FOR IMMEDIATE RELEASE
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Athabasca Oil Corporation announces a $129 million Contingent Bitumen Royalty and Repayment of US$221 million Term Loan

CALGARY – Athabasca Oil Corporation (TSX: ATH) ("Athabasca" or the "Company") is pleased to announce that it has granted a Contingent Bitumen Royalty to Burgess Energy Holdings L.L.C. ("Burgess") on its Thermal assets (the "Royalty") for total consideration of $129 million. Concurrently, the Company has repaid its US$221 million first lien term loan ("TLB") which is the first step towards aligning the Company's capital structure with its go forward operating plans. Both transactions further enhance the Company's balance sheet and financial sustainability.

Contingent Bitumen Royalty

The Royalty will be calculated on a sliding scale ranging from 0 - 6% of Athabasca's realized bitumen price (C$) for each Thermal Oil asset (see table below). The realized bitumen price is to be determined net of diluent, transportation and storage costs. The Royalty has been structured so that the assets will not be encumbered at lower pricing levels. For example, at Hangingstone, oil prices would have to reach approximately US$75/bbl WTI (at nameplate capacity of 12,000 bbl/d) before the first 1% Royalty is triggered. At this pricing level, Hangingstone Project 1 is estimated to have an annual operating netback of approximately $120 million (net of a $2 million Royalty). The Royalty is not expected to materially impact economics of future Hangingstone expansion phases or future Other Thermal development projects and there are no associated commitments to develop future expansions or projects.

Hangingstone Project 1		
Realized Bitumen Price	Royalty	Implied WTI
$C/bbl	*%*	*US$/bbl*
Below $50/bbl	0%	
$50/bbl to $69.99/bbl	1%	$75-91
$70/bbl to $89.99/bbl	2%	$91-108
$90/bbl to $109.99/bbl	3%	$108-124
$110/bbl to $129.99/bbl	4%	$124-141
$130/bbl to $149.99/bbl	5%	$141-157
$150/bbl and above	6%	>$157

Other Thermal Assets		
Realized Bitumen Price	Royalty	Implied WTI
$C/bbl	*%*	*US$/bbl*
Below $60/bbl	0%	
$60/bbl to $79.99/bbl	1%	$78-94
$80/bbl to $99.99/bbl	2%	$94-110
$100/bbl to $119.99/bbl	3%	$110-126
$120/bbl to $139.99/bbl	4%	$126-142
$140/bbl to $159.99/bbl	5%	$142-159
$160/bbl and above	6%	>$159

** WTI based on a 0.8 US$/C$ FX assumption & US$15/bbl heavy differential. Royalties calculated & payable on a monthly basis.*

RBC Capital Markets acted as exclusive financial advisor to Athabasca on the Royalty transaction. Torys LLP acted as advisor to Burgess.

Refinancing Update

Athabasca has reduced its outstanding corporate debt by approximately $250 million or 30% through the repayment of its US$221 million TLB and the concurrent unwind of its US dollar foreign exchange hedge. The Company and its lenders have also agreed to certain amendments to the Company's credit facilities including a reduction of its revolving credit facility to $45 million (currently undrawn), and the establishment of a $110 million cash collateralized letter of credit facility to secure long-term commitments related to its transportation agreements. The reduction in term debt and restructuring of the Company's credit facilities will result in $24 million of financing and interest expense savings annually.

Maintaining a strong balance sheet continues to be a key priority for the Company and the TLB retirement represents the first step towards aligning the Company's capital structure with its go forward operating plans. Over the past two years, Athabasca has undertaken several initiatives to streamline operations and improve corporate competitiveness with reductions to G&A and interest costs expected to exceed $90 million annually.

Athabasca's current liquidity is estimated at $630 million with a net cash position of $85 million (excluding cash collateralized under the Company's new LC Facility).

The Company anticipates releasing its Q2 2016 results and updated guidance on July 27th, 2016.

About Athabasca Oil Corporation

Athabasca Oil Corporation 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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Reader Advisory:

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”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe”, “predict”, “pursue”, “target”, “potential” 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 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. In particular, this News Release may contain forward-looking information pertaining to the following: the impact that (a) the Royalty, (b) the reduction of the Company’s revolving credit facility, (c) the unwinding of the Company’s US dollar foreign exchange hedge, (d) the establishment of a $110 million cash collateralized letter of credit facility and (e) the repayment of the TLB (collectively the “Royalty and Refinancing Transactions”) will have on the Company’s financial position and balance sheet strength; the Company’s forecasted oil price and annual operating netback of Hangingstone Project 1 before the Royalty is triggered, the Company’s estimated interest expense following the Company’s repayment of the TLB; the impact that the Royalty and Refinancing Transactions will have on the Company’s corporate competitiveness; the timing of the ramp-up of production and of achieving nameplate production (12,000 bbl/d) from Hangingstone Project 1; the Company’s estimated future commitments; the Company’s business and financing strategies and plans; and the future allocation of capital.

With respect to forward-looking information contained in this News Release, assumptions have been made regarding, among other things: commodity prices for petroleum and natural gas; the Company’s expectation that the Royalty will not materially impact the economics of future Hangingstone expansions; the regulatory framework governing royalties, taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its 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 impact that the Royalty and Refinancing Transactions will have on the Company, including on the Company’s financial condition and results of operations; the Company’s ability to meet its re-financing objectives; Athabasca’s cash-flow break-even commodity price; future capital expenditures to be made by the Company; future sources of funding for the Company’s capital programs; and the Company’s future debt levels.

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 10, 2016 that is available on SEDAR at www.sedar.com, including, but not limited to: fluctuations in market prices for crude oil, natural gas and bitumen blend; political and general economic, market and business conditions in Alberta, Canada, the United States and globally; changes to royalty regimes; the potential for management estimates and assumptions to be inaccurate; risks related to Athabasca’s amended credit facilities and ; senior secured notes; environmental risks and hazards; alternatives to and changing demand for petroleum products; failure by counterparties to make payments or perform their operational or other obligations to Athabasca in compliance with the terms of contractual arrangements between Athabasca and such counterparties, including in respect of the Royalty, and the possible consequences thereof; the potential for adverse consequences in the event that the Company defaults under certain of the Royalty agreements; long term reliance on third parties; variations in foreign exchange and interest rates; factors affecting potential profitability; risks related to future acquisition and joint venture activities; reliance on, competition for, loss of, and failure to attract key personnel; risks inherent in Athabasca’s operations, including those related to exploration, development and production of petroleum, natural gas and oil sands reserves and resources; risks related to gathering and processing facilities and pipeline systems; increases in costs could make Athabasca’s projects uneconomic; the effect of diluent and natural gas supply constraints and increases in the costs thereof; reliance on third party infrastructure; hedging risks; risks associated with maintaining systems of internal controls; insurance risks; claims made in respect of Athabasca’s operations, properties or assets; the failure of Athabasca or the holder of certain licenses, leases or permits to meet specific requirements of such licenses, leases or permits; and risks related to Athabasca’s common shares.

The forward-looking statements included in this News Release are expressly qualified by this cautionary statement. Athabasca does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.