



ATHABASCA
OIL SANDS CORP.



FIRST QUARTER REPORT 2010
CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS (NOTE 1)

(Unaudited)

(CDN\$ Thousands)	March 31, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 552,247	\$ 140,992
Accounts receivable	20,296	1,062
Current income tax receivable	142,413	-
Prepaid expenses and other	125	125
Assets held for sale (Note 6)	-	238,009
Future income tax asset related to assets held for sale (Notes 6 and 9)	-	149,152
	715,081	529,340
DEFERRED CHARGES	9,120	1,003
INVESTMENTS (Note 4)	134,275	-
PROPERTY AND EQUIPMENT (Note 5)	238,885	363,240
	\$ 1,097,361	\$ 893,583
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 55,869	\$ 41,231
Current income taxes payable	4,194	226,194
	60,063	267,425
LONG-TERM DEBT (Note 7)	430,000	398,996
ASSET RETIREMENT OBLIGATIONS (Note 8)	82	506
FUTURE INCOME TAX LIABILITY (Note 9)	21,051	54,602
	511,196	721,529
SHAREHOLDERS' EQUITY		
Common shares (Note 13)	513,701	390,377
Contributed surplus (Notes 13 and 14)	50,619	47,079
Accumulated income (deficit)	21,845	(265,402)
	586,165	172,054
	\$ 1,097,361	\$ 893,583

Commitments (Note 16)

See accompanying notes to the consolidated financial statements



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

(Unaudited)

(CDN\$ Thousands, Except Per Share Amounts)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
REVENUE		
Interest and other income	\$ 1,022	\$ 1,360
EXPENSES		
General and administrative	3,221	2,342
Stock-based compensation (Note 14)	2,247	615
Financing and interest	10,391	14,534
Depreciation and accretion	174	60
Research and development	175	453
	16,208	18,004
Gain on sale of assets	1,645,536	-
Income (loss) before income taxes	1,630,350	(16,644)
Taxes (Note 9)		
Current income tax recovery	(7,365)	-
Future income tax expense (recovery)	153,201	(3,667)
	145,836	(3,667)
Income (loss) before the following	1,484,514	(12,977)
Equity loss on investments	(16)	-
Net income (loss) and comprehensive income (loss)	\$ 1,484,498	\$ (12,977)
Basic income (loss) per share (Note 15)	\$ 6.38	\$ (0.07)
Diluted income (loss) per share (Note 15)	\$ 6.32	\$ (0.07)

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME (DEFICIT)

(Unaudited)

(CDN\$ Thousands, Except Per Share Amounts)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Deficit, beginning of period	\$ (265,402)	\$ (54,702)
Net income (loss)	1,484,498	(12,977)
Dividends paid	(1,332,299)	-
Refundable portion of current income tax	\$ 135,048	-
Income (deficit), end of period	\$ 21,845	\$ (67,679)

See accompanying notes to the consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(CDN\$ Thousands, Except Per Share Amounts)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
		(restated note 6)
OPERATING ACTIVITIES		
Net income (loss)	\$ 1,484,498	\$ (12,977)
Items not effecting cash		
Stock-based compensation (Note 14)	2,247	615
Future income tax recovery (Note 9)	153,201	(3,667)
Changes to long-term deferred charges	(8,117)	3
Deferred borrowing cost amortization (Note 7)	877	1,417
Depreciation and accretion	174	60
Gain on sale of assets	(1,645,536)	-
	12,656	(14,549)
Changes in non-cash working capital (Note 10)	(129,051)	12,350
	(141,707)	(2,199)
FINANCING ACTIVITIES		
Proceeds from equity instrument issuances (Note 13)	122,930	163
Dividends paid on common shares	(1,332,299)	-
Short-term credit facility borrowings	-	1,723
Repayment of senior secured notes (Note 7)	(400,000)	-
Proceeds of long-term non-revolving credit agreement #1 (Note 7)	430,000	-
Changes in non-cash working capital (Note 10)	(135,048)	(20)
	(1,314,417)	1,866
INVESTING ACTIVITIES		
Additions to property and equipment	(33,631)	(34,125)
Additions on investments	(10,450)	-
Additions to assets held for sale	-	(33,280)
Increase in short-term investments (Note 3)	-	(17,639)
Net proceeds from sale of assets	1,881,322	-
Changes in non-cash working capital (Note 10)	30,138	26,681
	1,867,379	(58,363)
NET INCREASE IN CASH AND CASH EQUIVALENTS	411,255	(58,696)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	140,992	117,705
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 552,247	\$ 59,009

See accompanying notes to the consolidated financial statements



Notes to the Unaudited Interim Consolidated Financial Statements

As at and for the three months ended March 31, 2010

(Tabular amounts in CDN\$ thousands, except as otherwise noted)

1. NATURE OF OPERATIONS

Athabasca Oil Sands Corp. (“AOSC” or the “Company”) was incorporated on August 23, 2006 under the laws governing the Province of Alberta. AOSC is in business to explore for, develop and produce oil sands related assets in the Athabasca region of northern Alberta. To date, AOSC 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 AOSC is heavily dependent upon its ability to source additional financing 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 AOSC 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 consolidated financial statements, adjustments would be required to the Company’s overall financial presentation.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of 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, 2009. 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, 2009.

Principals of Consolidation

Any reference to the “Company” throughout these consolidated financial statements refers to the Company and its subsidiaries. All transactions between the Company and its subsidiaries have been eliminated. The Company accounts for its investment in MacKay and Dover joint ventures as an equity investment in accordance with the Canadian Institute of Chartered Accountants (“CICA”) Handbook Accounting Guideline 15 (AcG-15), “Consolidation of Variable Interest Entities” and CICA Handbook section 3051, “Investments”. AcG-15 requires a variable interest entity (VIE) to be consolidated by the primary beneficiary, who is the party that will absorb the majority of the VIE’s expected losses, receive a majority of the VIE’s expected residual returns, or both. A VIE is any type of legal structure not controlled by voting equity, but rather by contractual or other financial arrangements.



Management has made an assessment under the VIE standard and determined that the Company is not the primary beneficiary in the MacKay and Dover joint ventures. The MacKay and Dover joint ventures are investments in which the Company has significant influence and will be accounted for as long-term investments using the equity method of accounting whereby the carrying value of the investment is increased or decreased for the Company's percentage of net income or loss, reduced by dividends paid to the Company, and increased or decreased to reflect the Company's share of capital transactions. Refer to note 4 for additional information.

3. CASH AND CASH EQUIVALENTS

	Term (Days)	Interest Rate (%)	Amount
AS AT MARCH 31, 2010			
CASH			\$ 484,272
CASH EQUIVALENTS	34 - 66	0.27 - 0.32	67,975
TOTAL			\$ 552,247
As at December 31, 2009			
Cash			\$ 140,992
Total			\$ 140,992

The interest rate on amounts invested in AOSC cash accounts as at March 31, 2010 ranges from 0.25% to 0.59%.

4. INVESTMENTS

The Company has a 40% interest in the MacKay joint venture ("MacKay") through its 100% wholly owned subsidiary AOSC (MacKay) Energy Inc. and a 40% interest in the Dover joint venture ("Dover") through its 100% wholly owned subsidiary AOSC (Dover) Energy Inc. The MacKay and Dover joint ventures were formed on February, 10, 2010, and focus on the exploration for, and the sustainable development and production of, bitumen from oil sands in the Athabasca region of northern Alberta, Canada. See notes 6 and 11 for additional details.

The Company has recorded its share of net loss as a decrease to the Company's net income and as a decrease to the carrying cost of its investment in MacKay or Dover.

Equity Method Investment Continuity

	MacKay	Dover	Total
INITIAL COST OF THE INVESTMENT			
Cash	\$ 93	\$ 36	\$ 129
Oil sands assets			
Mineral properties	24,277	50,038	74,315
Exploration and evaluation	23,626	46,543	70,169
Engineering and development	9,143	5,952	15,095
Asset retirement obligations	(304)	(202)	(506)
Future income tax liabilities	(13,201)	(25,096)	(38,297)
TOTAL INITIAL COST OF THE INVESTMENT	\$ 43,634	\$ 77,271	\$ 120,905
Contributions	\$ 2,807	\$ 9,511	\$ 12,318
Capitalized Interest	450	618	1,068
Share of Net Loss	(7)	(9)	(16)
	3,250	10,120	13,370
TOTAL	\$ 46,884	\$ 87,391	\$ 134,275



5. PROPERTY AND EQUIPMENT

	Cost	Accumulated DD&A	Net Book Value
AS AT MARCH 31, 2010			
OIL SANDS ASSETS			
MINERAL PROPERTIES	\$ 151,191	\$ -	\$ 151,191
EXPLORATION AND EVALUATION	79,267	-	79,267
ENGINEERING AND DEVELOPMENT	6,780	-	6,780
	237,238		237,238
CORPORATE ASSETS	2,416	(769)	1,647
TOTAL	\$ 239,654	\$ (769)	\$ 238,885
As at December 31, 2009			
Oil sands assets			
Mineral properties	\$ 217,079	\$ -	\$ 217,079
Exploration and evaluation	124,144	-	124,144
Engineering and development	20,499	-	20,499
	361,722		361,722
Corporate assets	2,113	(595)	1,518
Total	\$ 363,835	\$ (595)	\$ 363,240

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.

The Company has capitalized the following amounts to property and equipment directly attributable to exploration and development activity:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Borrowing costs	\$ 2,607	\$ 4,267
Stock-based compensation (including future income tax effect)	1,633	767
TOTAL	\$ 4,240	\$ 5,034

6. SALE OF ASSETS TO PETROCHINA INTERNATIONAL

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 (the "PetroChina Transaction"). PetroChina International Subco has 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, the 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) 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 AOSC Newco were reclassified as assets or liabilities held for sale on the consolidated balance sheet as at December 31, 2009. There is no effect on the consolidated statements of income (loss) and comprehensive income (loss) and consolidated statements of income (deficit) related to these assets held for sale.

The assets and liabilities of assets held for sale presented on the consolidated balance sheet as at December 31, 2009 include the following:

	As at December 31, 2009
CURRENT ASSETS	
Property and equipment	\$ 238,009
Future income taxes	149,152
NET ASSETS HELD FOR SALE	\$ 387,161

7. LONG-TERM DEBT

	As at March 31, 2010	As at December 31, 2009
Long-term non-revolving credit agreement #1 (b)	\$ 430,000	\$ -
Senior secured notes - face value (a)	-	400,000
Deferred borrowing costs	-	(24,391)
Amortization of deferred borrowing costs	-	23,387
TOTAL	\$ 430,000	\$ 398,996

a) Senior Secured Notes

During the first quarter of 2010 AOSC redeemed the Company's senior secured notes with the proceeds received from the long-term non-revolving credit agreement #1 discussed below.

b) Long-term Non-revolving Credit Agreement #1

During the first quarter of 2010, AOSC entered into a non-revolving credit agreement of \$430.0 million (PetroChina Loan #1). The credit agreement bears interest, which is paid semi-annually at a rate equal to LIBOR plus 450 basis points. The loan matures on the earlier of June 30, 2022, a change of control of the Company, and the date the put/call options are exercised. If the put/call options are not 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 cash flow (as provided in the PetroChina loan agreements) of AOSC (MacKay) and AOSC (Dover). The credit agreement is 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.



c) Long-term Non-revolving Credit Agreement #2

Subsequent to March 31, 2010, AOSC drew \$0.9 million on a secondary long-term non-revolving credit agreement of \$100.0 million (PetroChina Loan #2). The credit agreement bears interest, which is paid semi-annually at a rate equal to LIBOR plus 450 basis points. The loan matures on the earlier of June 30, 2024, a change of control of the Company, and the date the put/call options are exercised. If the put/call options are not exercised, the loan will be repaid as to principal and outstanding interest on a pro rata basis with indebtedness under PetroChina Loan #1 and PetroChina Loan #3 from 90% of cash flow (as provided in the PetroChina loan agreements) of the MacKay and Dover entities. The credit agreement is secured by guarantees of the MacKay and Dover entities and their respective subsidiaries and by a security interest in all of the present and after-acquired assets of the MacKay and Dover entities and their respective subsidiaries.

d) Long-Term Non-revolving Credit Agreement #3

If the put/call options are not exercised and expire, and the MacKay oil sands project approval has been obtained, the Company will have access to an additional long-term non-revolving credit agreement of up to \$560 million (PetroChina Loan #3). The credit agreement will bear interest, which is paid semi-annually at a rate equal to LIBOR plus 450 basis points. The loan will mature on the earlier of June 30, 2024 and a change of control of the Company. The loan will be repaid as to principal and outstanding interest on a pro rata basis with indebtedness under PetroChina Loan #1 and PetroChina Loan #2 from 90% of cash flow (as provided in the PetroChina loan agreements) of the MacKay and Dover entities. The credit agreement is secured by guarantees of the MacKay and Dover entities and their respective subsidiaries and by a security interest in all of the present and after-acquired assets of the MacKay and Dover entities and their respective subsidiaries.

8. ASSET RETIREMENT OBLIGATIONS

The total future asset retirement obligations are 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 ARO using an inflation rate of 2% and discounted using a credit-adjusted risk free rate of 10% per annum. The payments to settle these obligations are expected to occur over a period of up to 5 years. The total undiscounted amount of estimated cash flows required to settle the obligations as at March 31, 2010 is \$0.2 million (December 31, 2009 - \$0.8 million). The following table reconciles the change in asset retirement obligations:

	As at March 31, 2010	As at December 31, 2009
ARO liability at January 1	\$ 506	\$ -
Reclassified to investment	(506)	-
Liabilities incurred	82	459
Accretion expense	-	47
TOTAL LIABILITY AT END OF PERIOD	\$ 82	\$ 506

9. INCOME TAXES

	As at March 31, 2010	As at December 31, 2009
FUTURE INCOME TAX ASSETS		
Share issuance costs	\$ 742	\$ 1,345
Debt/redemption issuance costs	6,752	7,500
Other	-	159
FUTURE INCOME TAX LIABILITIES		
Capital assets in excess of tax values	(28,545)	(63,606)
	(21,051)	(54,602)
ASSETS HELD FOR SALE (note 6)		
FUTURE INCOME TAX ASSETS		
Tax values of capital assets in excess of net book values	-	151,442
FUTURE INCOME TAX LIABILITIES		
Valuation allowance	-	(2,290)
	-	149,152
NET FUTURE INCOME TAX ASSET (LIABILITY)	\$ -	\$ 94,550

The following table reconciles income taxes calculated at the Canadian statutory rate of 28% (2009 - 29%) with actual income taxes:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
INCOME (LOSS) BEFORE INCOME TAXES	\$ 1,630,350	\$ (16,645)
EXPECTED INCOME TAX RECOVERY		
Income tax expense (recovery) at statutory rate	456,498	(4,827)
ACTUAL INCOME TAX RECONCILIATION		
Stock-based compensation	629	178
Rate differential	(80,982)	641
Non-taxable portion of gain on sale	(230,375)	-
Other	66	341
INCOME TAX EXPENSE (RECOVERY)	\$ 145,836	\$ (3,667)

As at March 31, 2010, the Company had approximately \$199.7 million of tax pools available for deduction against future taxable income.



10. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in Non-cash Working Capital

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Accounts receivable	\$ (19,234)	\$ (2,734)
Prepaid expenses and other	-	153
Accounts payable and accrued liabilities	14,638	41,592
	\$ (4,596)	\$ 39,011
NET CURRENT INCOME TAX RECEIVABLE:		
Current income tax payable	(222,000)	-
Recoverable portion of current income tax	135,048	-
Current income tax receivable	(142,413)	-
	(229,365)	-
	\$ (233,961)	\$ 39,011
RELATED TO:		
Operating activities	(129,051)	12,350
Financing activities	(135,048)	(20)
Investing activities	30,138	26,681
NET CHANGE IN NON-CASH WORKING CAPITAL	\$ (233,961)	\$ 39,011

11. FINANCIAL INSTRUMENTS

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. As at March, 31, 2010 no amounts are measured at fair value aside from cash and cash equivalents.

The company's risk exposure associated with its financial instruments is summarized below.

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 consolidated balance sheets.

As at March 31, 2010, 84% of the Company's consolidated accounts receivable are due from three counterparties, compared to 56% as at December 31, 2009. The counterparties have a history of full payment. The amounts outstanding with the counterparties are considered current based on the terms established between AOSC and the counterparties. Management believes the remaining 16% of accounts receivable is with high quality counterparties and does not consider any material amount past due based on the terms with the counterparties.

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.

Management believes that the proceeds from the PetroChina Transaction, the PetroChina Loans and the initial public offering, combined with the Company's remaining working capital, are sufficient to fund the Company's expenditures at least through 2014 based on management's current plans. Excess cash will be invested in accordance with the Company's investment policy.

The Company's outstanding financial liabilities mature within one year, with the exception of the Company's loans with PetroChina.

The Company is required to repay PetroChina Loan #1 as to principal and outstanding interest in full on the earlier of June 30, 2022, a change of control of the Company, and the date the put/call options are exercised by either the Company or PetroChina International Subco. If the put/call options are not 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 cash flow (as provided in the PetroChina loan agreements) of the MacKay joint venture and Dover joint venture.

Interest Rate Risk

For the three months ended March 31, 2010, 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. For the three months ended March 31, 2010, the Company's exposure to interest charged on the average outstanding PetroChina loan #1 balance, from a 1% change in interest rates, would be approximately \$2.2 million. 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 \$7.6 million.

Put/Call Options Related to MacKay and Dover Joint Ventures (See note 4)

Management of the Company has conducted a review of the value of each put/call option listed below and has determined that the value of the put/call options at the inception of the contract was nil. Additionally, the contracts will not be re-measured at each reporting date due to the numerous variables that may not be reliably measured when computing the value of the put/call options.

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 oil sands project approval 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 an application for Dover oil sands project approval with the Energy Resources Conservation Board ("ERCB") and Alberta Environment has not been filed 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 an application for Dover oil sands project approval with the ERCB and Alberta Environment has not been filed 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.

12. CAPITAL MANAGEMENT

Capital managed by the Company is as follows:

	As at March 31, 2010	As at December 31, 2009
Bank credit facility	\$ -	\$ -
Long-term non-revolving credit agreement #1	430,000	-
Senior secured notes	-	398,996
Shareholders' equity	586,165	172,054
CAPITAL MANAGED	\$ 1,016,165	\$ 571,050

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. Subsequent to March 31, 2010, the Company completed an initial public offering and raised \$1.263 billion (net of commissions and other estimated costs relating to the issue).

13. SHARE CAPITAL

a) Authorized

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of first and second preferred shares. There are no preferred shares currently outstanding.

b) Issued and Outstanding Common Shares

The following table summarizes changes to the Company's common share capital:

	March 31, 2010		December 31, 2009	
	Number of shares	Amount	Number of shares	Amount
Balance at January 1	213,976,372	\$ 390,377	192,529,661	\$ 374,041
Exercise of purchase warrants (c)	97,274,250	121,593	7,007,000	8,759
Exercise of performance warrants	-	-	10,000,000	100
Liquidity rights/warrants converted to common shares	-	-	3,736,433	1,495
Exercise of stock options (Note 14)	170,500	1,337	2,764,300	110
Non-cash portion of stock options vested and exercised (d)	-	394	-	5,872
Less common shares granted and held in trust contingently returnable to the company (Note 14)	-	-	(2,061,022)	-
BALANCE AT END OF PERIOD	311,421,122	\$ 513,701	213,976,372	\$ 390,377



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:

	March 31, 2010	December 31, 2009
Balance at January 1	97,274,250	104,281,250
Exercised	(97,274,250)	(7,007,000)
BALANCE AT END OF PERIOD	-	97,274,250

No value was assigned to these warrants at the time of issuance.

d) Contributed Surplus

The following table summarizes changes to the Company's contributed surplus:

	March 31, 2010	December 31, 2009
Balance at January 1	\$ 47,079	\$ 41,432
Capitalized stock-based compensation	1,687	6,109
Expensed stock-based compensation	2,247	5,410
Stock options vested and exercised (Note 14)	(394)	(5,872)
BALANCE AT END OF PERIOD	\$ 50,619	\$ 47,079

14. 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, stock options and restricted share units.

a) Incentive Shares

In 2006 the Company issued, to Avenir Capital Corporation, 20.0 million incentive shares at a price of \$0.001 per share of which 17.1 million were available for allocation to employees, directors, and consultants.

	March 31, 2010	December 31, 2009
	Number of common shares	Number of common shares
Available for grant at January 1	3,500	382,500
Granted	-	(379,000)
Available for grant at end of period	3,500	3,500
Balance granted and held in trust at January 1	7,719,331	5,957,918
Granted	-	379,000
Stock options (amended) and nominally priced stock options, exercised and held in trust	-	2,061,022
Vested and released	-	(678,609)
BALANCE GRANTED AND HELD IN TRUST AT END OF PERIOD	7,719,331	7,719,331

As at March 31, 2010, a total of 7,719,331 common shares were held in trust subject to length of service requirements. Of this, 5,658,309 relate to shares initially issued to Avenir Capital Corporation pursuant to an agreement to be used for Athabasca employees, directors, and consultants. Any returned shares, if the length of service requirement is not met, would be available for future grant. The remaining 2,061,022 shares are contingently returnable to the Company and will be cancelled if the length of service requirement is not met.

b) Stock Options

The Company has a stock option plan, approved in 2009 which allows options to be granted to employees, directors and consultants. 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, less the number of common shares issuable under the restricted share unit plan. Under the stock option plan options expire after 5 years from the date of grant. See note 14(d).

	March 31, 2010		December 31, 2009	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Outstanding at January 1	705,500	10.01	1,657,000	8.09
Granted – stock options	69,200	17.21	1,148,900	7.53
Granted – incentive stock options	-	-	663,900	0.01
Exercised stock options	(170,500)	7.84	(10,000)	8.30
Exercised stock options (amended)	-	-	(693,306)	0.01
Exercised and held in trust stock options (amended)	-	-	(1,397,094)	0.01
Exercised and held in trust nominally priced stock options	-	-	(663,900)	0.01
OUTSTANDING AT END OF PERIOD	604,200	7.88	705,500	10.01
EXERCISABLE AT END OF PERIOD	-	-	170,500	7.84

The estimated fair value per stock option granted during the three months ended March 31, 2010 was \$11.65.

The estimated aggregate fair value (initial fair value plus incremental fair value) per stock option (amended) during the quarter ended March 31, 2010 was \$5.90. See note 14(d).



The exercise prices of the Company's outstanding stock options as at March 31, 2010 are as follows:

Range of exercise prices (\$)	Options outstanding			Options exercisable	
	Number of options	Weighted average exercise price (\$)	Weighted average years to expiry	Number of options	Weighted average exercise price (\$)
3.95	45,000	3.95	4.49	-	-
5.95-7.65	400,000	6.21	4.58	-	-
9.85-11.90	107,000	10.82	4.70	-	-
18.00	52,200	18.00	4.99	-	-
3.95-18.00	604,200	7.88	4.63	-	-

c) Restricted Share Units (RSUs)

During the first quarter of 2010, the Company established an RSU stock-based compensation plan. Under the terms of the RSU plan, the Company may grant RSU's to employees, directors, and consultants. All RSU's issued by the Company permit the holder to purchase one common share of the Company for \$0.10 or to receive a cash payment equal to the fair market value of the common shares less the exercise of the RSU, at the sole discretion of the Company. The RSU plan is a rolling plan and currently limits the number of common shares that may be issued on exercise of RSU's awarded under the plan to an aggregate of 10% of the common shares outstanding from time to time, less the number of common shares issuable under the stock option plan. The life and vesting terms of the RSU plan are consistent with the Company's stock option plan.

	March 31, 2010	December 31, 2009
Restricted share units outstanding at January 1	-	-
Granted	17,400	-
Restricted shares units outstanding at end of period	17,400	-

The estimated fair value per RSU granted during the three months ended March 31, 2010 was \$17.91.

d) Incentive Plan Amendments

During the first quarter for 2010, the Board approved amendments to the exercise price of 552,000 unvested stock options to reduce the exercise price by \$4.25, the amount of the special dividend, as required by the adjustment provisions of the 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 expense on the date of amendment because none of the stock options are vested. A stock-based compensation expense of approximately \$0.7 million will be amortized over the remaining term of the unvested stock options.

e) Stock-based Compensation

The Company uses the Black-Scholes pricing model to calculate the fair value for grants under its stock-based compensation plans.

The estimated fair values of the stock options and RSU's granted in 2010 were calculated using the following assumptions:

2010 Stock-based compensation grants	
Share price (\$)	14.70 - 18.00
Risk-free interest rate (%)	2.21 - 2.48
Expected life (years)	5.0
Dividend rate (%)	0
Volatility (%)	85%

The estimated incremental fair values for stock options (amended) in 2010 were calculated using the following assumptions:

Stock options (amended) incremental fair value	
Share price (\$)	18.00
Risk-free interest rate (%)	2.26
Life of stock option grants (years)	4.50 - 4.90
Dividend rate (%)	0
Volatility (%)	85%

During the first quarter of 2010 the Company was private and no observable market existed for the Company's shares. Prior to finalizing the Company's initial public offering share price, the share price used in fair value calculations is estimated based on prior private equity issuances or grey market trading information. After establishing the initial public offering price, this amount was used for stock-based compensation fair value calculations.

f) 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. As at March 31, 2010, the potential liability related to incentive bonus rights is nil. Subsequent to March 31, 2010 the outstanding bonus rights were cancelled.



15. PER SHARE COMPUTATIONS

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Weighted average number of common shares outstanding - basic	232,565,192	194,497,139
Dilution effect of stock options	195,168	-
Dilution effect of contingently returnable shares	2,061,022	-
Weighted average number of common shares outstanding - diluted	234,821,382	194,497,139

Per share amounts are calculated excluding 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. For the three months ended March 31, 2010, 69,600 anti-dilutive securities were excluded from the calculation of diluted income per share.

16. COMMITMENTS

The following table summarizes AOSC's estimated future minimum commitments as at March 31, 2010:

(CDN\$ Thousands)	2010	2011	2012	2013	2014	Thereafter	Total
Credit agreement repayment (Note 9)	-	-	-	-	-	430,000	430,000
Interest payments on credit agreement (Note 9)	16,161	21,156	21,156	21,156	21,156	169,248	270,033
Office leases	1,781	2,375	2,375	1,111	480	920	9,042
Other	150	200	200	200	800	400	1,950
TOTAL COMMITMENTS	18,092	23,731	23,731	22,467	22,436	600,568	711,025

17. SUBSEQUENT EVENTS

Initial Public Offering

On April 8, 2010, pursuant to an underwriting agreement and a prospectus each dated March 30, 2010, the Company completed its initial public offering (the "IPO") and issued 75,000,000 common shares to the public for estimated proceeds of approximately \$1.263 billion, net of commissions and other estimated costs relating to the issue aggregating approximately \$87.5 million. The Company has also granted an overallotment option to the underwriters of the IPO, 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, which has expired unexercised.

Corporate Information

MANAGEMENT

Sveinung Svarte, MBA, MSc
President & CEO

Rob Harding, CMA, MBA
Vice President, Finance & CFO

Ian Atkinson, MSc, PEng
Vice President, Geoscience, Technology & Reservoir

Don Verdonck, PEng
Vice President, Development & Operations

Bob Bruce
Vice President, Corporate Development

Bryan Gould, MAsc, PEng
Vice President, New Ventures and Business Development

Anne Schenkenberger, LLB
General Counsel & Corporate Secretary

DIRECTORS

William Gallacher, PEng⁽¹⁾⁽²⁾⁽³⁾
Chairman

Gary H. Dundas, CMA, MBA⁽²⁾⁽³⁾

Thomas W. Buchanan, FCA⁽¹⁾⁽³⁾

J.G. (Jeff) Lawson, LLB⁽²⁾⁽³⁾

Marshall L. McRae, CA⁽¹⁾⁽³⁾

Sveinung Svarte, MBA, MSc⁽²⁾
President & CEO

Member of:

- (1) Audit Committee
- (2) Reserves and Health, Safety & Environmental Committee
- (3) Compensation and Governance Committee

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LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP

INDEPENDENT EVALUATORS

GLJ Petroleum Consultants

DeGoyler and MacNaughton Canada Limited

STOCK TICKER

ATH-T
Toronto Stock Exchange

