

Athabasca Oil Corporation Announces Preliminary Year-End Results, \$32 Million Debt Repayment and Operations Update

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CALGARY, Feb. 02, 2022 - [Athabasca Oil Corp.](#) (TSX: ATH) ("Athabasca" or the "Company") is pleased to announce its preliminary 2021 year-end results, \$32 million (US\$25 million) term note repayment and an operational update demonstrating momentum into 2022.

Athabasca is uniquely positioned as a low leveraged company generating significant free cash flow through its low-decline, oil weighted asset base. In the current oil price environment, the Company's assets generate exceptional cash flow. The Company expects to generate ~\$900 million of Free Cash Flow during the next three years (US\$85 WTI and US\$12.50 Western Canadian Select "WCS" heavy differential).

The Company is committed to utilizing up to 100% of near-term free cash flow to further reduce its term debt and is anticipating being in a net cash position at year end 2022 at current commodity prices. Athabasca expects to achieve its target outstanding term debt of US\$175 million (50% reduction) in H1 2023.

Reduced cash flow volatility, consistent operational execution and a best-in-class balance sheet is expected to unlock significant shareholder value.

Preliminary 2021 Year End Results

The Company is pleased to announce strong preliminary 2021 Year End Results.

- Production: December production averaged ~34,900 boe/d with annual 2021 production of ~34,600 boe/d. This is significantly above original 2021 guidance of 31,000 - 33,000 boe/d and is also above December's 2021 annual guidance of 34,500 boe/d.
- Capital: ~\$90 million, ahead of guidance of \$100 million.
- Financial: Adjusted EBITDA ~\$245 million; Adjusted Funds Flow ~\$185 million; Free Cash Flow ~\$90 million.
- Balance Sheet: ~\$300 million of Liquidity at year-end, including ~\$225 million cash. Term on debt until Q4 2026.
- Tax Pools: The Company has ~\$3.2 billion in tax pools, including ~\$2.4 billion of immediately deductible non-capital losses and exploration pools.

The Company intends to release its audited year-end results after market close on March 2, 2022. An updated presentation has been posted to the Company's website (<https://www.atha.com/investors/presentation-events.html>).

Debt Repayment and Financial Outlook

Athabasca is pleased to announce that it has completed the repayment of \$32 million (US\$25 million) term debt. This payment was in advance of its first scheduled term debt repayment (May 2022) resulting in significant redemption and interest savings for the Company.

Accelerating the return of capital to shareholders is a top priority to Athabasca. The \$32 million repayment of term debt, along with a commitment to utilize up to 100% of near-term free cash flow towards debt reduction demonstrates the Company's commitment to its balance sheet targets. The Company is quickly transitioning

enterprise value to its equity holders which is expected to unlock significant shareholder value. Upon achieving a US\$175MM debt target the Company intends to direct a portion of free cash flow to its shareholders. The Company will assess market conditions to determine the best method to enhance shareholder returns, which could include a dividend, share buybacks, further debt reduction or a combination thereof.

In 2022, the Company anticipates generating ~\$350 million of Adjusted EBITDA (~\$300 million of Adjusted Funds Flow) and ~\$180 million of Free Cash Flow (US\$85 WTI & US\$13.50 WCS differential). With strengthening commodity prices Athabasca now forecasts ~\$900 million in Free Cash Flow during the three year timeframe of 2022-24 (US\$85 WTI & US\$12.50 WCS differential flat pricing).

Hedging Update

Athabasca maintains excellent upside exposure to the current commodity price environment. In 2022, ~50% of the Company's estimated sales volumes are unhedged, ~20% of sales volumes are hedged through collars with WTI upside to US\$96 WTI and 30% of sales volumes are hedged through fixed price swaps at an implied WTI of US\$67.50. For 2023, the Company maintains significant exposure to strengthening commodity prices with <10% of sales volumes hedged through wide WTI collars.

Operations Update

Athabasca had previously announced a 2022 capital program of \$128 million and is maintaining this guidance. The Company estimates its 2022 production will average 33,000 - 34,000 boe/d and is pleased with the performance of its top tier assets.

Leismer is producing ~18,500 bbl/d with a steam oil ratio "SOR" of 3.2x (December). Volumes are forecasted to grow through 2022 as Pad L8 ramps-up to its expected plateau rate of >5,000 bbl/d (five well pairs). Steaming commenced last Fall and three wells were converted to full SAGD production in January, with the remaining wells to be placed on production in early Q2. The Company will drill two additional infill wells at Pad L6 and five additional well pairs at Pad L8 in H2 2022. These wells will support production through 2023 and have unparalleled Profit to Investment Ratios (NPV/Investment) of ~10x at current commodity prices.

Hangingstone is producing ~9,500 bbl/d with a record low SOR of 3.7x (December). The Company recently started up an additional well pair (AA03) and non-condensable gas co-injection is aiding in pressure support and reduced energy usage. Hangingstone generated ~\$85 million Operating Income in 2021 and is demonstrating that it is financially competitive in the current price environment.

The Company's Thermal Oil portfolio is expected to contribute significant cash flow in 2022 with an estimated Operating Income of ~\$390 million (US\$85 WTI & US\$13.50 WCS differential).

In Light Oil, three Duvernay wells were recently completed in the oil window at Two Creeks and are currently being tied-in. Wells in this area have demonstrated compelling results with the last 12 wells averaging IP180's of ~725 boe/d (85% liquids) and IP365's of ~550 boe/d (83% liquids).

The Light Oil division continues to demonstrate strong operating netbacks (~\$43/boe Q4 2021) and will contribute significant cash flow in 2022 with an estimated Operating Income of ~\$95 million (US\$85 WTI & C\$4 AECO). Future development opportunities are substantial, with ~150 well locations in Placid Montney and ~700 well locations in Kaybob Duvernay. The Company has minimal near-term land expiries.

About Athabasca Oil Corporation

[Athabasca Oil Corp.](http://www.atha.com) is a Canadian energy company with a focused strategy on the development of thermal and light oil assets. Situated in Alberta's Western Canadian Sedimentary Basin, the Company has amassed a significant land base of extensive, high quality resources. Athabasca's common shares trade on the TSX under the symbol "ATH". For more information, visit www.atha.com.

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Unaudited Financial Information

Certain financial and operating information included in this press release for the quarter and year ended December 31, 2021, including capital expenditures, Adjusted EBITDA, Adjusted Funds Flow, Free Cash Flow, Liquidity, Operating Income & Netbacks and production information, are based on estimated unaudited financial results for the quarter and year then ended, and are subject to the same limitations as discussed under forward-looking information below. These estimated amounts may change upon the completion of audited financial statements for the year ended December 31, 2021 and changes could be material.

Forward Looking Information

This News Release contains forward-looking information that involves various risks, uncertainties and other factors. All information other than statements of historical fact is forward-looking information. The use of any of the words "anticipate", "intends", "plan", "forecast", "continue", "estimate", "expect", "may", "will", "project", "target", "should", "believe", "predict", "pursue", "potential", "view" and "contemplate" and similar expressions are intended to identify forward-looking information. 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 operating and financial results. This information involves 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 information. No assurance can be given that these expectations will prove to be correct and such forward-looking information included in this News Release should not be unduly relied upon. This information speaks only as of the date of this News Release and, except as required by applicable securities laws, the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. In particular, this News Release contains forward-looking information pertaining to, but not limited to, the following: our strategic plans and Free Cash Flow outlook; expected capital programs to maintain production; the Company's 2022 Outlook and Guidance, including liquidity, Adjusted EBITDA, funds flow, net debt, production outlook and capital budget; future debt levels and composition; timing of Leismer well on stream dates and expected benefits therefrom; our drilling plans in Leismer and L8 project economics; and other matters.

With respect to forward-looking information contained in this News Release, assumptions have been made regarding, among other things: commodity prices; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct business and the effects that such regulatory framework will have on the Company, including on the Company's financial condition and results of operations; the Company's financial and operational flexibility; the Company's financial sustainability; Athabasca's cash flow and sustaining capital break-even commodity price; the Company's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the applicability of technologies for the recovery and production of the Company's reserves and resources; 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; future production levels; the Company's ability to obtain financing and/or enter into joint venture arrangements, on acceptable terms; operating costs; compliance of counterparties with the terms of contractual arrangements; impact of increasing competition globally; collection risk of outstanding accounts receivable from third parties; geological and engineering estimates in respect of the Company's reserves and resources; recoverability of reserves and resources; the geography of the areas in which the Company is conducting exploration and development activities and the quality of its assets.

Actual results could differ materially from those anticipated in this forward-looking information as a result of the risk factors set forth in the Company's Annual Information Form ("AIF") dated March 3, 2021 and Management's Discussion and Analysis dated November 3, 2021, available on SEDAR at www.sedar.com, including, but not limited to: exploration, development and production risks; prices, markets and marketing;

market conditions; continued impact of the COVID-19 pandemic; ability to finance capital requirements; climate change and carbon pricing risk; regulatory environment and changes in applicable law; gathering and processing facilities, pipeline systems and rail; statutes and regulations regarding the environment; political uncertainty; state of capital markets; anticipated benefits of acquisitions and dispositions; abandonment and reclamation costs; changing demand for oil and natural gas products; royalty regimes; foreign exchange rates and interest rates; reserves; hedging; operational dependence; operating costs; project risks; financial assurances; diluent supply; third party credit risk; indigenous claims; reliance on key personnel and operators; income tax; cybersecurity; advanced technologies; hydraulic fracturing; liability management; seasonality and weather conditions; unexpected events; internal controls; insurance; litigation; natural gas overlying bitumen resources; competition; chain of title and expiration of licenses and leases; breaches of confidentiality; new industry related activities or new geographical areas; and risks related to our debt and securities.

Also included in this News Release are estimates of Athabasca's 2022 Outlook which are based on the various assumptions as to production levels, commodity prices, currency exchange rates and other assumptions disclosed in this News Release. To the extent any such estimate constitutes a financial outlook, it was approved by management and the Board of Directors of Athabasca, and is included to provide readers with an understanding of the Company's outlook. Management does not have firm commitments for all of the costs, expenditures, prices or other financial assumptions used to prepare the financial outlook or assurance that such operating results will be achieved and, accordingly, the complete financial effects of all of those costs, expenditures, prices and operating results are not objectively determinable. The actual results of operations of the Company and the resulting financial results may vary from the amounts set forth herein, and such variations may be material. The financial outlook contained in this New Release was made as of the date of this News release and the Company disclaims any intention or obligations to update or revise such financial outlook, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law.

Oil and Gas Information

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Test Results and Initial Production Rates: The well test results and initial production rates provided in this presentation should be considered to be preliminary, except as otherwise indicated. Test results and initial production rates disclosed herein may not necessarily be indicative of long-term performance or of ultimate recovery.

Non-GAAP Financial Measures and Production Disclosure

The "Adjusted Funds Flow", "Light Oil Operating Income", "Light Oil Operating Netback", "Light Oil Capital Expenditures", "Thermal Oil Operating Income", "Consolidated Capital Expenditures", "Adjusted Funds Flow", "Adjusted EBITDA", "Net Debt" and "Free Cash Flow" financial measures contained in this News Release do not have standardized meanings which are prescribed by IFRS and they are considered to be non-GAAP measures. These measures may not be comparable to similar measures presented by other issuers and should not be considered in isolation with measures that are prepared in accordance with IFRS. The "Advisories and Other Guidance" section within the Company's Q3 2021 MD&A includes reconciliations of these measures, where applicable, to the nearest IFRS measures.

Adjusted Funds Flow is not intended to represent cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. Adjusted Funds Flow is calculated by adjusting for changes in non-cash working capital, restructuring expenses and settlement of provisions from cash flow from operating activities. The Adjusted Funds Flow measure allows management and others to evaluate the Company's ability to fund its capital programs and meet its ongoing financial obligations using cash flow internally generated from ongoing operating related activities. Adjusted Funds Flow per share is calculated as Adjusted Funds Flow divided by the applicable number of weighted average shares outstanding.

Net Debt is defined as the face value of term debt plus current liabilities (excluding risk management contracts and warrant provision) less current assets (excluding risk management contracts).

Adjusted EBITDA is defined as Net Income (loss) and comprehensive income (loss) before financing and interest expense (excluding non-cash component), depreciation, depletion, impairment and taxation (recovery) expense adjusted for unrealized foreign exchange gain (loss), unrealized gain (loss) on risk management contracts, gain (loss) on revaluation of provisions and other, gain (loss) on sale of assets and non-cash stock-based compensation.

The Free Cash Flow measure in this News Release is calculated by subtracting Capital Expenditures from Adjusted Funds Flow. This measure allows management and others to evaluate Athabasca's ability to generate funds to finance operations and capital expenditures.

Liquidity is defined as cash and cash equivalents plus available credit capacity.

Term Debt is defined as the face value of the US\$350MM notes.

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