ATHABASCA OIL CORPORATION

FOR IMMEDIATE RELEASE
December 7, 2022

Athabasca Oil Announces 2023 Budget and Return of Capital Strategy

CALGARY – Athabasca Oil Corporation (TSX: ATH) ("Athabasca" or "the Company") is pleased to announce its 2023 budget and return of capital strategy, focused on Free Cash Flow generation and shareholder returns.

2023 Budget and Guidance Highlights

Capital Program. Athabasca is planning expenditures of ~$145 million ($120 million Thermal Oil & $25 million Light Oil) with activity primarily focused on sustaining and growth projects at Leismer, a Montney pad in Placid and routine maintenance across the portfolio.

Resilient Production. The portfolio of long reserve life assets underpins a low corporate decline rate of ~5% annually. In 2023, the Company plans to maintain year-over-year corporate production with guidance of 34,500 – 36,000 boe/d (~93% Liquids) and growth to materialize into 2024 as longer cycle projects come on-stream.

Debt Target Achieved. The Company has proactively achieved its debt target of US$175 million through the retirement of ~50% outstanding term debt principal, ahead of initial expectations. Athabasca expects to be in a net cash position in Q1 2023.

Managing for Strong Free Cash Flow. Athabasca anticipates generating ~$415 million of Adjusted Funds Flow and ~$270 million of Free Cash Flow (US$85 WTI & US$17.50 WCS differential)[1]. A $5/bbl change in WTI impacts Free Cash Flow by ~$50 million annually. Athabasca forecasts ~$1.1 Billion in Free Cash Flow[1] during the three year timeframe of 2023-25, representing ~70% of current equity market capitalization.

Return of Capital Strategy. In 2023, Athabasca plans to allocate a minimum of 75% of Excess Cash Flow (Adjusted Funds Flow less Sustaining Capital) to shareholders. Athabasca plans to commence a share buyback program in April, the earliest date permitted under the Company's term debt agreement.

Capital Efficient Growth at Leismer. Leismer is expected to exit 2023 with production of ~24,000 bbl/d. A facility debottleneck project will support sustainable growth to ~28,000 bbl/d in 2024. The expansion program has a competitive capital efficiency of ~$14,000/bbl/d and provides tremendous long term value creation for shareholders. This expansion program will not impact the return of capital strategy and bolsters future Free Cash Flow generation through enhanced margins.

Carbon Capture. The Company has partnered with Entropy Inc. to implement a carbon capture and storage ("CCS") project at Leismer, funded by Entropy using their proprietary CCS technology. The project is expected to be sanctioned in 2023 and will be built in conjunction with Leismer's expansion plans. The Company is on track to achieve its stated target of a 30% reduction in emissions intensity by 2025.

Thermal Oil Differentiation. Strong margins and Free Cash Flow is supported by ~$3 billion in corporate tax pools and a Thermal Oil pre-payout Crown royalty structure, with royalty rates between 5 – 9% anticipated to last into 2027[1].

Risk Management. Athabasca has a minimal 2023 hedge program in place. Strong Liquidity and low sustaining capital advantage provides protection against price volatility.

Footnote: Refer to the "Reader Advisory" section within this news release for additional information on Non-GAAP Financial Measures (e.g. Adjusted Funds Flow, Free Cash Flow, Excess Free Cash Flow, Sustaining Capital, Net Debt/Cash, Liquidity) and production disclosure.

[1] Pricing Assumptions: 2023 US$85 WTI, US$17.50 Western Canadian Select "WCS" heavy differential, C$5 AECO, and $0.75 C$/US$ FX. 2024-25 US$85 WTI, US$12.50 WCS heavy differential, C$5 AECO, and $0.75 C$/US$ FX.

Asset Strategy

Athabasca has a unique liquids-weighted asset portfolio. The production base is underpinned by low decline, long reserve life assets in the oil sands and complemented by a deep inventory of short-cycle time, high returning assets in Light Oil. The asset base has exposure to Canada's most active resource plays (Montney, Duvernay, Oil Sands) with decades of development potential.

Leismer has over 700 million barrels of Proved plus Probable Reserves and is the Company's cornerstone thermal oil asset. Current production is ~21,600 bbl/d with a steam oil ratio ("SOR") of ~2.9x (November 2022). Production from five additional Pad L8 wells drilled in 2022 will commence in Q2 2023 and ramp up to a plateau rate of ~6,000 bbl/d. Leismer is expected to exit 2023 with production of ~24,000 bbl/d. A facility debottleneck project has been sanctioned and will support sustainable growth up to ~28,000 bbl/d in 2024. This production level can be held with modest sustaining capital (~$6/bbl) for many years into the future. Capital scope in 2023 includes an oil processing facility upgrade, along with drilling four additional sustaining well pairs at Pad L8 and four infill wells at Pad L7. The Company is able to leverage existing excess steam capacity and has been proactive in acquiring long lead equipment to ensure successful delivery of the program at a competitive capital efficiency of ~$14,000/bbl/d for the debottleneck project. This project is expected to enhance margins through increased operating scale. The Company has also partnered with Entropy Inc. with plans to sanction the first phase of the CCS project in 2023, utilizing capital and proprietary technology provided by Entropy.

At Hangingstone, the Company is preparing for future sustaining well pairs in 2024 and beyond.

At Placid in the Light Oil division, Athabasca will commence drilling a multi-well Montney pad in Q1 2023 with completions and tie-in to follow in the summer. The Montney program is designed to offset natural production declines and maintain strong operating margins. The Company believes its Kaybob Duvernay assets have also demonstrated sustained top-tier results. The Light Oil land position has no near-term expiries and is ready for future development with over 850 Montney and Duvernay locations.

Return of Capital Strategy

Athabasca has transitioned a significant portion of its enterprise value to shareholders through its debt reduction priority in 2022. The Company has retired ~C$227 million (US$174.8 million) of its term debt representing a ~50% reduction in outstanding principal. The Company has now achieved its debt target and has also retained the strategic option to further reduce debt at an attractive price in May 2023 by utilizing the Free Cash Flow sweep feature within its indenture. The Company expects to be in a net cash position in Q1 2023.

Athabasca's capital allocation framework balances material near-term return of capital initiatives for shareholders, with a strong multi-year growth trajectory of cash flow per share. The Company sees tremendous intrinsic value not reflected in the current share price and is planning to allocate a minimum of 75% of Excess Cash Flow (Adjusted Funds Flow less Sustaining Capital) to shareholders. Athabasca intends to apply to the TSX for a Normal Course Issuer Bid program that provides the ability to purchase up to 10% of the Company's float per annum, starting in April. Additional Excess Cash Flow allocation will be commodity price dependent and could include additional share buybacks dependent on valuation, further debt reduction or high return growth projects.

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Balance Sheet and Risk Management Update

The Company has a constructive outlook on oil prices given years of industry underinvestment. The Company believes the recent wider WCS differentials is transitory as the US administration tapers Strategic Petroleum Reserve releases and refinery maintenance season concludes.

Athabasca maintains an exceptionally strong balance sheet that affords it protection against commodity price volatility while maintaining significant exposure to higher prices. The Company recently increased its Unsecured Letter of Credit Facility with ATB Financial markets to $60 million (up from $50 million) and the facility is supported by a performance security guaranteed from Export Development Canada. The Company has current Liquidity of ~$288 million inclusive of ~$200 million cash and ~$88 million of credit facility availability.

Athabasca has a minimal 2023 hedge program in place with 13,750 bbl/d of WTI collars for Q1 2023 at a floor of ~US$52 and a ceiling of ~US$115 and 21 mmcf/d of its Thermal Oil gas input costs hedged at ~C$5 AECO for the full year. Going forward, the Company expects to maintain hedges on ~25% of its production base, in accordance with current debt agreements. These hedges, combined with our strong Liquidity, will be executed to provide downside protection for a minimal capital program while providing maximum exposure to a strong oil price environment.

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", "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: the Company's 2022 and 2023 capital, production and financial guidance, 2023-25 Free Cash Flow outlook, financial metrics for Thermal Oil sustaining projects, return of capital strategy 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 funds flow, and free cash flow outlook; 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. Certain other assumptions related to the Company's Reserves are contained in the report of McDaniel & Associates Consultants Ltd. ("McDaniel") evaluating Athabasca's Proved Reserves, Probable Reserves and Contingent Resources as at December 31, 2021 (which is respectively referred to herein as the "McDaniel Report").

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 2, 2022 and Management's Discussion and Analysis dated November 2, 2022, available on SEDAR at www.sedar.com, including, but not limited to: weakness in the oil and gas industry; 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 and 2023 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.

Initial Production Rates

Test Results and Initial Production Rates: The well test results and initial production rates provided in this News Release 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.

Reserves Information

The 850 drilling locations referenced herein includes 700 Duvernay locations and 150 Montney locations. The 700 Duvernay (Greater Kaybob) drilling locations include: 7 proved undeveloped locations and 78 probable undeveloped locations for a total of 85 booked locations with the balance being unbooked locations. The 150 Montney drilling (Greater Placid) locations include: 39 proved undeveloped locations and 59 probable undeveloped locations for a total of 98 booked locations with the balance being unbooked locations. Proved undeveloped locations and probable undeveloped locations are booked and derived from the Company's most recent independent reserves evaluation as prepared by McDaniel as of December 31, 2021 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal management estimates. Unbooked locations do not have attributed reserves or resources (including contingent or prospective). Unbooked locations have been identified by management as an estimation of Athabasca's multi-year drilling activities expected to occur over the next two decades based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Company will drill all unbooked drilling locations and if drilled there is no

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certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which the Company will actually drill wells, including the number and timing thereof is ultimately dependent upon the availability of funding, commodity prices, provincial fiscal and royalty policies, costs, actual drilling results, additional reservoir information that is obtained and other factors.

Non-GAAP and Other Financial Measures, and Production Disclosure

The “Adjusted Funds Flow”, “Free Cash Flow”, “Excess Free Cash Flow” and “Sustaining Capital” 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 financial 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. Net Debt/Cash and Liquidity are supplementary financial measures.

Adjusted Funds Flow and Free Cash Flow are non-GAAP financial measures and are not intended to represent cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS. The Adjusted Funds Flow and Free Cash Flow measures allow 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 is calculated by adjusting for changes in non-cash working capital and settlement of provisions from cash flow from operating activities. The Free Cash Flow measure is calculated by subtracting Capital Expenditures from Adjusted Funds Flow.

The Excess Free Cash Flow and Sustaining Capital measures allow management and others to evaluate the Company’s ability to return capital to Shareholders. Sustaining Capital is managements assumption of the required capital to maintain the Company’s production base. The Excess Free Cash Flow measure is calculated by Adjusted Funds Flow less Sustaining Capital.

Net Debt/Cash is defined as the face value of term debt, plus accounts payable and accrued liabilities, plus current portion of provisions and other liabilities less current assets and excluding risk management contracts.

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

Production volumes details

This News Release makes reference to Athabasca's forecasted total average daily production between 34,500 - 36,000 boe/d for 2023. Athabasca expects that approximately 84% of that production will be comprised of bitumen, 7% shale gas, 4% tight oil, 3% condensate natural gas liquids and 2% other natural gas liquids.

Liquids is defined as bitumen, tight oil, light crude oil, medium crude oil and natural gas liquids.

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