes to the aggregate Series I and Series II performance warrants of the Company:

	September 30, 2009	December 31, 2008
	Number of warrants	Number of warrants
Balance, beginning of period	**10,000,000**	19,000,000
Exercised	**—**	(9,000,000)
Balance, end of period	**10,000,000**	10,000,000

Subsequent to September 30, 2009, the Company issued 10.0 million common shares upon exercise of the outstanding performance warrants.

f) Contributed Surplus

The following table summarizes changes to the Company's contributed surplus:

	September 30, 2009	December 31, 2008
Balance, beginning of period	**41,432**	28,758
Capitalized stock-based compensation	**1,962**	5,538
Expensed stock-based compensation	**1,893**	7,136
Balance, end of period	**45,287**	41,432

(Tabular amounts in Cdn $000s, except as otherwise noted)

16. STOCK-BASED COMPENSATION PLANS

The Company's stock-based compensation plans for employees, directors, and consultants consist of incentive share options to acquire incentive shares, performance warrants to acquire common shares, purchase warrants to acquire common shares, stock options and an incentive bonus plan payable to certain specified holders of stock options in the event of a specified change of control or initial public offering.

a) Incentive Shares, Performance Warrants, and Purchase Warrants

The Company issued 20.0 million incentive shares during 2006 at a price of $0.001 per share of which 17.1 million were available for allocation to employees, directors, and consultants. The incentive shares distributed as part of the Company's stock-based compensation are drawn from the original incentive shares issued to Avenir Capital Corporation.

	September 30, 2009	December 31, 2008
	Number of common shares	Number of common shares
Available for grant at January 1	**382,500**	1,320,000
Granted	**(127,000)**	(937,500)
Available for grant at end of period	**255,500**	382,500
Held in trust subject to vesting criteria at January 1	**5,957,918**	6,848,332
Granted	**127,000**	937,500
Vested	**(393,001)**	(1,827,914)
Balance held in trust at end of period	**5,691,917**	5,957,918

The estimated fair value per incentive share granted during the nine months ended September 30, 2009 was $6.88.

At December 31, 2008 and September 30, 2009 there were 5.0 million Series I and 5.0 million Series II performance warrants issued to directors and officers of the Company which are fully vested and remain outstanding and exercisable.

At December 31, 2008 and September 30, 2009 there were 10.0 million purchase warrants issued to directors and officers of the Company which are fully vested and remain outstanding and exercisable. Subsequent to September 30, 2009, the Company issued 10.0 million common shares upon exercise of the outstanding performance warrants.

See note 15 for descriptions of these securities.

b) Stock Options

The Company has a Stock Option Plan, approved in 2006 which allows options to be granted to employees, directors and consultants. The specific terms are determined by the Board of Directors when each specific tranche of options is approved. All options issued by the Company permit the holder to purchase one common share of the Company at the stated exercise price or to receive a cash payment equal to the appreciated value of the stock option at the sole discretion of the Company.

The stock option plan is a rolling plan and currently limits the number of common shares that may be issued on exercise of options awarded under the plan to an aggregate of 10% of the common shares outstanding from time to time.

In 2007, the Company reserved the first tranche of 2.0 million common shares in connection with this plan for use in attracting and rewarding employees. Stock options expire after 10 years from the date of grant.

(Tabular amounts in Cdn $000s, except as otherwise noted)

During the second quarter of 2009, the Board of Directors authorized an additional 1.5 million stock options under the Company's 2006 stock option plan which can be granted to employees, directors and consultants.

During the third quarter of 2009, the Board of Directors authorized up to an additional 750,000 nominally priced stock options which will be granted to certain employees, directors and consultants. See note 20.

	September 30, 2009		December 31, 2008	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Outstanding at January 1	**1,657,000**	**8.09**	470,000	7.35
Granted	**658,900**	**5.00**	1,187,000	8.30
Outstanding at end of period	**2,315,900**	**7.17**	1,657,000	8.09
Exercisable at end of period	**527,638**	**7.75**	355,670	8.12

The estimated fair value per stock option granted during the nine months ended September 30, 2009 was $2.41.

The exercise prices of the Company's outstanding stock options at September 30, 2009 are as follows:

	Options Outstanding			Options Exercisable	
Range of exercise prices ($)	Number of options	Weighted average exercise price ($)	Weighted average years to expiry	Number of options	Weighted average exercise price ($)
0.01	102,000	0.01	9.95	—	—
5.00	401,900	5.00	9.77	57,968	5.00
7.00 – 8.30	1,812,000	8.05	8.60	469,671	8.09
0.01 – 8.30	**2,315,900**	**7.17**	**8.87**	**527,638**	**7.75**

Stock-based Compensation

The Company uses the Black-Scholes pricing model to calculate the fair value for grants under its incentive share and stock option plans.

The estimated fair value of the incentive shares and stock options granted in 2009 were calculated using the following assumptions:

	2009 stock-based compensation grants
Share price ($)	**5.00 – 8.26**
Risk-free interest rate (%)	**2.29 – 3.20**
Life of incentive share grants (years)	**6.0 – 6.7**
Life of stock option grants (years)	**10**
Dividend rate (%)	**0**
Volatility (%)	**N/A**

As a private company, no observable market exists for the Company's shares. The share price used in fair value calculations is estimated based on prior private equity issuances or grey market trading information. The Company has not incorporated an expected volatility into its fair value calculation because it is a private company.

For the three and nine months ended September 30, 2009 the Company expensed $0.7 million and $1.9 million (2008 – $1.4 million and $6.6 million), and capitalized $0.8 million and $2.0 million (2008 – $2.8 million and $6.1 million) of stock based compensation. See note 15(f).

(Tabular amounts in Cdn $000s, except as otherwise noted)

Incentive Bonus Plan

A cash incentive bonus plan was approved by the Board in 2008. The plan provides for a cash payment of $4.50 per outstanding option to specified holders of stock options upon exercise, subject to being preceded by a specified change of control or an initial public offering. At September 30, 2009, the potential liability associated with these incentive rights is $6.9 million. The potential liability related to incentive bonus rights, following amendments to the incentive plans described in note 20, is approximately $0.2 million.

17. PER SHARE COMPUTATIONS

Per share amounts are calculated without the inclusion of dilutive securities during periods in which there is a loss. 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 exercise price of the securities.

The following table summarizes weighted average number of common shares used in calculating basic and diluted income (loss) per share:

	Three months ended September 30		Nine months ended September 30	
	2009	**2008**	**2009**	**2008**
Weighted average common shares outstanding, basic	**197,370,181**	181,130,434	**196,116,387**	178,906,357
Effect of purchase warrants	**85,877,369**	—	**77,607,355**	—
Effect of performance warrants	**9,990,385**	—	**9,983,607**	—
Effect of stock options issued under stock-based compensation plans	**412,015**	—	**9,432**	—
Weighted average common shares outstanding, diluted	**293,649,950**	181,130,434	**283,716,781**	178,906,357

For the three and nine months ended September 30, 2009, nil and 939,500 (2008 – 129,979,695 and 129,979,695) anti-dilutive securities were excluded from the calculation of diluted income (loss) per share because the average market price of the common shares during the period exceeds the exercise price of the securities.

18. COMMITMENTS

The following table summarizes the Company's estimated future minimum commitments at September 30, 2009:

	2009	2010	2011	2012-2014	Thereafter	Total
Long-term debt repayment (Note 9)	—	—	400,000	—	—	**400,000**
Interest payments on long term-debt	26,000	52,000	29,918	—	—	**107,918**
Office leases	597	2,375	2,375	3,966	920	**10,233**
Other	53	200	200	400	—	**853**
Total commitments	**26,650**	**54,575**	**432,493**	**4,366**	**920**	**519,004**

19. RELATED PARTY TRANSACTIONS

There were no related party transactions during the three and nine months ended September 30, 2009.

20. SUBSEQUENT EVENTS

Incentive Plans

During the three months ended September 30, 2009 the Company agreed to the terms of amended incentive plan agreements with certain employees, consultants and directors. The amended incentive plan agreements became effective October 15, 2009. The amendments were agreed to in exchange for the waiver of certain rights as it pertains to change of control conditions contained in the original incentive plan agreements.

The amended terms for stock options consist of:

- a more descriptive explanation of what would constitute a "change of control";
- immediate vesting of the stock options, reduction of all exercise prices to $0.01 per stock option, the immediate exercise of such stock options, and the agreement of the service providers to return the common shares obtained on exercise of such options in trust to Avenir Capital Corporation for subsequent release to the service providers on the satisfaction of length of service requirements; and
- amendment of vesting/length of service requirements to a maximum of four years.

The amended terms for incentive shares granted consist of:

- a more descriptive and restrictive definition of what constitutes a "change of control";
- amendment of vesting/length of service requirements to a maximum of four years; and
- additional grant of 30% more nominally priced stock options to the holders of incentive shares that had not met the vesting/length of service requirements as at October 15, 2009.

In addition, 750,000 stock options were authorized by the Board of Directors in September 2009 and reserved for security holders eligible for the 30% additional grant. The Company granted 663,900 stock options to employees, directors, and consultants for this additional 30% grant in the fourth quarter of 2009. The remaining 86,100 authorized stock options related to the incentive plan amendment will not be granted.

Prior to the amendments, incentive plan securities grants to new employees generally vested over 6 years. The amendment of vesting/length of service requirements to a maximum of four years included the immediate vesting of one-third of the securities granted for certain security holders who had not started working for the Company prior to October 15, 2007, with the remaining vesting over four years starting October 15, 2009. For certain security holders who started working for the Company prior to October 15, 2007, there was no change in vesting dates. The agreement amendments resulted in an immediate charge to stock-based compensation expense for those securities that were accelerated. The exercise price change also resulted in an immediate charge to stock-based compensation. A charge to stock-based compensation for approximately $5.6 million related to these changes will be accounted for in the fourth quarter of 2009.

For those employees, directors, and consultants who accepted the amended agreements, in consideration for the exercise price change on granted stock options, the associated cash bonus rights and the Incentive Bonus Plan payments were cancelled.

Subsequent to September 30, 2009, the Board of Directors approved a new stock option plan in order to attract and retain employees, directors, and consultants. The new stock options typically vest over a four-year period on each anniversary of the grant date and expire five years after the grant date. Stock option exercise prices approximate the market price for the common shares on the date the stock options are granted. An option holder may make an offer to the Company for the surrender of any option for an amount (not to exceed the fair market value of the underlying common share less the exercise price of the option) specified by the option holder in the surrender offer. The Company may, but is not obligated to, accept the surrender offer. If a surrender offer is accepted, the option in respect of which the surrender offer relates is cancelled upon payment of the agreed amount by the Company to the option holder.

On February 25, 2010, the Board approved amendments to the exercise price of 552,000 unvested new stock options to reduce the exercise price by $4.25, the amount of the special dividend, as required by the adjustment provisions of the new stock options. The amendments became effective on the effective date of the Plan of Arrangement pursuant to which the special dividend was paid. There is no charge to stock-based compensation on the date of amendment because none of the new stock options are vested.

Subsequent to September 30, 2009, the Board approved a restricted share unit plan in order to attract and retain employees, officers, directors and consultants. The plan allows the Board to grant restricted share units, each of which is a unit that is equivalent in value to a Common Share and that upon vesting and exercise results in the holder being issued a Common Share for a nominal exercise price. The restricted share units typically vest over a four-year period on each anniversary of the grant date and expire five years after the grant date. A plan participant may make an offer to the Company for the surrender of any restricted share unit that has vested for an amount (not to exceed the fair market value of the underlying common share less the nominal exercise price of the restricted share unit) specified by the participant in the surrender offer. The Company may, but is not obligated to, accept the surrender offer. If a surrender offer is accepted, the restricted share unit in respect of which the surrender offer relates is cancelled upon payment of the agreed amount by the Company to the participant.

Exercise of Purchase Warrants

Subsequent to September 30, 2009, the Company issued 97,609,250 Common Shares upon the exercise of 97,609,250 Purchase Warrants (including the 84,109,692 Purchase Warrants deemed to be exercised pursuant to the Plan of Arrangement), for aggregate proceeds of approximately $122.0 million.

Special Dividend

On March 22, 2010, pursuant to the Plan of Arrangement, Athabasca paid the Special Dividend in the aggregate amount of approximately $1.332 billion ($4.25 per Common Share) utilizing a portion of the proceeds of the PetroChina Transaction.

Pursuant to the Plan of Arrangement: (a) each outstanding Purchase Warrant was deemed to be exercised for one Common Share and the holder thereof became entitled to the Special Dividend; and (b) (i) each Common Share held by a Shareholder or Warrantholder that so elected and certified that: (A) it is a resident of Canada; (B) it holds its Common Shares as capital property; and (C) it is not exempt from tax under Part I of the Tax Act; was exchanged for one Class B Common Share; (ii) Athabasca declared and paid the Special Dividend in the aggregate amount of $4.25 per share to the holders of Common Shares and Class B Common Shares, with the capital dividend portion of the Special Dividend being paid to holders of Class B Common Shares; and (iii) following the payment of the Special Dividend, each Class B Common Share was exchanged for one Common Share. Accordingly, on completion of the Plan of Arrangement there are no authorized or issued Class B Common Shares and there was no change in the outstanding number of Common Shares, except for the 84,109,692 Common Shares issued upon the deemed exercise of Purchase Warrants pursuant to the Plan of Arrangement.

Special Securityholders Meeting

At the Special Securityholders Meeting held on March 19, 2010, Securityholders, as applicable, approved: (i) the Plan of Arrangement described above; (ii) the creation of an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares, issuable in series; and (iii) the adoption of a shareholder rights plan.

Commitments

The PetroChina Transaction closed on February 10, 2010 and includes a 2010 budget and work program for the MacKay River and Dover oil sands projects. The Company's share of this budget and work program is approximately $30.3 million.

Initial Public Offering

Pursuant to an underwriting agreement dated March 30, 2010, the Company proposes to issue 75,000,000 Common Shares to the public for estimated proceeds of approximately $1,262,500,000, net of commissions and other estimated costs relating to the issue aggregating approximately $87,500,000. The Company has also granted an over-allotment option for the issue of up to an additional 11,250,000 Common Shares exercisable within 30 days from the date of closing of the public financing. If the option is exercised in full the Company would receive estimated additional proceeds of approximately $190,350,000, net of commissions of approximately $12,150,000.

Athabasca Oil Sands Corp.

Consolidated Financial Statements
(audited)
December 31, 2008, December 31, 2007 and December 31, 2006
(expressed in thousands of Canadian dollars)

Auditors' report

To the Directors of Athabasca Oil Sands Corp.

We have audited the consolidated balance sheets of Athabasca Oil Sands Corp. as at December 31, 2008 and 2007 and the consolidated statements of loss, comprehensive loss and accumulated deficit and cash flows for the years ended December 31, 2008 and 2007, and for the period from inception on August 23, 2006 to December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years ended December 31, 2008 and 2007, and the period from inception on August 23, 2006 to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

(Signed) Ernst & Young LLP
Chartered Accountants

Calgary, Canada
April 16, 2009
(except Note 19, which is dated as of March 30, 2010)

Athabasca Oil Sands Corp.
Consolidated Balance Sheets (Note 1)
At December 31

(Cdn $000s)	**2008**	**2007**
Assets		
Current assets		
Cash and cash equivalents (Note 4)	117,705	107,250
Short-term investments (Note 4)	146,138	—
Cash held in trust (Note 9)	26,000	—
Accounts receivable	4,395	1,269
Prepaid expenses and other	387	482
	294,625	109,001
Deferred charges	70	90
Property and equipment (Notes 6, 8 and 9)	473,681	286,169
	768,376	395,260
Liabilities and Shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	15,639	11,190
	15,639	11,190
Long-term debt (Note 9)	378,906	—
Future income tax liability (Note 10)	11,565	—
	406,110	11,190
Shareholders' equity		
Common shares (Note 14)	374,041	383,872
Warrants (Note 14)	1,495	1,495
Contributed surplus (Notes 14 and 15)	41,432	28,758
Accumulated deficit	(54,702)	(30,055)
	362,266	384,070
	768,376	395,260

Commitments (Notes 14, 17 and 19)

See accompanying notes to the consolidated financial statements

Athabasca Oil Sands Corp.
Consolidated Statements of Loss, Comprehensive Loss and Accumulated Deficit

(Cdn $000s, except per share data)	Year ended December 31, 2008	Year ended December 31, 2007	For the period from inception on August 23, 2006 to December 31, 2006
Revenue			
Interest income	5,451	1,996	15
Expenses			
General and administrative	7,381	3,887	190
Stock-based compensation (Note 15)	7,136	10,696	15,951
Financing and interest (Notes 8 and 9)	23,100	335	—
Depreciation and amortization	169	52	4
Research and development	139	—	—
	37,925	14,970	16,145
Net loss before income taxes	(32,474)	(12,974)	(16,130)
Future income tax expense (recovery) (Note 10)	(7,827)	853	98
Net loss and comprehensive loss	(24,647)	(13,827)	(16,228)
Accumulated deficit, beginning of period	(30,055)	(16,228)	—
Accumulated deficit, end of period	(54,702)	(30,055)	(16,228)
Net loss per share, basic and diluted (Note 16)	(0.14)	(0.09)	(0.15)

See accompanying notes to the consolidated financial statements

Athabasca Oil Sands Corp.
Consolidated Statements of Cash Flows

(Cdn $000s)	Year ended December 31, 2008	Year ended December 31, 2007	For the period from inception on August 23, 2006 to December 31, 2006
Operating activities			
Net loss	(24,647)	(13,827)	(16,228)
Items not effecting cash			
Stock-based compensation (Note 15)	7,136	10,696	15,951
Future income tax expense (recovery) (Note 10)	(7,827)	853	98
Changes to long term deferred charges	20	6	—
Deferred borrowing cost amortization (Note 9)	2,928	—	—
Depreciation and amortization	169	52	4
	(22,221)	(2,220)	(175)
Additions to long term deferred charges	—	—	(96)
Net change in non-cash working capital (Note 11)	(1,427)	4	5
	(23,648)	(2,216)	(266)
Financing activities			
Proceeds from share / warrant issuances (Note 14)	7,786	279,277	106,469
Share issuance costs (Note 14)	(70)	(19,474)	(465)
Shareholder loan (Note 5)	—	9,797	(9,797)
Proceeds from senior secured notes (Note 9)	400,000	—	—
Senior secured debenture borrowing costs (Note 9)	(24,391)	—	—
Cash held in trust (Note 9)	(26,000)	—	—
Net change in non-cash working capital (Note 11)	(204)	21,992	(21,762)
	357,121	291,592	74,445
Investing activities			
Additions to property and equipment	(179,929)	(194,445)	(71,061)
Increase in short-term investments (Note 4)	(146,138)	—	—
Net change in non-cash working capital (Note 11)	3,049	8,985	216
	(323,018)	(185,460)	(70,845)
Net increase in cash and cash equivalents	10,455	103,916	3,334
Cash and cash equivalents, beginning of period	107,250	3,334	—
Cash and cash equivalents, end of period	117,705	107,250	3,334

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Athabasca Oil Sands Corp. (the "Company" or "Athabasca") was incorporated on August 23, 2006 under the laws governing the Province of Alberta. The Company is in business to explore for, develop and produce oil sands-related assets in the Athabasca oil sands region of northern Alberta. To date, the Company has not earned significant revenues and is considered to be a development stage company.

Due to the long lead times and high costs associated with implementing the technology and creating the infrastructure necessary to bring identified resources to market, the success of the Company is heavily dependent upon its ability to raise additional capital to fund further exploration to maintain its interests in existing oil sands properties and to identify and develop commercially productive resources.

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) assuming that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. If the going concern assumption was not appropriate for these statements, adjustments would be required to the Company's overall financial presentation.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS FOR PRESENTATION

a) Principles of Consolidation

The consolidated financial statements reflect the activities of the Company and its wholly owned subsidiaries. Intercompany transactions and balances are eliminated upon consolidation.

b) Joint Venture

A substantial portion of the Company's oil sand lease acquisition and evaluation activities are conducted jointly with others and the consolidated financial statements reflect only the Company's proportionate interest in such activities.

c) Measurement Uncertainty and Use of Estimates

The preparation of the consolidated financial statements in compliance with Canadian GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the applicable period. These estimates relate to unsettled transactions and events as of the date of the financial statements and may be found to differ from actual results as future confirming events occur.

Amounts recorded for depreciation and amortization related to corporate assets and amounts used for impairment calculations are based on estimates of oil sands resources and future costs required to develop those resources. Stock-based compensation is based upon expected volatility, option life estimates, and share price estimates. The provision for income taxes is based on judgments in applying income tax law and estimates on the timing, likelihood and reversal of temporary differences between the accounting and tax bases of assets and liabilities. These estimates are subject to measurement uncertainty and changes in these estimates could materially impact the financial statements of future periods.

d) Financial Instruments

All financial instruments must initially be recognized at fair value on the balance sheet. The Company has classified each financial instrument into the following categories: "held-for-trading"; "loans and receivables"; and "other financial liabilities". Subsequent measurement of the financial instruments is based on their classification. Unrealized gains and losses on held-for-trading financial instruments are recognized in earnings. The other categories of financial instruments are recognized at amortized cost using the effective interest rate method. The Company has classified its financial instruments as follows:

Financial Assets and Liabilities	Classification
Cash and cash equivalents	Held-for-trading
Short-term investments	Held-for-trading
Cash held in trust	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Short-term credit facility	Other financial liabilities
Long-term debt	Other financial liabilities

Transaction costs for all financial assets and liabilities are expensed as incurred, with the exception of long-term debt. Transaction costs related to long-term debt are included with the initial fair value and the instrument is carried at amortized cost using the effective interest rate method.

e) Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of investments in money market instruments with an initial maturity date of three months or less. Short-term investments consist of investments in money market instruments with an initial maturity date of more than three months but less than 12 months.

f) Property and Equipment

The Company follows the full cost method of accounting. The Company capitalizes costs associated with its oil sands activities, including lease acquisition costs, exploratory drilling to delineate oil sands plays, geological and geophysical costs, engineering, licensing and regulatory fees, carrying charges on non-productive assets, and employee salaries and stock-based compensation related to exploration and development activities.

The carrying values of oil sands property and equipment assets are not intended to reflect their future value. The future value of the Company's oil sands assets depends on a number of factors including, but not limited to, the acquisition cost of future property leases, the identification of commercially productive resources, management's ability to obtain additional financing, the future profitability of identified projects and the global market view related to oil as a viable energy alternative.

The Company is in the early stages of developing its oil sands assets and production has not yet commenced, therefore no depletion or depreciation has been recorded with respect to the related capitalized expenditures to date. Once commercial production begins, costs capitalized to the full cost pool will be depleted using the unit-of-production method based on estimated proved reserves net of royalties.

Depreciation of corporate assets is calculated using the straight-line method over the estimated life of the asset.

g) Research and Development

The Company engages in research and development activities to develop or improve processes and techniques to extract oil from oil sands deposits. Research involves planned investigation with the goal of attaining new knowledge. Development involves translating that knowledge into a new technology or process. Research costs are expensed as incurred. Development costs are capitalized once technical feasibility is established and if the Company intends to proceed with development. These costs are capitalized in property and equipment until the commencement of commercial operations or production. Otherwise, development costs are expensed as incurred. Development costs include pre-operating revenues and costs.

h) Capitalized Borrowing Costs

Borrowing costs, including interest and deferred financing charges on fixed term debt, associated with major development projects are capitalized until all activities necessary to prepare the facilities for their intended use are complete. These costs will be subsequently depleted or depreciated to income with the related assets.

i) Impairment

Each reporting period the carrying value of the Company's unproved oil sands assets will be assessed to determine if there are events or circumstances that would indicate impairment. If an impairment indicator exists and the carrying value is deemed unlikely to be recovered when compared to the estimated discounted future cash flows, the excess of those costs over the recoverable value of the assets is charged to net income. The calculation of the estimated discounted future cash flows is based on a number of estimates including, but not limited to, resource volumes, production rates, commodity prices, timing of activities, future development costs, and other variables.

j) Revenue Recognition

Revenue associated with interest income is recorded as investments and/or loans mature. For outstanding investments and loans that mature in future periods, revenue is accrued up to and including the final day of the applicable reporting period based on the terms and conditions of the individual instruments.

k) Income Taxes

The Company accounts for income taxes using the liability method. Under this method, the Company records a future income tax asset or liability to reflect any difference between the accounting and tax bases of assets and liabilities, using substantively enacted income tax rates. The effect on future tax assets and liabilities of a change in tax rates is recognized in net income (loss) in the period in which the change occurs. Future income tax assets are only recognized to the extent it is more likely than not that sufficient future taxable income will be available to allow the future income tax asset to be realized.

l) Stock-based Compensation

The Company's stock-based compensation plans for employees, directors, and consultants consist of incentive share option grants, performance warrants to acquire common shares, and stock options. Certain management assumptions may be used to adjust the estimated life of the instrument for accounting purposes only. These may include the possibility of an IPO or corporate sale prior to full vesting periods expiring. The Company uses the fair value method to account for securities issued as part of its stock-based compensation plans, estimated at the date of grant. The fair value is then recorded as stock-based compensation using the appropriate estimated amortization period with a corresponding amount reflected in contributed surplus. For employees and consultants who are specifically working on capital projects, the fair value of the cost is allocated to property and equipment; the remainder is expensed.

The Company has also established an incentive bonus plan payable to specified holders of stock options in the event of a specified change of control. See notes 15 and 19 for further description of the stock-based compensation plans.

m) Flow-through Shares

The Company's capital structure includes flow-through shares issued pursuant to certain provisions of the Canadian Income Tax Act (the "Act"). The Act provides that when share issuance proceeds are used for qualifying exploration and development expenditures, the associated income tax resource deductions may be renounced to flow-through share subscribers.

A future income tax liability is recorded and share capital is reduced by the tax effect of the related expenditures when the renouncements are communicated to the flow-through shareholders.

n) Per Share Amounts

Basic net earnings (loss) per share is calculated by dividing earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted net earnings (loss) per share reflects the potential dilution that would occur if dilutive securities were exercised. The Company uses the treasury stock method to determine the dilutive effect of its dilutive instruments. The treasury stock method assumes that proceeds received from the exercise of "in-the-money" equity instruments are used to re-purchase common shares.

In a period in which there is a loss, per share amounts are calculated excluding dilutive securities.

o) Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation. Such reclassification did not impact previously reported net loss or accumulated deficit.

3. ADOPTION OF NEW ACCOUNTING POLICIES

a) Financial Instruments

On January 1, 2008, the Company adopted Canadian Institute of Chartered Accountants (CICA) handbook section 3862 "Financial Instruments Disclosures", and section 3863 "Financial Instruments – Presentation". Sections 3862 and 3863 replace section 3861 "Financial Instruments Disclosures and Presentation" which revises financial instruments disclosure requirements and leaves unchanged its presentation requirements. These new sections placed increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks. See note 12.

b) Capital Disclosures

On January 1, 2008, the Company adopted CICA handbook section 1535 "Capital Disclosures". Section 1535 requires the disclosure of the Company's objectives, policies, and processes for managing capital. This includes qualitative information regarding the Company's objectives, policies and processes for managing capital and quantitative data about what the Company manages as capital. These disclosures are based on information used internally by the Company's management. See note 13.

c) Future accounting pronouncements

The CICA issued a new accounting standard, section 3064 "Goodwill and Intangible Assets", which is effective on January 1, 2009. The standard replaces section 3062 "Goodwill and Other Intangible Assets" and section 3450 "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of these recommendations is not expected to have a material impact on the Company.

In January 2009, the CICA issued a new accounting standard, section 1582 "Business Combinations", which prospectively establishes principles and requirements of the acquisition method for business combinations and related disclosures that will be effective for the Company's 2011 reporting. These standards are effective for business combinations occurring after January 1, 2011, although early adoption is permitted. The adoption of these recommendations is not expected to have a material impact on the Company.

In January 2009, the CICA issued new accounting standards, section 1601, "Consolidated Financial Statements", and section 1602, "Non-controlling Interests", which together replace section 1600, "Consolidated Financial Statements". These standards are effective on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary subsequent to a business combination. The adoption of these recommendations is not expected to have a material impact on the Company.

(Tabular amounts in Cdn $000s, except as otherwise noted)

On February 13, 2008, the Canadian Accounting Standards Board confirmed the use of International Financial Reporting Standards ("IFRS") for publicly accountable profit-oriented enterprises, beginning on January 1, 2011 with appropriate comparative data from the prior year. IFRS will replace the current CICA Handbook as Canadian GAAP for these entities. Under IFRS significantly increased disclosure is required, especially for interim reporting. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies which must be addressed. The Company is evaluating the impact the adoption of IFRS will have on the Company's consolidated financial statements.

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	Term (days)	Interest rate (%)	Amount
2008			
Cash			3,052
Cash equivalents	17 -78	1.50 -2.51	114,653
			117,705
Short-term investments	182 -327	3.35 -3.50	146,138
Total			263,843
2007			
Cash			6,033
Cash equivalents	34 - 90	4.54 -4.71	101,217
Total			107,250

The interest rate on amounts invested in the Company's cash accounts is the bank prime rate minus 2%.

5. SHAREHOLDER LOAN

In 2006, the Company entered into a share purchase financing arrangement whereby a shareholder was issued common shares in exchange for a loan payable to the Company. Subsequent to December 31, 2006 the loan was repaid in full.

6. PROPERTY & EQUIPMENT

	Cost	Accumulated DD&A	Net Book Value
2008			
Oil Sands assets			
Mineral properties	316,718	—	316,718
Exploration and evaluation	140,068	—	140,068
Engineering and development	15,900	—	15,900
	472,686	—	472,686
Corporate assets	1,219	(224)	995
Total	473,905	(224)	473,681
2007			
Oil Sands assets			
Mineral properties	250,409	—	250,409
Exploration and evaluation	33,724	—	33,724
Engineering and development	1,520	—	1,520
	285,653	—	285,653
Corporate assets	572	(56)	516
Total	286,225	(56)	286,169

(Tabular amounts in Cdn $000s, except as otherwise noted)

The cost of the oil sands assets is not being depleted or depreciated as the properties have not been fully developed and there is no commercial production associated with these assets. All other corporate assets are currently being depreciated.

For the following periods, the Company capitalized the following amounts to property and equipment directly attributable to exploration and development activity:

	Year ended December 31, 2008	Year ended December 31, 2007	For the period from inception on August 23, 2006 to December 31, 2006
Borrowing costs	2,923	606	—
Employee salaries	3,254	395	—
Stock-based compensation (including future income tax effect)	7,383	2,722	98
Total	13,560	3,723	98

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
Trade payables	4,856	2,235
Accrued trade payables	10,638	8,936
Other payables	145	19
Total	15,639	11,190

8. SHORT TERM CREDIT FACILITY

At December 31, 2008, the Company had a $25.0 million (2007 – $50.0 million) revolving demand credit facility with a Canadian Chartered Bank. Interest on drawings against the facility is payable at prime, and there are no stand-by fees associated with undrawn amounts. The effective interest rate on amounts borrowed under the facility for the years ended December 31, 2008 and 2007 is the bank prime rate. At December 31, 2008, no amount was outstanding on the credit facility. The credit facility is collateralized by a fixed and floating demand debenture and a general assignment of debt over oil sands leases. Immediately prior to closing the PetroChina Transaction, the credit facility was cancelled.

9. LONG-TERM DEBT

On July 30, 2008, the Company issued $400.0 million of senior secured notes with a term of three years, maturing July 30, 2011. The notes bear an interest rate of 13% paid semi-annually in arrears on December 31 and June 30. The notes also include early redemption and change of control features, which would result in payout between 105% and 110% of face value. The notes are collateralized by a fixed and floating demand debenture and a general assignment of debt over oil sands leases.

	2008
Notes – face value	400,000
Deferred borrowing costs	(24,391)
Amortization of deferred borrowing costs	3,297
Total	378,906

In accordance with the Trust Indenture dated July 30, 2008, the Company set aside the first two interest payments related to the notes which were held in trust. The first interest payment was made December 31, 2008, with the second interest payment of $26.0 million to be made June 30, 2009.

(Tabular amounts in Cdn $000s, except as otherwise noted)

10. INCOME TAXES

	2008	2007
Future income tax assets		
Share issuance costs	2,992	3,979
Debt issuance costs	—	62
Non capital loss carry-forward	48,720	8,746
Other	339	—
Future income tax liabilities		
Capital assets in excess of tax values	(63,268)	(11,259)
Debt issuance costs	(348)	—
Valuation allowance	—	(1,528)
Net future income tax liability	(11,565)	—

The following table reconciles income taxes calculated at the Canadian statutory rate effective during the period of 29.5% (2007 – 32.12%, 2006 – 34.5%) with actual income taxes:

	Year ended December 31, 2008	Year ended December 31, 2007	For the period from inception on August 23, 2006 to December 31, 2006
Net loss before income taxes	(32,474)	(12,974)	(16,130)
Expected income tax recovery:			
Income tax recovery at statutory rate	(9,580)	(4,167)	(5,565)
Actual income tax reconciliation			
Stock-based compensation	2,105	3,436	5,503
Valuation allowance	—	1,403	145
Reversal of valuation allowance	(1,528)	—	—
Effects of tax rate changes	1,136	162	15
Timing of use and other	40	19	—
Income tax expense (recovery)	(7,827)	853	98

At December 31, 2008, the Company had approximately $448.5 million (2007 – $292.3 million) of tax pools available for deduction against future taxable income. The Company has non-capital losses of $194.9 million (2007 – $35.0 million) which begin to expire in 2026.

In 2008 the Company renounced $70.3 million of qualifying exploration expenditures to flow-through common share subscribers under the look back rule, for flow-through financing proceeds from 2007. The effective date of the renouncement was December 31, 2007 based on actual core hole drilling program expenditures incurred in the first three months of 2008. The future tax effect of this renouncement at a future estimated tax rate of 25% is $17.6 million and has been recorded as a reduction to share capital.

In 2007 the Company renounced $13.3 million of qualifying exploration expenditures to flow-through common share subscribers under the look back rule for flow-through financing proceeds from December 2006. The effective date of the renouncement was December 31, 2006 based on actual core hole drilling program expenditures incurred in the first three months of 2007. The future tax effect of this renouncement at a future estimated tax rate of 25% is $3.3 million and has been recorded as a reduction to share capital.

(Tabular amounts in Cdn $000s, except as otherwise noted)

11. SUPPLEMENTAL CASH FLOW INFORMATION

In 2006, the Company was entitled to subscription proceeds that were being held by legal counsel in a trust account and due to timing of the year end had not yet been received by the Company. The funds were subsequently transferred to the Company.

Changes in Non-cash Working Capital

	Year ended December 31, 2008	Year ended December 31, 2007	For the period from inception on August 23, 2006 to December 31, 2006
Subscription proceeds held in trust	—	18,315	(18,315)
Accounts receivable	(3,126)	2,502	(3,771)
Prepaid expenses and other	95	66	(549)
Accounts payable and accrued liabilities	4,449	10,098	1,094
	1,418	30,981	(21,541)
Related to:			
Operating activities	(1,427)	4	5
Financing activities	(204)	21,992	(21,762)
Investing activities	3,049	8,985	216
Net change in non-cash working capital	1,418	30,981	(21,541)

	2008	2007	2006
Cash interest paid	22,188	606	—
Cash income taxes paid	—	—	—

12. FINANCIAL INSTRUMENTS

The Company's financial instruments at December 31, 2008 include cash and cash equivalents, short-term investments, cash held in trust, accounts receivable, accounts payable and accrued liabilities, short-term credit facility, and long-term debt.

The Company is exposed to financial risks arising from its financial instruments. The financial risks include credit risk, liquidity risk, and market risk related to interest rates.

Fair Value

The fair values of the Company's financial instruments approximate their carrying value, with the exception of the senior secured notes.

Because no observable market exists, the fair value for the senior secured notes is estimated based on discounted cash flow analysis using an estimated discount rate, with consideration for changes in economic and market conditions since issuance. Changes in the discount rate will impact the fair value of the senior secured notes. A 1% change in the discount rate will impact the fair value of the senior secured notes by approximately $7.6 million. At December 31, 2008 the fair value of the senior secured notes was estimated at $363.1 million (present value using an estimated discount rate of 18%).

Credit Risk

Credit risk is the risk of a financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligation. The Company's financial assets that are exposed to credit risk consist of cash and cash equivalents, short-term investments, and accounts receivable. The Company mitigates this risk by investing cash and cash equivalents and short-term investments with major financial institutions, and selecting counter parties the Company considers having low credit risk. The Company has not had any credit losses in the past.

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents, short-term investments, and accounts receivable on the balance sheet. The Company's general accounts receivable terms are net 30 days. There are no financial assets the Company considers impaired due to credit risk related defaults.

At December 31, 2008, 27% of the Company's consolidated accounts receivable are due from one counter party, compared to nil at December 31, 2007 and 2006. This counter party is considered to have high credit worthiness.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they come due. Financial liabilities are comprised of accounts payable and accrued liabilities, demand credit facility, and senior secured notes. The Company actively manages its liquidity through cash, debt and equity management strategies. Such strategies include continuously monitoring forecasted and actual cash flows from operating, financing, and investing activities, available credit under existing banking arrangements and opportunities to issue additional debt and equity instruments. Liquidity risk is mitigated by maintaining a sufficient cash balance as well as maintaining a sufficient current and projected liquidity cushion to meet expected future payments.

The Company's outstanding financial liabilities mature within one year, with the exception of the Company's senior secured notes, which mature July 30, 2011.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings or value of financial instruments. The objective of market risk management is to mitigate exposures within acceptable limits, while maximizing returns. The Company is exposed to changes in interest rates.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has variable interest rates on its cash and cash equivalents, short term investments and demand credit facility, resulting in exposure to fluctuations in interest rates. The interest rate on the Company's long-term debt is fixed.

For the year ended December 31, 2008, the Company's exposure to interest charged on the average outstanding credit facility balance, from a 1% change in interest rates, would have an insignificant impact on the consolidated financial statements. The Company's exposure to interest rate fluctuations on interest earned on the average cash and cash equivalents and short-term investment balances, from a 1% change in interest rates, would be approximately $1.9 million.

13. CAPITAL MANAGEMENT

The Company's objectives when managing capital are capital preservation and to enable the Company to continue as a going concern in order to pursue the acquisition, exploration and development of its oil sands properties or potential other business and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. The Company considers the items included in shareholders' equity and bank debt as capital. The Company is currently in the development stage and earns no operating revenue; as such the Company is dependent on external financing to fund its activities. At December 31, 2008 the Company had a $25 million (2007 – $50 million) credit facility with a Canadian chartered bank. Immediately prior to the closing of the PetroChina Transaction, the credit facility was cancelled. Immediately following the closing of the PetroChina Transaction, the senior secured notes were repaid with the proceeds from PetroChina Loan #1.

(Tabular amounts in Cdn $000s, except as otherwise noted)

Capital managed by the Company is as follows:

	2008	2007
Bank credit facility	—	—
Senior secured notes	378,906	—
Shareholders' equity	362,266	384,070
Capital managed	741,172	384,070

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, obtain or repay bank debt, or enter into joint exploration and development arrangements with other parties.

To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary and which are approved by the Board of Directors. Longer term financial models are also utilized to schedule and forecast anticipated cash requirements. Excess cash is invested in accordance with an investment policy, which is reviewed periodically, thereby ensuring that cash is invested in highly liquid short-term interest-bearing investments, possessing pre-approved risk profiles, and is available as required. There were no changes in the Company's approach to capital management during the years ended December 31, 2008 and 2007.

The Company is not subject to externally imposed capital requirements.

14. SHARE CAPITAL

a) Authorized

Authorized share capital of the Company consists of an unlimited number of common shares.

b) Issued Common Shares

The following table summarizes changes to the Company's common share capital for the periods ended December 31:

	Year ended December 31, 2008		Year ended December 31, 2007		For the period from inception on August 23, 2006 to December 31, 2006	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Balance, beginning of period	177,372,811	383,872	138,446,461	124,029	—	—
Issued for property and equipment (i)	—	—	—	—	37,869,617	17,890
Issued for cash (i) (d)	—	—	29,581,000	205,884	96,130,383	93,130
Flow through shares issued for cash (i) (ii) (d)	—	—	7,783,450	69,947	4,446,461	13,339
Exercise of purchase warrants (c)	6,156,850	7,696	1,561,900	1,952	—	—
Exercise of performance warrants (e)	9,000,000	90	—	—	—	—
Share issue costs (net of tax benefit)	—	(52)	—	(14,605)	—	(330)
Tax effect of flow through shares (ii)	—	(17,565)	—	(3,335)	—	—
Balance, end of period	192,529,661	374,041	177,372,811	383,872	138,446,461	124,029

i. Avenir Capital Corporation is the Company's founding shareholder and trustee of the Company's employee stock-based compensation plan. Avenir transferred oil sands leases to the Company in exchange for 17.9 million common shares and 17.9 million share purchase warrants (collectively referred to as the "units") valued at $1.00 per unit. The purchase price of the transaction and the number of units issued was based on the cost of the leases originally paid by Avenir. The full value of each unit issued was allocated to common share capital.

(Tabular amounts in Cdn $000s, except as otherwise noted)

During the period from inception on August 23, 2006 to December 31, 2006, the Company issued: (1) 20.0 million common shares for proceeds of $0.02 million, (2) 100.0 million common shares for proceeds of $100.0 million, and (3) 10.0 million common shares for proceeds of $1.0 million; and, 4.0 million common shares for proceeds of $10.0 million. For every 10 shares in financing (1) there was a purchase warrant exercisable at $1.25 attached. For every share in financings (2) and (3) there was one purchase warrant exercisable at $1.25 attached.

During the period from inception on August 23, 2006 to December 31, 2006, the Company issued 4.4 million flow-through shares for proceeds of $13.3 million.

In August 2007, the Company issued 29.6 million common share securities consisting of 29.6 million common shares at a price of $6.96/share and 29.6 million liquidity rights at a price of $0.04/right, and 5.1 million flow-through securities consisting of 5.1 million flow-through shares at a price of $8.46/share and 5.1 million flow-through liquidity warrants at a price of $0.04/warrant.

In December 2007, the Company issued 2.7 million flow-through securities consisting of 2.7 million flow-through shares at a price of $9.96/share and 2.7 million flow-through liquidity warrants at a price of $0.04/warrant.

ii. During the year ended December 31, 2007 the Company renounced $13.3 million of qualifying exploration expenditures to flow-through common share subscribers under the look back rule for flow-through financing proceeds from December 2006. The effective date of the renouncement was December 31, 2006 based on actual core hole drilling program expenditures incurred in the first three months of 2007. The future tax effect of this renouncement at a future estimated tax rate of 25% is $3.3 million and has been recorded as a reduction to share capital.

During the year ended December 31, 2008 the Company renounced $70.3 million of qualifying exploration expenditures to flow-through common share subscribers under the look back rule, for flow-through financing proceeds from 2007. The effective date of the renouncement was December 31, 2007 based on actual core hole drilling program expenditures incurred in the first three months of 2008. The future tax effect of this renouncement at a future estimated tax rate of 25% is $17.6 million and has been recorded as a reduction to share capital.

c) Outstanding Purchase Warrants

The Company reserved 112.0 million common shares for issuance upon exercise of certain issued and outstanding purchase warrants, each whole purchase warrant exercisable at a price of $1.25 per share on or before five years from the date of issuance. The following table summarizes changes to the Company's purchase warrants:

	Year ended December 31, 2008	Year ended December 31, 2007	For the period from inception on August 23, 2006 to December 31, 2006
	Number of warrants	Number of warrants	Number of warrants
Balance, beginning of period	110,438,100	112,000,000	—
Issued with common shares for property and equipment	—	—	17,869,617
Issued with common shares for cash	—	—	82,130,383
Issued to employees/directors for stock-based compensation			12,000,000
Exercised	(6,156,850)	(1,561,900)	—
Balance, end of period	104,281,250	110,438,100	112,000,000

No value was assigned to these warrants at the time of issuance.

(Tabular amounts in Cdn $000s, except as otherwise noted)

d) Outstanding Liquidity Rights/Warrants

The following table summarizes changes to the Company's liquidity rights/warrants:

	Year ended December 31, 2008		Year ended December 31, 2007		For the period from inception on August 23, 2006 to December 31, 2006	
	Number of warrants/ rights	Number of common shares if converted	Number of warrants/ rights	Number of common shares if converted	Number of warrants/ rights	Number of common shares if converted
Balance, beginning of year	37,364,450	3,736,433	—	—	—	—
Issued with common shares for cash	—	—	29,581,000	2,958,093	—	—
Issued with flow-through shares for cash	—	—	7,783,450	778,340	—	—
Converted to common shares	—	—	—	—	—	—
Balance, end of year	37,364,450	3,736,433	37,364,450	3,736,433	—	—

In August 2007, the Company issued 29.6 million common share securities consisting of 29.6 million common shares at a price of $6.96/share and 29.6 million liquidity rights at a price of $0.04/right, and 5.1 million flow-through securities consisting of 5.1 million flow-through shares at a price of $8.46/share and 5.1 million flow-through liquidity warrants at a price of $0.04/warrant.

In December 2007, the Company issued 2.7 million flow-through securities consisting of 2.7 million flow-through shares at a price of $9.96/share and 2.7 million flow-through liquidity warrants at a price of $0.04/warrant.

Each flow-through share subscribed during the August 2007 or December 2007 offerings had a liquidity warrant attached, which provided the security holder with a right to approximately 0.10 additional common shares per warrant subscribed if the Company did not satisfy a liquidating event by February 16, 2009. Each common share subscribed during the August 2007 offering had a similar right to approximately 0.10 additional common shares for each share subscribed if the liquidating event did not take place before February 16, 2009.

A liquidity event, as it relates to the securities described above, meant:

I. an initial public offering whereby the common shares of the Company are listed and posted for trading on a recognized Canadian or U.S. stock exchange, or

II. the completion of any transaction as a result of which all or substantially all of the outstanding common shares are exchanged for the securities of another issuer, and such securities will be listed on a recognized exchange.

The Company reserved 3.7 million common shares to be issued provided the Company did not meet the liquidity event requirements by February 16, 2009 as outlined in the August 2007 and December 2007 share subscriptions. These common shares represent approximately 0.10 shares per right/warrant issued under the 2007 financings.

See note 19.

e) Outstanding Performance Warrants

Two series of performance warrants were initially issued totaling 19.0 million warrants. 9.5 million Series I performance warrants and 9.5 million Series II performance warrants were issued, which are exercisable for a period of nine years from the date of issuance and only if the net asset value per fully diluted common share is equal to or greater than $1.50 and $2.50 per share (for the Series I and II performance warrants respectively), and certain liquidity thresholds have been achieved. The exercise price is $0.01 per performance warrant.

(Tabular amounts in Cdn $000s, except as otherwise noted)

During 2007 all performance criteria associated with these performance warrants were achieved. The following table summarizes changes to the aggregate Series I and Series II performance warrants of the Company:

	Year ended December 31, 2008	Year ended December 31, 2007	For the period from inception on August 23, 2006 to December 31, 2006
	Number of warrants	Number of warrants	Number of warrants
Balance, beginning of period	19,000,000	19,000,000	—
Issued	—	—	19,000,000
Exercised	(9,000,000)	—	—
Balance, end of period	10,000,000	19,000,000	19,000,000

f) Contributed Surplus

The following table summarizes changes to the Company's contributed surplus:

	Year ended December 31, 2008	Year ended December 31, 2007	For the period from inception on August 23, 2006 to December 31, 2006
Balance, beginning of period	28,758	16,021	—
Capitalized stock-based compensation	5,538	2,041	70
Expensed stock-based compensation	7,136	10,696	15,951
Balance, end of period	41,432	28,758	16,021

15. STOCK-BASED COMPENSATION PLANS

The Company's stock-based compensation plans for employees, directors, and consultants consist of Incentive Share options to acquire Incentive Shares, performance warrants to acquire common shares, purchase warrants to acquire common shares, stock options and an incentive bonus plan payable to certain specified holders of stock options in the event of a specified change of control or initial public offering.

a) Incentive Shares, Performance Warrants, and Purchase Warrants

The Company issued 20.0 million Incentive Shares during 2006 at a price of $0.001 per share of which 17.1 million were available for allocation to employees, directors, and consultants. The Incentive Shares distributed as part of the Company's stock-based compensation are drawn from the original Incentive Shares issued to Avenir Capital Corporation. The Incentive Share options and performance warrants expire October 1, 2015.

	Year ended December 31, 2008	Year ended December 31, 2007	For the period from inception on August 23, 2006 to December 31, 2006
	Number of common shares	Number of common shares	Number of common shares
Available for grant at beginning of period	1,320,000	3,750,000	22,070,000
Granted	(937,500)	(2,430,000)	(18,320,000)
Available for grant at end of period	382,500	1,320,000	3,750,000
Held in trust subject to vesting criteria at beginning of period	6,848,332	18,032,500	—
Granted	937,500	2,430,000	18,320,000
Vested	(1,827,914)	(13,614,168)	(287,500)
Balance held in trust at end of period	5,957,918	6,848,332	18,032,500

(Tabular amounts in Cdn $000s, except as otherwise noted)

At December 31, 2008 there were 5.0 million Series 1 and 5.0 million Series 2 performance warrants issued to directors and officers of the Company which are fully vested and remain outstanding and exercisable.

At December 31, 2008 there were 10.0 million purchase warrants issued to directors and officers of the Company which are fully vested and remain outstanding and exercisable.

See note 14 for descriptions of these securities.

See note 19.

b) Stock Options

The Company has a Stock Option Plan, approved in 2006 which allows options to be granted to employees, directors and consultants. The specific terms are determined by the Board of Directors when each specific tranche of options is approved. All options issued by the Company permit the holder to purchase one common share of the Company at the stated exercise price or to receive a cash payment equal to the appreciated value of the stock option at the sole discretion of the Company.

The stock option plan is a rolling plan and currently limits the number of common shares that may be issued on exercise of options awarded under the plan to an aggregate of 10% of the common shares outstanding from time to time.

In 2007, the Company reserved the first tranche of 2,000,000 common shares in connection with this plan for use in attracting and rewarding employees, directors, and consultants. Stock options expire after 10 years from the date of grant.

	Year ended December 31, 2008		Year ended December 31, 2007		For the period from inception on August 23, 2006 to December 31, 2006	
	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)	Number of options	Weighted average exercise price ($)
Outstanding at beginning of period	470,000	7.35	—	—	—	—
Granted	1,187,000	8.30	470,000	7.35	—	—
Outstanding at end of period	1,657,000	8.09	470,000	7.35	—	—
Exercisable at end of period	355,670	8.12	16,666	7.00	—	—

The exercise prices of the Company's outstanding stock options are as follows:

	Options outstanding		Options exercisable
Range of exercise prices ($)	Number of options	Weighted average years to expiry	Number of options
7.00 – 8.30	1,657,000	9.33	355,670
Balance at December 31, 2008	1,657,000	9.33	355,670

See note 19.

(Tabular amounts in Cdn $000s, except as otherwise noted)

c) Stock-based Compensation

The Company uses the Black-Scholes pricing model to calculate the fair value for grants under its Incentive Share, performance warrant, purchase warrant, and stock option plans.

The estimated fair value of the Incentive Shares, purchase warrants, performance warrants and stock options granted for the period ended December 31 were calculated using the following assumptions:

	Year ended December 31, 2008	Year ended December 31, 2007	For the period from inception on August 23, 2006 to December 31, 2006
Share price ($)	8.26 – 13.46	2.50 – 8.26	1.00
Risk-free interest rate (%)	3.23 – 4.04	3.96 – 4.63	4.00
Life of Incentive share and performance warrant grants (years)	6.90 – 7.80	0.25 – 3.00	0.25 – 3.42
Life of purchase warrant, grants (years)	N/A	N/A	3.25
Life of stock option grants (years)	10	10	N/A
Dividend rate (%)	0	0	0
Volatility (%)	N/A	N/A	N/A
Weighted average fair value of Incentive Shares, purchase warrants and performance warrants granted ($)	9.65	4.41	0.74
Weighted average fair value of stock options granted ($)	3.84	0.55	N/A

As a private company, no observable market exists for the Company's shares. The share price used in fair value calculations is estimated based on prior private equity issuances or grey market trading information. The Company has not incorporated an expected volatility into its fair value calculation because it is a private company.

See note 19.

d) Incentive Bonus Plan

A cash incentive bonus plan was approved by the Board in 2008. The plan provides for a cash payment of $4.50 per outstanding option to specified holders of stock options upon exercise, subject to being preceded by a specified change of control or an initial public offering. At December 31, 2008, the potential liability associated with these incentive rights is $6.4 million. The potential liability related to incentive bonus rights, following amendments to the incentive plans described in note 19, is approximately $0.2 million.

16. PER SHARE COMPUTATIONS

The weighted average number of common shares outstanding for the year ended December 31, 2008 was 181,550,247 (2007 – 151,348,502, for the period from inception on August 23, 2006 to December 31, 2006 – 108,391,531). Per share amounts are calculated without the inclusion of dilutive securities during periods in which there is a loss. At December 31, 2008 there were 119,674,695 outstanding potentially dilutive securities available for future periods.

(Tabular amounts in Cdn $000s, except as otherwise noted)

17. COMMITMENTS

The following table summarizes the Company's estimated future minimum commitments at December 31, 2008:

	2009	2010	2011	2012-2014	Thereafter	Total
Long-term debt repayment	—	—	400,000	—	—	400,000
Interest payments on long-term debt	52,000	52,000	29,918	—	—	133,918
Office leases	2,384	2,384	2,384	3,935	920	12,007
Exploration and development	6,621	—	—	—	—	6,621
Other	253	226	226	433	—	1,138
Total commitments	61,258	54,610	432,528	4,368	920	553,684

The Company entered into a new office lease for one additional floor in its current location. The new lease commitment is for approximately 4 years and includes basic rent, operating costs and property taxes. The term coincides with the lease commitment in the current office location. The Company also entered into a sublease for this new office space to partially offset the cost. The lease and sublease begin January 1, 2009. The sublease is for a period of nine months until September 30, 2009. The Company has an option to take early possession of a specified portion of the sublease space at no cost to the Company. The subtenant is entitled to two months rent free for August and September 2009.

The Company entered into new agreements to add drilling rigs, materials, and services to support the 2009 drilling season. The estimated minimum commitment on these contracts is $6.6 million.

The Company entered into new agreements related to head office administration and industry group participation. The estimated minimum commitment on these contracts is $1.1 million over the next 5 years.

18. RELATED PARTY TRANSACTIONS

2008

There were no related party transactions during the year ended December 31, 2008.

2007

There were no related party transactions during the year ended December 31, 2007.

2006

Avenir Capital Corporation is the Company's founding shareholder and trustee of the Company's employee stock-based compensation plan. As part of the original capitalization of the Company, Avenir transferred the right to acquire certain oil sands leases to the Company in exchange for 20,000,000 common shares valued at $0.001 per share, 9,500,000 Series I Performance Warrants and 9,500,000 Series II Performance Warrants; as described in note 14. The transaction was valued based on the exchange amount identified and agreed to in the Asset Purchase Agreement governing the transfer. No value was ascribed to the performance warrants at the time of issuance.

Of the total securities obtained by Avenir in exchange for the right to acquire certain assets, 2,500,000 common shares, 1,250,000 Series I Performance Warrants and 1,250,000 Series II Performance Warrants were placed into an Employee Benefit Trust for the benefit of certain current and future employees of the Company. Avenir has been appointed the trustee of the trust which will serve to manage certain aspects of the Company's stock-based compensation plan as described in note 15.

The financial statement effects of the non-monetary transaction referenced above include an increase of $0.1 million to the Company's property, plant and equipment account; an increase of $0.1 million to the Company's future income tax liabilities; and a $0.1 million increase to the Company's share capital account. Since there are no tax pools associated with the oil sands rights included in the transfer, the $0.1 million asset increase is meant to reflect and offset the future income tax liability created by the transaction.

The financial statement effects of the Company's stock-based compensation plan are described in note 15.

Avenir transferred oil sands leases to the Company in exchange for 17,869,617 common shares and 17,869,617 share purchase warrants (collectively referred to as the "units") valued at $1.00 per unit. The purchase price of the transaction and the number of units issued was based on the cost of the leases originally paid by Avenir. The full value of each unit issued was allocated to common share capital.

19. SUBSEQUENT EVENTS

Subsequent to December 31, 2008, the Company issued 3.7 million common shares upon automatic exercise of the outstanding liquidity rights/warrants described in note 14(d).

Subsequent to December 31, 2008, the Company issued 10.0 million common shares upon exercise of the outstanding performance warrants described in note 15(a).

Subsequent to December 31, 2008, the Board of Directors authorized an additional 1.5 million stock options under the Company's 2006 stock option plan which can be granted to employees, directors and consultants.

PetroChina Transaction

On August 28, 2009, the Company entered into the Principles of Joint Venture Agreement with PetroChina International Investment Company Limited ("PetroChina International"), a wholly owned subsidiary of PetroChina Company Limited ("PetroChina"), and on February 10, 2010, the Company entered into a series of agreements (the "PetroChina Transaction Agreements"), pursuant to which, among other things, a wholly-owned subsidiary of PetroChina International ("PetroChina International Subco") acquired 100% of the shares of 1487645 Alberta Ltd., ("AOSC Newco") a corporation which holds a 60% working interest in the Company's MacKay and Dover oil sands projects for cash consideration of $1.9 billion (the "PetroChina Transaction"). PetroChina International Subco also agreed to reimburse the Company for 60% of the capital expenditures incurred in respect of the oil sands assets of AOSC Newco by the Company during the period commencing November 1, 2009 and ending on the February 10, 2010 closing date of the PetroChina Transaction. As part of the PetroChina Transaction, on February 10, 2010, AOSC (MacKay) Energy Inc. ("AOSC (MacKay)") and AOSC (Dover) Energy Inc. ("AOSC (Dover)"), wholly-owned subsidiaries of the Company, and PetroChina International Subco formed the MacKay and Dover joint ventures. The financing arrangements forming part of the PetroChina Transaction included a loan to the Company to repay its existing long-term debt. PetroChina International Subco provided to the Company a non-revolving loan of $430.0 million which was used to repay the Company's existing indebtedness and related costs under the note indenture dated July 30, 2008 for the $400.0 million senior secured notes. The PetroChina Transaction also provides for a put/call option pursuant to which PetroChina International Subco may be required to purchase or may exercise the right to acquire the Company's remaining 40% working interest in one or both of the MacKay and Dover oil sands projects by acquiring the assets or shares of the Company's wholly-owned subsidiaries that own those assets for an aggregate cash consideration of up to $2.0 billion.

MacKay Put Option

PetroChina International Subco has granted to the Company the sole and exclusive right, exercisable at the Company's option prior to the 31st day following receipt of MacKay Oil Sands Project Approval, to require PetroChina International Subco to acquire or nominate an affiliate to acquire, the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is greater than US$70.00) or the assets of AOSC (MacKay) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is less than US$70.00) for a purchase price of $680 million if exercised in 2010, 2011 or 2012, $646 million if exercised in 2013, $612 million if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the assets or shares, as applicable, of AOSC (MacKay) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014.

Dover Put Option

PetroChina International Subco has granted to the Company the sole and exclusive right, exercisable at the Company's option prior to the 31st day following receipt of Dover Oil Sands Project Approval, if the MacKay Put/Call Option is exercised, to require PetroChina International Subco to acquire or nominate an affiliate to acquire, the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is greater than US$ 70.00) or the assets of AOSC (Dover) (or a wholly-owned subsidiary thereof) (if the Cushing Reference Price is less than US$70.00) for a purchase price of $1.32 billion if exercised in 2010, 2011 or 2012, $1.254 billion if exercised in 2013, $1.188 billion if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the assets or shares, as applicable, of AOSC (Dover) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014.

MacKay Call Options

The Company has granted to PetroChina International Subco the sole and exclusive right, exercisable at PetroChina International Subco's option, to acquire the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof), in the following circumstances, for the applicable purchase price, as follows:

(a) prior to the 31st day following receipt of MacKay Oil Sands Project Approval, for a purchase price of $680 million if exercised in 2010, 2011 or 2012, $646 million if exercised in 2013, $612 million if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014;

(b) prior to the fifth business day following December 31 in any calendar year commencing 2012 (and provided the MacKay Put/Call Event has not occurred prior thereto), for a purchase price of $680 million if exercised in 2013, $612 million if exercised in 2014, $544 million if exercised in 2015, and the product of a 0.8 multiple of the fair market value of the shares of AOSC (MacKay) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2015;

(c) prior to the 61st day following the receipt of notice of the occurrence of an insolvency event or change of control of the Company or AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof), for a purchase price of $680 million; and

(d) prior to the fifth business day following March 31, 2011, if Dover JV Operator has not filed an application for Dover Oil Sands Project Approval with the ERCB and Alberta Environment on or by March 31, 2011, for a purchase price of $578 million.

Dover Call Options

Except as set forth below, provided that the MacKay Put/Call Option has been exercised, the Company has granted to PetroChina International Subco the sole and exclusive right, exercisable at PetroChina International Subco's option, to acquire the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof), in the following circumstances, for the applicable purchase price, as follows:

(a) prior to the 31st day following receipt of Dover Oil Sands Project Approval, for a purchase price of $1.32 billion if exercised in 2010, 2011 or 2012, $1.254 billion if exercised in 2013, $1.188 billion if exercised in 2014, and the product of a 0.9 multiple of the fair market value of the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2014;

(b) prior to the fifth business day following December 31 in any calendar year commencing 2012 (and, except for the option exercisable following December 31, 2012, concurrently with the exercise of the corresponding MacKay Put/Call Option by PetroChina International Subco), for a purchase price of $1.32 billion if exercised in 2013, $1.1888 billion if exercised in 2014, $1.056 billion if exercised in 2015, and the product of a 0.8 multiple of the fair market value of the shares of AOSC (Dover) (or a wholly-owned subsidiary thereof) if exercised in any calendar year after 2015;

(Tabular amounts in Cdn $000s, except as otherwise noted)

(c) prior to the 61st day following receipt of notice of the occurrence of an insolvency event or change of control of the Company or AOSC (MacKay) (or a wholly-owned subsidiary thereof) or AOSC (Dover) (or a wholly-owned subsidiary thereof), for a purchase price of $1.32 billion; and

(d) prior to the fifth business day following March 31, 2011, if Dover JV Operator has not filed an application for Dover Oil Sands Project Approval with the ERCB and Alberta Environment on or by March 31, 2011, for a purchase price of $1.122 billion;

provided that, if the MacKay Put/Call Option is exercised during a given calendar year, the AOSC (Dover) purchase price will be determined as of the date of the closing of the MacKay Put/Call Option transaction, irrespective of the date of the closing of the Dover Call Option or the Dover Put Option. There will be an adjustment for working capital between the date of exercise of the applicable option and the closing date.

Assets Held for Sale

In conjunction with the PetroChina Transaction, 60% of the assets of the MacKay River and Dover oil sands projects became held for sale. The assets and liabilities related to assets held for sale have been reclassified as assets or liabilities held for sale on the consolidated balance sheets. There is no effect on consolidated net income related to these assets held for sale. Comparative period balances have not been restated.

The assets and liabilities of assets held for sale at December 31 include the following:

	2008	2007
Assets		
Property and equipment	181,183	111,014
Liabilities		
Future income taxes	45,036	27,754
Net Assets Held for Sale	136,147	83,260

Incentive Plan Agreements

Subsequent to December 31, 2008, the Company agreed to the terms of amended incentive plan agreements with certain employees, consultants and directors which became effective October 15, 2009. The amendments were agreed to in exchange for the waiver of certain rights as it pertains to change of control conditions contained in the original incentive plan agreements.

The amended terms for stock options consist of:

- More descriptive explanation of what would constitute “sale of all or substantially all” of the assets with respect to change of control conditions;
- Reducing exercise prices to $0.01;
- Immediate vesting, exercise of the options to receive shares, and agreement to return the shares in trust to Avenir Capital Corporation for subsequent release subject to the satisfaction of length of service requirements; and
- Amendment of vesting/length of service requirements to a maximum of four years.

The amended terms for Incentive Shares granted consist of:

- More descriptive explanation of what would constitute “sale of all or substantially all” of the assets with respect to change of control conditions;
- Amendment of vesting/length of service requirements to a maximum of four years; and
- Additional grant of 30% more Options with an exercise price of $0.01 per Common Share to the holders of Incentive Shares that had not met the vesting/length of service requirements as at October 15, 2009.

In addition, 750,000 Options were authorized by the Board of Directors in September 2009 and set aside and reserved for security holders eligible for the additional 30% grant. Effective December 31, 2009, 663,900 stock options were issued and subsequently exercised. The Common Shares issued on exercise of such Options (referred to as Incentive Shares) are held in trust by Avenir until the holders of such Common Shares meet certain length of service requirements.

Prior to the amendments, incentive plan securities grants to new employees generally vested over 6 years. The amendment of vesting/length of service requirements to a maximum of four years included the immediate vesting of one-third of the securities granted for certain security holders who had not started working for the Company prior to October 15, 2007, with the remaining vesting over four years starting October 15, 2009. For certain security holders who started working for the Company prior to October 15, 2007, there was no change in vesting dates. The agreement amendments resulted in an immediate charge to stock-based compensation expense for those securities that were accelerated. The exercise price change also resulted in an immediate charge to stock-based compensation. The total additional charge to stock-based compensation is $5.6 million.

For those employees, directors, and consultants who accepted the amended agreements, in consideration for the exercise price change on granted stock options, the associated cash bonus rights and the Incentive Bonus Plan payments were cancelled.

Subsequent to December 31, 2008, the Board of Directors approved a new stock option plan in order to attract and retain employees, directors, and consultants. The new stock options typically vest over a four-year period on each anniversary of the grant date and expire five years after the grant date. Stock option exercise prices approximate the market price for the common shares on the date the stock options are granted. An option holder may make an offer to the Company for the surrender of any option for an amount (not to exceed the fair market value of the underlying common share less the exercise price of the option) specified by the option holder in the surrender offer. The Company may, but is not obligated to, accept the surrender offer. If a surrender offer is accepted, the option in respect of which the surrender offer relates is cancelled upon payment of the agreed amount by the Company to the option holder.

On February 25, 2010, the Board approved amendments to the exercise price of 552,000 unvested new stock options to reduce the exercise price by $4.25, the amount of the special dividend, as required by the adjustment provisions of the new stock options. The amendments became effective on the effective date of the Plan of Arrangement pursuant to which the special dividend was paid. There is no charge to stock-based compensation on the date of amendment because none of the new stock options are vested.

Subsequent to December 31, 2008, the Board approved a restricted share unit plan in order to attract and retain employees, officers, directors and consultants. The plan allows the Board to grant restricted share units, each of which is a unit that is equivalent in value to a Common Share and that upon vesting and exercise results in the holder being issued a Common Share for a nominal exercise price. The restricted share units typically vest over a four-year period on each anniversary of the grant date and expire five years after the grant date. A plan participant may make an offer to the Company for the surrender of any restricted share unit that has vested for an amount (not to exceed the fair market value of the underlying common share less the nominal exercise price of the restricted share unit) specified by the participant in the surrender offer. The Company may, but is not obligated to, accept the surrender offer. If a surrender offer is accepted, the restricted share unit in respect of which the surrender offer relates is cancelled upon payment of the agreed amount by the Company to the participant.

Exercise of Purchase Warrants

Subsequent to December 31, 2008, the Company issued 104,281,250 Common Shares upon the exercise of 104,281,250 Purchase Warrants (including the 84,109,692 Purchase Warrants deemed to be exercised pursuant to the Plan of Arrangement), for aggregate proceeds of approximately $130.4 million.

Special Dividend

On March 22, 2010, pursuant to the Plan of Arrangement, Athabasca paid the Special Dividend in the aggregate amount of approximately $1.332 billion ($4.25 per Common Share) utilizing a portion of the proceeds of the PetroChina Transaction.

Pursuant to the Plan of Arrangement: (a) each outstanding Purchase Warrant was deemed to be exercised for one Common Share and the holder thereof became entitled to the Special Dividend; and (b) (i) each Common Share held by a Shareholder or Warrantholder that so elected and certified that: (A) it is a resident of Canada; (B) it holds its Common Shares as capital property; and (C) it is not exempt from tax under Part I of the Tax Act; was exchanged for one Class B Common Share; (ii) Athabasca declared and paid the Special Dividend in the aggregate amount of $4.25 per share to the holders of Common Shares and Class B Common Shares, with the capital dividend portion of the Special Dividend being paid to holders of Class B Common Shares; and (iii) following the payment of the Special Dividend, each Class B Common Share was exchanged for one Common Share. Accordingly, on completion of the Plan of Arrangement there are no authorized or issued Class B Common Shares and there was no change in the outstanding number of Common Shares, except for the 84,109,692 Common Shares issued upon the deemed exercise of Purchase Warrants pursuant to the Plan of Arrangement.

Special Securityholders Meeting

At the Special Securityholders Meeting held on March 19, 2010, Securityholders, as applicable, approved: (i) the Plan of Arrangement described above; (ii) the creation of an unlimited number of first preferred shares, issuable in series, and an unlimited number of second preferred shares, issuable in series; and (iii) the adoption of a shareholder rights plan.

Commitments

The PetroChina Transaction includes a 2010 budget and work program for the MacKay and Dover oil sands projects. The Company's share of this budget and work program is approximately $30.3 million.

Initial Public Offering

Pursuant to an underwriting agreement dated March 30, 2010, the Company proposes to issue 75,000,000 Common Shares to the public for estimated proceeds of approximately $1,262,500,000, net of commissions and other estimated costs relating to the issue aggregating approximately $87,500,000. The Company has also granted an over-allotment option for the issue of up to an additional 11,250,000 Common Shares exercisable within 30 days from the date of closing of the public financing. If the option is exercised in full the Company would receive estimated additional proceeds of approximately $190,350,000, net of commissions of approximately $12,150,000.

APPENDIX A

REPORT ON RESERVES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR

To the board of directors of Athabasca Oil Sands Corp. (the "Company"):

1. We have prepared a Pro-Forma evaluation of the Company's reserves data as at December 31, 2009, reflecting the Company's 40% working interest in the MacKay and Dover properties following completion of a transaction subsequent to December 31, 2010. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2009, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the year ended December 31, 2009, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator	Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate - $MM)			
			Audited	Evaluated	Reviewed	Total
GLJ Petroleum Consultants	January 19, 2010	Canada	—	537	—	537

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

EXECUTED as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, February 26, 2010.

"ORIGINALLY SIGNED BY"

Dana B. Laustsen, P. Eng.
Executive Vice-President

APPENDIX B

REPORT ON RESOURCES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR

To the board of directors of Athabasca Oil Sands Corp. (the "Company"):

1. We have prepared a Pro-Forma evaluation of the Company's resources data as at December 31, 2009, reflecting the Company's 40% working interest in the MacKay and Dover properties following completion of a transaction subsequent to December 31, 2010. The resources data are estimates of low, best and high estimates of contingent and prospective resources and related future net revenue as at December 31, 2009, estimated using forecast prices and costs.

2. The resources data are the responsibility of the Company's management. Our responsibility is to express an opinion on the resources data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the resources data are free of material misstatement. An evaluation also includes assessing whether the resources data are in accordance with principles and definitions in the COGE Handbook.

4. The following table sets forth the estimated future net revenue of the Company (before deduction of income taxes) attributed to best estimate contingent resources and best estimate prospective resources, estimated using forecast prices and costs and calculated using a discount rate of 10%, evaluated by us for the year ended December 31, 2009, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator and Resource Category	Description and Preparation Date of Evaluation Report	Location of Resources (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate -$MM)			
			Audited	**Evaluated**	**Reviewed**	**Total**
Contingent Resources						
GLJ Petroleum Consultants	January 19, 2010	Canada	—	12,390	—	**12,390**
Prospective Resources						
GLJ Petroleum Consultants	January 19, 2010	Canada	—	1,089	—	**1,089**

5. In our opinion, the resources data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the resources data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that resources are categorized according to the probability of their recovery.

8. Contingent resources evaluated in this report were assigned in regions with lower core-hole drilling density than the reserve regions and are outside current areas of application for development. These resource estimates are not classified as reserves at this time, pending further reservoir delineation, project application, facility and reservoir design work. Contingent resources entail commercial risk not applicable to reserves, which have not been included in the net present valuation. There is no certainty that it will be commercially viable to produce any portion of the contingent resources.

9. Prospective resources were assigned in unexplored regions of the Company's acreage. The prospective resource estimates have been risked for the chance of discovery, hence are considered partially risked estimates. Prospective resources also entail commercial risk not applicable to reserves, which have not been included in the

net present valuation. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources.

EXECUTED as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, February 26, 2010.

"ORIGINALLY SIGNED BY"

Dana B. Laustsen, P. Eng.
Executive Vice-President

APPENDIX C

REPORT ON RESOURCES DATA
BY
INDEPENDENT QUALIFIED RESERVES
EVALUATOR OR AUDITOR

To the board of directors of Athabasca Oil Sands Corp. (the "Company"):

1. We have prepared an evaluation of the Company's resources data in respect of its properties located in the Birch and Hangingstone areas of Alberta as at December 31, 2009. The resources data are estimates of low, best and high estimates of contingent resources and related future net revenue as at December 31, 2009, estimated using forecast prices and costs.

2. The resources data are the responsibility of the Company's management. Our responsibility is to express an opinion on the resources data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the resources data are free of material misstatement. An evaluation also includes assessing whether the resources data are in accordance with principles and definitions in the COGE Handbook.

4. The following table sets forth the estimated future net revenue of the Company (before deduction of income taxes) attributed to best estimate contingent resources, estimated using forecast prices and costs and calculated using a discount rate of 10%, evaluated by us for the year ended December 31, 2009, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's board of directors:

			Net Present Value of Future Net Revenue (before income tax, 10% discount rate)			
Independent Qualified Reserves Evaluator	**Description & Preparation Date of Evaluation Report**	**Location of Resources**	**Audited**	**Evaluated**	**Reviewed**	**Total**
			MM$	**MM$**	**MM$**	**MM$**
DeGolyer and MacNaughton Canada Limited	Report as of December 31, 2009 on the Contingent Resources attributable to Certain Bitumen Accumulations for Athabasca Oil Sands Corp. in Alberta, Canada dated January 7, 2010	Canada	—	4,436	—	4,436

5. In our opinion, the resources data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the resources data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that resources are categorized according to the probability of their recovery.

8. Contingent resources evaluated in this report were assigned in regions with lower core-hole drilling density than the reserve regions and are outside current areas of application for development. These resource estimates are not classified as reserves at this time, pending further reservoir delineation, project application, facility and reservoir design work. Contingent resources entail commercial risk not applicable to reserves, which have not been included in the net present valuation. There is no certainty that it will be commercially viable to produce any portion of the contingent resources.

EXECUTED as to our report referred to above:

DeGolyer and MacNaughton Canada Limited, Calgary, Alberta, dated February 26, 2010.

DEGOLYER and MACNAUGHTON CANADA LIMITED

"ORIGINALLY SIGNED BY'

Colin P. Outtrim, P.Eng.

APPENDIX D

REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Management of Athabasca Oil Sands Corp. (the **"Company"**) are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data and resource data, which are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2009, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated the Company's reserves data and resource data. The reports of the independent qualified reserves evaluators are presented above.

The Reserves and Health, Safety and Environmental Committee of the Board of Directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves and Health, Safety and Environmental Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Reserves and Health, Safety and Environmental Committee, approved the content of this prospectus of the Company dated March 30, 2010 as it relates to reserves data and resource data.

Because the reserves and resource data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

(signed) "Sveinung Svarte"
President and Chief Executive Officer

(signed) "Ian Atkinson"
Vice President, Geoscience, Technology and Reservoir

(signed) "William Gallacher"
Director

(signed) "Gary Dundas"
Director

Dated March 30, 2010

APPENDIX E

BOARD OF DIRECTORS MANDATE

GENERAL

The board of directors (**Board**) of Athabasca Oil Sands Corp. (**Company**) is responsible for managing or supervising the management of the business and affairs of the Company. In the discharge of this responsibility, the Board is responsible for appointing the executive officers (**Executive Officers**) who are responsible for the day-to-day management of the business and affairs of the Company within the strategic direction approved by the Board.

In discharging their duties, the directors shall: (a) act honestly and in good faith with a view to the best interests of the Company; (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; and (c) comply with the *Business Corporations Act* (Alberta) and the Company's articles and bylaws.

The Board has the oversight responsibility and specific duties described below. In addition, individual directors have the responsibility and specific duties set out in the Individual Director Mandate and any other Mandate or Position Description that applies to them.

COMPOSITION

The Board will be comprised of between three (3) and eleven (11) directors, as determined by the shareholders.

A majority of the Company's directors will be "independent" within the meaning of National Instrument 58-101 issued by the Canadian Securities Administrators or its successor instrument.

All Board members will have the skills and abilities appropriate to their appointment as directors. It is recognized that the right mix of experiences and competencies will aid in ensuring that the Board will carry out its duties and responsibilities in the most effective manner.

Except as set out in the articles or bylaws, Board members will be elected at the annual meeting of the Company's shareholders each year and will serve until their successors are duly elected.

RESPONSIBILITY

The Board is responsible for the stewardship of the Company and the Company's strategy, providing independent, effective leadership to supervise the management of the Company's business and affairs.

SPECIFIC DUTIES

The Board will:

Leadership

1. Provide leadership and vision to supervise the management of the Company in managing the Company and it subsidiaries in the best interests of the Company's shareholders.
2. In conjunction with the Chief Executive Officer (CEO), provide leadership in the development of the Company's mission, vision, principles, values, Strategic Plan and Annual Operating and Capital Plan.

Strategy

3. Approve the development of the Company's strategic direction.
4. Adopt a strategic planning process and, at least annually, approve a Strategic Plan for the Company to maximize shareholder value that takes into account, among other things, the opportunities and risks of the Company's business.
5. Monitor the Company's performance in light of the approved Strategic Plan.

CEO

6. Select, appoint, evaluate and, if necessary, terminate the CEO.
7. Receive and approve recommendations on appropriate or required CEO competencies and skills from the Compensation and Governance Committee (**CG Committee**).
8. Approve or develop the corporate objectives that the CEO is responsible for meeting and assess the CEO against those objectives.

Succession and Compensation

9. Review and approve the Company's succession plan, including appointing, training and monitoring the performance of senior management of the Company.
10. With the advice of the CG Committee, approve the compensation of senior management and approve appropriate compensation programs for the Company's employees.

Corporate Social Responsibility, Ethics and Integrity

11. Provide leadership to the Company in support of its commitment to corporate social responsibility.
12. Foster ethical and responsible decision-making by management.
13. Set the ethical tone for the Company and its management.
14. Take all reasonable steps to satisfy itself of the integrity of the CEO and management and satisfy itself that the CEO and management create a culture of integrity throughout the organization.
15. At the recommendation of the CG Committee, approve the Company's Code of Business Ethics and Conduct.
16. Monitor compliance with the Company's Code of Business Ethics and Conduct and grant and disclose, or decline, any waivers of the Code of Business Ethics and Conduct for officers and directors.
17. With the CG Committee and/or the Audit Committee and the Board Chair, respond to potential conflict of interest situations.

Governance

18. With the CG Committee, develop the Company's approach to corporate governance, including adopting a Corporate Governance Policy that sets out the principles and guidelines applicable to the Company.
19. At least annually, as the CG Committee decides, receive for consideration that Committee's evaluation and any recommended changes, together with the evaluation and any further recommended changes of another Board Committee, if relevant, to the Company's governance and related policies including the Board and Board Committee mandates.
20. With the CG Committee, ensure that the Company's governance practices and policies are appropriately disclosed.
21. At the recommendation of the CG Committee, annually determine those directors to be designated as independent and ensure appropriate disclosures are made.
22. At the recommendation of the CG Committee, annually determine those directors on the Audit Committee possessing "financial literacy" under applicable law and ensure appropriate disclosures are made.

Communications, Disclosure and Compliance

23. Adopt an External Communications Policy for the Company that addresses disclosure matters and matters related to trading in the Company's securities.
24. At least annually, review the External Communications Policy and consider any recommended changes.
25. Ensure policies and procedures are in place to ensure the Company's compliance with applicable law, including timely disclosure of relevant corporate information and regulatory reporting.
26. Establish and disclose a process to permit stakeholders to directly contact the independent directors as a group.

Board Chair

27. Annually appoint the Chair of the Board.

Committees

28. Appoint an Audit Committee with the responsibility to assist the Board in fulfilling its audit oversight responsibilities with respect to: (i) the integrity of annual and quarterly financial statements to be provided to shareholders and regulatory bodies; (ii) compliance with accounting and finance based legal and regulatory requirements; (iii) the external auditor's qualifications, independence and compensation, and communicating with the external auditor; (iv) the system of internal accounting and financial reporting controls that management has established; and, (v) performance of the external audit process and of the external auditor. The Audit Committee will also have the responsibility to assist the Board in fulfilling its financial oversight responsibilities with respect to (i) financial policies and strategies including capital structure; (ii) financial risk management practices; and (iii) transactions or circumstances which could materially affect the financial profile of the Company.
29. Appoint a Compensation and Governance Committee (**CG Committee**) with the responsibility to assist the Board in fulfilling its governance oversight responsibilities with respect to: (i) the development and implementation of principles and systems for the management of corporate governance; (ii) identifying qualified candidates and recommending nominees for director and Board Committee appointments; (iii) evaluations of the Board, Board Committees, all individual directors, the Board Chair and Committee Chairs; and, (iv) implementation and effectiveness of, and the compliance programs under, the Code of Business Ethics and Conduct**.** The CG Committee will also have the responsibility to assist the Board in fulfilling its compensation oversight responsibilities with respect to: (i) key compensation and human resources policies; (ii) CEO objectives, performance reviews and compensation; (iii) executive management compensation; (iv) executive management succession and development; and (v) reviewing executive compensation disclosure before its release.
30. Appoint a Reserves and Health, Safety and Environmental Committee with the responsibility to assist the Board in fulfilling its reserves oversight responsibilities with respect to the evaluation and reporting of the Company's oil and gas reserves and resources and related matters including by reviewing and making recommendations to the Board with respect to: (i) the reserves data (oil and gas reserves and associated future net revenues) of the Company that will be made publicly available and filed with applicable regulatory authorities; (ii) the Company's procedures relating to the disclosure of information with respect to oil and gas activities. The Reserves and Health, Safety and Environmental Committee will also have the responsibility to assist the Board in fulfilling its health, safety and environmental oversight responsibilities with respect to the development, monitoring, reporting and effective implementation of systems, programs and initiatives for the management of health, safety, security and environment matters that may affect the Company.
31. In the Board's discretion, appoint any other Board Committees that the Board decides are needed or beneficial, and delegate to those Board Committees any appropriate powers of the Board.
32. In the Board's discretion, annually appoint the Chair of each Board Committee.

Delegations and Approval Authorities

33. Annually delegate approval authorities to the CEO and review and revise them as appropriate.
34. Consider and, in the Board's discretion, approve financial commitments in excess of delegated approval authorities.
35. Require the Audit Committee to recommend to the Board for consideration the quarterly results, financial statements, MD&A and earnings related news releases prior to filing them with or furnishing them to the applicable securities regulators and prior to any public announcement of financial results for the periods covered.
36. Require the Audit Committee to recommend to the Board for consideration and, in the Board's discretion, approve dividends, if any.
37. Consider and, in the Board's discretion, approve any matters recommended by the Board Committees.
38. Consider and, in the Board's discretion, approve any matters proposed by management.

Annual Operating and Capital Plan

39. At least annually, approve an Annual Operating and Capital Plan for the Company including business plans, operational requirements, organizational structure, staffing and budgets, which support the Strategic Plan.
40. Monitor the Company's performance in light of the approved Annual Operating and Capital Plan.

Risk Management

41. Ensure policies and procedures are in place to: identify the principal business risks and opportunities of the Company; address what risks are acceptable to the Company; and ensure that appropriate systems are in place to manage the risks.
42. Ensure policies and procedures designed to maintain the integrity of the Company's disclosure controls and procedures are in place.
43. As required by applicable law, ensure policies and procedures designed to maintain the integrity of the Company's internal controls over financial reporting and management information systems are in place.
44. Ensure policies and procedures designed to maintain appropriate auditing and accounting principles and practices are in place.
45. Ensure policies and procedures designed to maintain appropriate safety, environment and social responsibility principles and practices are in place.

Orientation / Education

46. With the CG Committee, oversee the development and implementation of a director orientation program covering the role of the Board and its Committees, the contribution individual directors are expected to make and the nature and operation of the Company's business.
47. With the CG Committee, oversee the development and implementation of an ongoing director education program designed to maintain and enhance skills and abilities of the directors and to enhance their knowledge and understanding of the Company's business remains current.

Board Performance

48. Oversee the process of the CG Committee's annual evaluation of the performance and effectiveness of the Board, Board Committees, all individual directors, the Board Chair and Committee Chairs, in light of the applicable Mandates and Position Descriptions.
49. Participate in an annual evaluation of Board performance by the CG Committee.
50. Receive and consider a report and recommendations from the CG Committee on the results of the annual evaluation of the performance and effectiveness of the Board, Board Committees, all individual directors, the Board Chair and Committee Chairs.

Board Meetings

51. Meet at least four times annually and as many additional times as needed to carry out its duties effectively. The Board may in appropriate circumstances hold meetings by telephone conference call.
52. Meet in separate non-management and independent director only in camera sessions at each regularly scheduled meeting.
53. Meet in separate, non-management and/or independent director only closed sessions with any internal personnel or outside advisors, as needed or appropriate.

Advisors/Resources

54. Retain, oversee, compensate and terminate independent advisors to assist the Board in its activities.
55. Receive adequate funding for independent advisors and ordinary administrative expenses that are needed or appropriate for the Board to carry out its duties.

Other

56. To honour the spirit and intent of applicable law as it evolves, authority to make minor technical amendments to this Mandate is delegated to the Corporate Secretary, who will report any amendments to the CG Committee at its next meeting.
57. Once or more annually, as the CG Committee decides, this Mandate will be evaluated and updates recommended to the Board for consideration.

STANDARDS OF LIABILITY

Nothing contained in this Mandate is intended to expand applicable standards of liability under statutory, regulatory or other legal requirements for the Board or members of any Committee. The purposes and responsibilities outlined in this Mandate are meant to serve as guidelines rather than inflexible rules and, subject to applicable law and the articles and bylaws of the Company, the Board may adopt such additional procedures and standards, as it deems necessary from time to time to fulfill its responsibilities.

Approved: December 11, 2009

APPENDIX F

AUDIT COMMITTEE MANDATE

The Audit Committee (**Committee**) of the board of directors **(Board)** of Athabasca Oil Sands Corp. **(Company)** has the oversight responsibility and specific duties described below and shall comply with the requirements of applicable laws.

COMPOSITION

The Committee will be comprised of at least three directors or such greater number as the Board may determine from time to time. Except to the extent that the Board determines that an exemption contained in National Instrument 52-110 issued by the Canadian Securities Administrators or its successor instrument ("**NI 52-110**") is available and determines to rely thereon, all Committee members will be independent within the meaning of NI 52-110.

All Committee members will be "financially literate" (as defined in NI 52-110) unless the Board determines that an exemption under NI 52-110 from such requirement in respect of any particular member is available and determines to rely thereon.

Committee members will be appointed and removed by the Board. The Committee Chair will be appointed by the Board.

RESPONSIBILITIES

The Committee's primary purpose is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the integrity of annual and quarterly financial statements to be provided to the Company's shareholders and regulatory bodies; (ii) compliance with accounting and finance based legal and regulatory requirements; (iii) the external auditor's qualifications, independence and compensation, and communicating with the external auditor; (iv) the system of internal accounting and financial reporting controls that management has established; (v) performance of the external audit process and of the external auditor; (vi) financial policies and strategies including capital structure; (vii) financial risk management practices; and, (viii) transactions or circumstances which could materially affect the financial profile of the Company.

Management of the Company is responsible for preparing the quarterly and annual financial statements of the Company and for maintaining a system of risk assessment and internal controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly. The Committee is responsible for reviewing management's actions and has the authority to investigate any activity of the Company.

SPECIFIC DUTIES

The Committee will:

Audit Leadership

1. Have a clear understanding with the external auditor that it must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the external auditor is to the Committee, as representatives of the shareholders of the Company.
2. Provide an avenue for communication between each of the external auditor, financial and senior management and the Board, and the Committee has the authority to communicate directly with the external auditors and financial and senior management.

Auditor Qualifications and Selection

3. Subject to required shareholder approval of the appointment of auditors of the Company, be solely responsible for recommending to the Board: (i) the external auditor for the purpose of preparing or issuing an auditor's report or performing other audit review or attest services for the Company; and (ii) the compensation of the external

auditor. The Committee is directly responsible for overseeing the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting. In all circumstances the external auditor reports directly to the Committee. The Committee is entitled to adequate funding to compensate the external auditor for completing an audit and audit report or performing other audit, review or attest services.

4. Evaluate the external auditor's qualifications, performance and independence. Take all reasonable steps to ensure that the external auditor does not provide non-audit services that would disqualify it as independent under applicable law.
5. Review the experience and qualifications of the senior members of the external audit team and the quality control procedures of the external auditor. Ensure that the lead audit partner of the external auditor is replaced periodically, according to applicable law. Take all reasonable steps to ensure continuing independence of the external audit firm. Present the Committee's conclusions on auditor independence to the Board.
6. Review and approve policies for the Company's hiring of senior employees and former employees of the external auditor who were engaged on the Company's account to the Board for consideration.

Process

7. Pre-approve all audit services (which may include consent and comfort letters in connection with securities offerings). Pre-approve and disclose, as required, the retention of the external auditor for non-audit services to be provided to the Company or any of its subsidiaries permitted under applicable law. In the discretion of the Committee, annually delegate to one or more of its independent members the authority to grant pre-approvals.
8. Meet with the external auditor prior to the audit to review the scope and general extent of the external auditor's annual audit including (i) the planning and staffing of the audit; and, (ii) an explanation from the external auditor of the factors considered in determining the audit scope, including the major risk factors.
9. Require the external auditor to provide a timely report setting out (i) all critical accounting policies, significant accounting judgments and practices to be used; (ii) all alternative treatments of financial information within Generally Accepted Accounting Principles (**GAAP**) that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditor; and, (iii) other material written communications between the external auditor and management.
10. Take all reasonable steps to ensure that officers and directors or persons acting under their direction are aware that they are prohibited from coercing, manipulating, misleading or fraudulently influencing the external auditor when the person knew or should have known that the action could result in rendering the financial statements materially misleading.
11. Upon completion of the annual audit, review the following with management and the external auditor:
    (a) The annual financial statements, including related notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations (**MD&A**) of the Company for filing with applicable securities regulators and provision to shareholders, as required, as well as all annual earnings press releases before their public disclosure.
    (b) The significant estimates and judgements and reporting principles, practices and procedures applied by the Company in preparing its financial statements, including any newly adopted accounting policies and the reasons for their adoption.
    (c) The results of the audit of the financial statements and whether any limitations were placed on the scope or nature of the audit procedures.
    (d) Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit, including any problems or disagreements with management which, if not satisfactorily resolved, would have caused the external auditor to issue a non-standard report on the financial statements of the Company.
    (e) The cooperation received by the external auditor during its audit, including access to all requested records, data and information.
    (f) Any other matters not described above that are required to be communicated by the independent auditor to the Committee.

Financial Statements and Disclosure

12. At least quarterly, as part of the review of the annual and quarterly financial statements, receive an oral report from the Company's counsel concerning legal and regulatory matters that may have a material impact on the financial statements.

13. Based on discussions with management and the external auditor, in the Committee's discretion, recommend to the Board whether the annual financial statements and MD&A of the Company, together with any annual earnings press releases should be approved for filing with applicable securities regulators and provision to the Company's shareholders, as required, prior to their disclosure.

14. Review the general types and presentation format of information that it is appropriate for the Company to disclose in earnings news releases or other earnings guidance provided to analysts and rating agencies.

15. Review with management and the external auditor the quarterly financial statements and MD&A and quarterly earnings releases prior to their release and recommend to the Board for consideration the quarterly results, financial statements, MD&A and news releases prior to filing them with or furnishing them to the applicable securities regulators and prior to any public announcement of financial results for the periods covered, including a written report of the results of the external auditor's reviews of the quarterly financial statements, significant adjustments, new accounting policies, any disagreements between the external auditor and management and the impact on the financial statements of significant events, transactions or changes in accounting principles or estimates that potentially affect the quality of financial reporting.

Internal Control Supervision

16. As required by applicable law, review with management and the external auditor the Company's internal controls over financial reporting, any significant deficiencies or material weaknesses in their design or operation, any proposed major changes to them and any fraud involving management or other employees who have a significant role in the Company's internal controls over financial reporting.

17. Review with management, the Chief Financial Officer and the external auditor the methods used to establish and monitor the Company's policies with respect to unethical or illegal activities by employees that may have a material impact on the financial statements.

18. Meet with management and the external auditor to discuss any relevant significant recommendations that the external auditor may have, particularly those characterized as "material" or "serious". Review responses of management to any significant recommendations from the external auditor and receive follow-up reports on action taken concerning the recommendations.

19. Review with management and the external auditor any correspondence with regulators or government agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies of the Company (as required).

20. Review with management and the external auditor any off-balance sheet financing mechanisms, transactions or obligations of the Company.

21. Review with management and the external auditor any material related party transactions.

22. Review with the external auditor the quality of the Company's accounting personnel. Review with management the responsiveness of the external auditor to the needs of the Company.

Disclosure Controls and Procedures

23. Periodically assess and be satisfied with the adequacy of procedures in place for the review of public disclosure of financial information extracted or derived from the applicable financial statements (other than the annual and quarterly required filings) for the Company.

Financial Leadership

24. Review the Company's financial strategy considering current and future business needs, capital markets and the Company's credit rating (if any).
25. Review the Company's capital structure including debt and equity components, current and expected financial leverage, and interest rate and foreign currency exposures and, in the Committee's discretion, make recommendations to the Board for consideration.
26. Review the financing of the Company's Annual Operating and Capital Plan and, in the Committee's discretion, make recommendations to the Board for consideration.
27. Periodically review and, in the Committee's discretion, recommend changes to the Company's dividend policy to the Board for consideration.

Financial Management

28. Review proposed dividends to be declared and, in the Committee's discretion, make recommendations to the Board for consideration.
29. Regularly review current and expected future compliance with covenants under all financing agreements.
30. Annually review the instruments the Company and its subsidiaries are permitted to use for short-term investments of excess cash and, in the Committee's discretion, make recommendations to the Board for consideration.

Financial Risk Management

31. Discuss guidelines and policies with respect to financial risk assessment and financial risk management, including the processes management uses to assess and manage the Company's financial risk. Discuss major financial risk exposures and steps management has taken to monitor and control such exposures. Receive reports from management with respect to risk assessment, risk management and major financial risk exposures.
32. Regularly review the financial risks arising from the Company's exposure to changes in interest rates, foreign currency exchange rates and credit. Review the management of these risks including any proposed hedging of the exposures. Review a summary report of the hedging activities including a summary of the hedge-related instruments.
33. Annually review the insurance program including coverage for property damage, business interruption, liabilities, and directors and officers.
34. Review any other significant financial exposures of the Company to the risk of a material financial loss including tax audits or other activities.
35. Establish procedures (through approval of the relevant sections of the Code of Business Conduct) for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting and financial reporting controls, or auditing matters; and, (ii) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Transactions

36. Review any proposed issues of securities of the Company or proposed issues of securities of the subsidiaries of the Company to parties not affiliated with the Company and, in the Committee's discretion, make recommendations to the Board for consideration. When applicable, review the related securities filings and make recommendations to the Board for consideration.
37. Review any proposed material issues of debt including public and private debt, credit facilities with banks and others, and other credit arrangements such as capital and operating leases and, in the Committee's discretion, make recommendations to the Board for consideration. When applicable, review the related securities filings and make recommendations to the Board for consideration.
38. Receive reports on significant, non-material issues of or changes to debt including public and private debt, credit facilities with banks and others, and other credit arrangements such as capital and operating leases.
39. Review any proposed repurchases of shares, public and private debt or other securities and, in the Committee's discretion, make recommendations to the Board for consideration.

Committee Reporting

40. Following each meeting of the Committee, report to the Board on the activities, findings and any recommendations of the Committee.

41. Report regularly to the Board and review with the Board any issues that arise with respect to the quality or integrity of the financial statements of the Company, compliance with applicable law and the performance and independence of the external auditor of the Company.

42. Annually review and approve the information regarding the Committee required to be disclosed in the Company's Annual Information Form and Committee's report for inclusion in the annual Proxy Circular.

43. Prepare any reports required to be prepared by the Committee under applicable law.

Committee Meetings

44. Meet at least four times annually and as many additional times as needed to carry out its duties effectively. The Committee may, on occasion and in appropriate circumstances, hold meetings by telephone conference call.

45. Meet in separate, non-management, closed sessions with the external auditor at each regularly scheduled meeting.

46. Meet in separate, non-management, in camera sessions at each regularly scheduled meeting.

47. Meet in separate, non-management, closed sessions with any other internal personnel or outside advisors, as needed or appropriate.

Committee Governance

48. Once or more annually, as the Compensation and Governance Committee (CG Committee) decides, receive for consideration that Committee's evaluation of this Mandate and any recommended changes. Review and assess the CG Committee's recommended changes and make recommendations to the Board for consideration.

Advisors/Resources

49. Have the sole authority to retain, oversee, compensate and terminate independent advisors to assist the Committee in its activities.

50. Receive adequate funding from the Company for independent advisors and ordinary administrative expenses that are needed or appropriate for the Committee to carry out its duties.

Other

51. With the CG Committee, the Board and the Board Chair, respond to potential conflict of interest situations, as required.

52. Carry out any other appropriate duties and responsibilities assigned by the Board.

53. To honour the spirit and intent of applicable law as it evolves, authority to make minor technical amendments to this Mandate is delegated to the Secretary, who will report any amendments to the CG Committee at its next meeting.

STANDARDS OF LIABILITY

Nothing contained in this Mandate is intended to expand applicable standards of liability under statutory, regulatory or other legal requirements for the Board or members of the Committee. The purposes and responsibilities outlined in this Mandate are meant to serve as guidelines rather than inflexible rules and, subject to applicable law and the articles and bylaws of the Company, the Committee may adopt such additional procedures and standards, as it deems necessary from time to time to fulfill its responsibilities.

Approved: December 11, 2009

APPENDIX G

PROJECTED CAPITAL SPENDING 2010-2014 RECONCILIATION

Projected Capital Spending as per Management's Estimate

($ millions)	WI	Projected 2010	2011	2012	2013	2014	Total
MacKay	40%	14.4	50.6	130.2	343.4	42.4	**581.0**
Dover	40%	16.6	14.3	120.2	193.2	477.5	**821.8**
Dover West	100%	28.2	60.6	38.9	348.5	381.3	**857.5**
Birch	100%	0.9	—	—	21.7	19.4	**42.0**
Hangingstone	100%	0.3	—	—	—	11.9	**12.2**
Grosmont	50%	11.6	10.2	10.4	10.6	10.8	**53.6**
Other	100%	14.2	2.0	2.0	2.1	2.2	**22.5**
Total		**86.2**	**137.7**	**301.7**	**919.5**	**945.5**	**2,390.6**

Projected Capital Spending as per GLJ Report and DeGolyer Report Estimates

($ millions)	WI	Projected 2010	2011	2012	2013	2014	Total
MacKay	40%	10.3	47.4	159.2	270.2	58.1	**545.2**
Dover	40%	3.8	50.2	165.8	533.9	1,032.3	**1,786.1**
Dover West	100%	38.2	111.2	92.8	297.0	963.4	**1,502.6**
Birch	100%	41.0	159.0	166.0	219.0	273.0	**858.0**
Hangingstone	100%	10.0	106.0	138.0	164.0	219.0	**637.0**
Grosmont	50%	2.9	5.6	14.2	32.6	49.0	**104.3**
Other	100%	—	—	—	—	—	**—**
Total		**106.2**	**479.4**	**735.9**	**1,516.8**	**2,594.8**	**5,433.1**

Differences in Projected Capital Spending Estimates

($ millions)	WI	Projected 2010	2011	2012	2013	2014	Total
MacKay	40%	(4.1)	(3.2)	29.0	(73.2)	15.7	**(35.8)**
Dover	40%	(12.8)	35.9	45.6	340.7	554.8	**964.3**
Dover West	100%	10.0	50.6	53.9	(51.5)	582.1	**645.1**
Birch	100%	40.1	159.0	166.0	197.3	253.6	**816.0**
Hangingstone	100%	9.7	106.0	138.0	164.0	207.1	**624.8**
Grosmont	50%	(8.7)	(4.6)	3.8	22.0	38.2	**50.7**
Other	100%	(14.2)	(2.0)	(2.0)	(2.1)	(2.2)	**(22.5)**
Total		**20.0**	**341.7**	**434.2**	**597.3**	**1,649.3**	**3,042.5**

Note:
(1) Totals may not add due to rounding.

CERTIFICATE OF THE COMPANY

Dated March 30, 2010

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the Provinces and Territories of Canada.

(Signed) Sveinung Svarte President and Chief Executive Officer	(Signed) Rob Harding Vice-President Finance and Chief Financial Officer

On Behalf of the Board of Directors

(Signed) William Gallacher Director	(Signed) Marshall McRae Director

CERTIFICATE OF THE UNDERWRITERS

Dated March 30, 2010

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the Provinces and Territories of Canada.

MORGAN STANLEY CANADA LIMITED

By: (Signed) MARK A. HORSFALL

GMP SECURITIES L.P.

By: (Signed) DAN TSUBOUCHI

FIRSTENERGY CAPITAL CORP.

By: (Signed) JOHN S. CHAMBERS

RAYMOND JAMES LTD.

By: (Signed) JASON HOLTBY

TD SECURITIES INC.

By: (Signed) ROBERT J. MASON

PETERS & CO. LIMITED

By: (Signed) PHILIP R. KREPELA

GENUITY CAPITAL MARKETS

By: (Signed) TONY P. LORIA

BARCLAYS CAPITAL CANADA INC.

By: (Signed) T. TIM KITCHEN

ACUMEN CAPITAL FINANCE PARTNERS LIMITED

By: (Signed) ALFRED SAILER

HAYWOOD SECURITIES INC.

By: (Signed) DAVID STREET

DUNDEE SECURITIES CORPORATION

By: (Signed) SHELDON MCDONOUGH

ATHABASCA
OIL SANDS CORP.