FOR IMMEDIATE RELEASE
October 25, 2021

Athabasca Oil Corporation Closes US$350 million Senior Secured Notes Financing, Enters into a C$110 million Credit Facility and Provides Strategic Update

CALGARY – Athabasca Oil Corporation (TSX: ATH) ("Athabasca" or the "Company") announces that it has closed the issuance of US$350 million of Senior Secured Notes and the syndication of a $110 million reserve based credit facility.

Athabasca's strategy is to position itself as a low leveraged company that will generate significant free cash flow through its low-decline, oil weighted asset base. The refinanced capital structure provides certainty to shareholders of the Company's ability to utilize free cash flow to further reduce debt and enhance long-term resiliency. The Company is focused on utilizing its free cash flow to increase margins and provide superior shareholder returns.

Balance Sheet Refinancing

- **New Notes:** The US$350 million Senior Secured Second Lien Notes ("New Notes") have a coupon rate of 9.75% and a 5-year term until 2026. The New Notes provide Athabasca the ability to further reduce debt in the near-term by utilizing 75% of free cash flow semi-annually to retire notes at 105% of face value. The notes offering included the issuance of 79.4 million warrants with a strike price of $0.9441 per warrant and a cashless exercise feature that reduces future equity dilution by issuing new common shares for only the in-the-money value of the warrant.
- **Existing Notes:** Net proceeds from the New Notes offering along with cash on hand will be used to redeem the Company's existing US$450 million Senior Secured Second Lien Notes. The redemption date is November 6, 2021.
- **New Credit Facility:** A $110 million reserve-based credit facility unlocks the remaining $46 million of restricted cash that was securing letters of credit for transportation agreements. In 2021, Athabasca has now unlocked $165 million in restricted cash and long-term deposits through a series of market egress transactions along with the new credit facility. The Company maintains its $40 million unsecured letter of credit facility that is supported by a performance security guarantee from Export Development Canada.
- **Pro Forma Positioning:** The Company estimates 2021 year-end liquidity of ~$265 million (including ~$195 million of cash) with a 2021 net debt to adjusted EBITDA of 0.8x (US$67.50 WTI & US$12.50 Western Canadian Select "WCS" differentials). The Company is targeting to be in a net cash position in 2023 as it implements further debt reductions in the current commodity price environment.

"Athabasca has taken deliberate steps to reposition the portfolio over the past number of years," said Robert Broen, President and CEO. "We are in an enviable position in the current environment. The refinancing provides the Company significant strategic flexibility. We remain steadfast in our capital allocation priorities and disciplined hedging will provide certainty on strong free cash flow and a path to net zero leverage in 2023. Reduced cash flow volatility, consistent operational execution and a best-inclass balance sheet is expected to unlock significant shareholder value through this time period and beyond."

Corporate Positioning

Athabasca's unique portfolio of Thermal and Light Oil assets result in strong free cash flow generation and position the Company competitively in the market with the following attributes:

- **Predictable, Low Decline Thermal Oil:** The assets have an established history of highly reliable operations and performance. The Thermal division has a decline rate of less than 10% with ~365 mmbbl of Proved[1] and ~1,185 mmbbl of Proved plus Probable[1] reserves. The division's operating cash flow break-even is approximately US$43 WTI (US$12.50 WCS differential and 0.80 C$/US$ FX) with annual sustaining capital requirements of ~$5/bbl.
- **De-Risked Light Oil with Capital Flexibility:** ~850 gross locations across the Montney and Duvernay provide a deep inventory of short-cycle time, high-returning investments. The Light Oil assets have an established track record of top decile margins and netbacks. Athabasca has flexibility in capital spending to develop these assets with no near-term land expiries and a predictable program over the next 5 years.

Strategic Outlook

Athabasca's strategy to maximize shareholder value is based on its competitive strengths and includes the following principles:

- **Managing for Strong Free Cash Flow:** Athabasca intends to maximize free cash flow while maintaining its production base. In 2021, the Company forecasts ~$90 million in Free Cash Flow (US$67.50 WTI & US$12.50 WCS differentials) and >$600 million in free cash flow (US$70 WTI & US$12.50 WCS differentials) during the 3-year timeframe of 2022-2024.
- **Maintain Annual Corporate Production:** The portfolio of long reserve life assets under-pins a low corporate decline rate of ~10%. Athabasca requires low sustaining capital of ~$125 million annually to maintain production. The Company retains a large portfolio of future investment opportunities.
- **Direct Free Cash Flow to Debt Reduction:** The Company plans to maintain low leverage, both in terms of debt quantum and debt metrics. Athabasca will direct at least 75% of future free cash flow towards achieving a total outstanding term debt target of US$175 million (50% reduction) in the medium term, while maintaining a strong cash liquidity position. The Company is targeting to be in a net cash position in 2023.
- **Strong Risk Management:** Athabasca has commenced its 2022 hedging program which includes 13,500 bbl/d of fixed WCS swaps at an average price of ~US$54 (implied WTI of ~US$66.50 assuming a US$12.50 WCS differential). These swaps fully protect the sustaining capital program down to ~US$50 WTI. Athabasca intends to hedge up to 75% of its forecasted production, net of its internal Light Oil production, for the next 18 months to ensure it meets its strategic objectives of protecting a sustaining capital program and achieving free cash flow to meet its debt targets. Additional hedges are anticipated to include a combination of swaps, collars and puts to strategically balance downside protection while maintaining upside exposure to the current price environment. Achieving these objectives will build significant shareholder value and provide future strategic flexibility.

- **Disciplined Operations and Continuous Improvement:** The Company continues to actively optimize its operations and cost structure to strengthen margins and resiliency. Athabasca has a well-established track record reducing operating costs, including non-energy operating expenses by ~40% at Leismer and ~70% at Hangingstone since 2016.
- **Commitment to ESG:** Athabasca's management has a long-standing commitment to ESG initiatives as evidenced in its inaugural 2021 ESG report released in May. Since 2015, the Company has reduced its net GHG emission intensity by 20% and is targeting a 30% net reduction by 2025 using established technologies. The Company is also progressing its partnership with Entropy Inc. to explore the application of Carbon Capture and Sequestration at Leismer.

Athabasca's strategy is to position itself as a unique high liquid yield company with low leverage. The Company has tremendous upside through its low decline, long life reserve asset base. The refinanced capital structure provides the strategic leverage to ensure it can utilize free cash flow to increase margins and maximize shareholder return.

The Company has posted an updated presentation to its website (https://www.atha.com/investors/presentation-events.html) and it intends to release its 2021 third quarter results after market close on November 3, 2021.

Advisors

Goldman Sachs acted as lead active bookrunner to Athabasca in connection with the New Notes offering. The syndicate included ATB Capital Markets ("ATB") as Co-Lead Joint Bookrunner and BMO Capital Markets as Joint Bookrunner.

ATB acted as lead arranger and sole bookrunner to Athabasca in connection with the syndicated reserve-based credit facility.

Norton Rose Fulbright Canada LLP served as legal advisor to Athabasca on all transactions.

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.

For more information, please contact:

Matthew Taylor	Robert Broen
Chief Financial Officer	President and CEO
1-403-817-9104	1-403-817-9190
mtaylor@atha.com	rbroen@atha.com

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: generation of significant free cash flow; sources of funds to be used to redeem the Existing Notes; 2021 financial forecasts including year-end liquidity and net debt to adjusted EBITDA metrics; net cash position and term debt targets and timelines; prioritization and impact of capital allocation and hedging, including on free cash flow and net zero leverage in 2023; strategies to maximize shareholder value; plans to maintain low leverage; hedging plans and expected outcomes of hedging plans; GHG emissions targets; the timing of releasing third quarter results; reduced cash flow volatility; and other matters.

In addition, information and statements in this News Release relating to "Reserves" are deemed to be forward looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and that the reserves and resources described can be profitably produced in the future.

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; the Company's future debt levels; the Company's ability to obtain financing on acceptable terms; impact of increasing competition globally.

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 for the year ended December 31, 2021 and Management's Discussion and Analysis dated July 28, 2021 for the three and six month periods ended June 30, 2021 and 2020, 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; 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; changing demand for oil and natural gas products; royalty regimes; foreign exchange rates and interest rates; 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; hydraulic fracturing; liability management; seasonality and weather conditions; unexpected events; internal controls; insurance; litigation; 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 2021 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 News 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

Operating cash flow break-even reflects the estimated WCS oil price per barrel required to generate an asset level operating income of Cdn $0. Break-even is used to assess the impact of changes in WCS oil prices on operating income of an asset and could impact future investment decisions. Steam oil ratio, or SOR, measures the average volume of steam required to produce a barrel of oil. Operating break-even and SOR do not have any standardized meaning and therefore should not be used to make comparisons to similar measures presented by other issuers. Operating Income used in the operating cash flow break-even is calculated by subtracting royalties, cost of diluent, operating expenses and cash transportation & marketing expenses from petroleum and natural gas sales. Sustaining capital is a management estimate of annual capital projects required to maintain production levels.

Reserves Information

The McDaniel Report was prepared using the assumptions and methodology guidelines outlined in the COGE Handbook and in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities, effective December 31, 2020. There are numerous uncertainties inherent in estimating quantities of bitumen, light crude oil and medium crude oil, tight oil, conventional natural gas, shale gas and natural gas liquids reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth above are estimates only. In general, estimates of economically recoverable reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially. For those reasons, estimates of the economically recoverable reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. For additional information regarding the consolidated reserves and information concerning the resources of the Company as evaluated by McDaniel in the McDaniel Report, please refer to the Company's AIF.

The 850 gross locations referenced include 700 Duvernay (Greater Kaybob) drilling locations (7 proved undeveloped locations and 78 probable undeveloped locations for a total of 85 booked locations with the balance being unbooked locations) and 150 Montney drilling (Greater Placid) locations (63 proved undeveloped locations and 35 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, 2020 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 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 Financial Measures and Production Disclosure

The "Adjusted EBITDA", "Net Debt", "Free Cash Flow", "Liquidity" and "Term Debt" 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 Q2 2021 MD&A includes reconciliations of these measures, where applicable, to the nearest IFRS measures.

Net Debt is defined as face value of term debt plus accounts payable and accrued liabilities plus current portion of provisions and other liabilities less current assets.

Adjusted EBITDA is defined as Net income (loss) and comprehensive income (loss) before financing and interest expense, 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.

Free Cash Flow is defined as Adjusted Funds Flow less Consolidated Capital Expenditures. 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 Free Cash Flow measure allows management and others to evaluate the Company's ability to meet its ongoing financial obligations using cash flow internally generated from ongoing operating related activities net of capital requirements.

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

Term Debt is defined as the face value of the New Notes.