ATHABASCA
OIL CORPORATION

FOR IMMEDIATE RELEASE
January 8, 2020

Athabasca Oil Provides Operations Update, 2020 Budget Guidance and Results of Special Shareholders Meeting

CALGARY – Athabasca Oil Corporation (TSX: ATH) ("Athabasca" or "the Company") demonstrated strong operational results at the end of 2019 and has approved a 2020 capital budget focused on sustaining annual production within forecasted funds flow.

Year-end 2019 Operations Update

- **Production** – Annual average of ~36,200 boe/d, in line with prior guidance of 36,000 boe/d. Q4 2019 production averaged ~36,400 boe/d.
- **Leismer Update** – December production increased to ~20,100 bbl/d supported by the five-well sustaining pad at L7 that was brought on production in Q4 2019.
- **Light Oil Update** – At Placid, completions operations commenced on two Montney multi-well pads that will be placed on stream in H1 2020. At Greater Kaybob, three drilling rigs and two frac spreads are currently in operation and are expected to remain active through H1 2020.
- **Capital –** Annual expenditures are in line with prior guidance of $135 million (excl. cap G&A).

2020 Budget Guidance

- **Low Sustaining Capital** – Expenditures of $125 million focused on resiliency by executing a program aimed at sustaining production within projected funds flow.
- **Resilient Production** – Production to average between 36,000 – 37,500 boe/d (88% liquids).
- **Thermal Oil Activity** – Expenditures of $65 million focused on Leismer including long-lead initiatives for Pad L8, a water disposal well which is expected to reduce annual non-energy operating costs by $3 million and routine pump changes at both assets. At Hangingstone, the Company will complete its first facility turnaround during the second quarter. Thermal production is expected to average between 26,000 – 27,000 bbl/d.
- **Light Oil Activity** – Expenditures of $60 million with activity weighted towards H1 2020. In the Montney, the Company will finish the completion and tie-in of 2 multi-well pads (10 wells). In the Duvernay, activity will include 7 drills, 13 completions and 16 tie-ins. Light Oil production is expected to average between 10,000 – 10,500 boe/d (55% liquids).
- **Funds Flow** – Forecasted funds flow of $125 million (US$57.50 WTI and US$17.50 Western Canadian Select "WCS" heavy differential) with upside at current spot prices.

Athabasca remains focused on increasing free cash flow by improving break-evens, strengthening its balance sheet and mitigating external risks. The Company has preserved long term optionality across a deep inventory of high-quality Thermal Oil projects and flexible Light Oil development opportunities. This balanced portfolio provides shareholders with differentiated exposure to liquids weighted production and significant long reserve life assets.

2020 Guidance	Full Year
CORPORATE	
Production (boe/d)	36,000 – 37,500
% Liquids	~88%
Capital Expenditures ($MM)	$125
LIGHT OIL	
Production (boe/d)	10,000 – 10,500
Capital Expenditures ($MM)	$60
THERMAL OIL	
Production (bbl/d)	26,000 – 27,000
Capital Expenditures ($MM)	$65
ADJUSTED FUNDS FLOW SENSITIVITY[1] ($MM)	
US$57.50 WTI / US$17.50 WCS differential	$125
US$62.50 WTI / US$17.50 WCS differential	$180

1) Funds flow sensitivity includes current hedging and flat pricing assumptions (US$5 MSW differential, US$5 C5 differential, C$1.75 AECO, 0.75 C$/US$ FX).

Risk Management and Market Access

Athabasca protects a base level of capital activity through its risk management program while maintaining cash flow upside to the current pricing environment. A hedging program targets up to 50% of corporate production.

For 2020, the Company has hedged 13,500 bbl/d of WTI through a combination of fixed swaps (~50%) and collars (~50%). Approximately 50% of forecasted volumes are currently hedged in H1 2020 and 25% hedged in H2 2020. The average floor price is ~US$56.50 WTI with upside exposure to US$60 and US$65 on the WTI collars. In addition, the Company has hedged ~9,400 bbl/d of WCS differentials at ~US$19.50 with 8,000 bbl/d protected from apportionment through direct sales to refineries.

The Company has secured ~7,200 bbl/d of Keystone pipeline service commencing in 2020 for a term of 20 years. This capacity diversifies Thermal Oil dilbit sales to the US Gulf Coast at pipeline economics which will allow the Company to further enhance its netback.

Longer term, Athabasca has secured egress with capacity on both the TC Energy Keystone XL pipeline and the Trans Mountain Expansion Project.

Special Meeting of Shareholders

Athabasca held a Special Meeting of Shareholders on January 8, 2020 whereby shareholders voted in favor of the resolution to reduce stated capital (58% shareholder turnout with 99.8% approval).

The Company now has flexibility under the Business Corporations Act (Alberta) to pursue potential share buy backs. Athabasca believes that, from time to time, the market price of its Common Shares may not fully reflect the underlying value of its business, future prospects and financial position. In such circumstances, Athabasca may purchase for cancellation outstanding Common Shares, thereby benefitting all shareholders by increasing the underlying value of the remaining Common Shares. The Company may look to execute future share buy backs with sustainable free cash flow in the future.

Balance Sheet Strength and Capital Allocation Philosophy

Athabasca continues to be resilient in the current macro environment and is uniquely positioned to improving oil fundamentals. Financial liquidity is a priority with $336 million of cash and available credit facilities (Q3 2019). The Company has demonstrated consistent strong netbacks in Thermal Oil and industry-leading netbacks in Light Oil, resulting in a ~US$45 WTI funds flow break-even (US$17.50 WCS differential). Athabasca believes it provides shareholders a compelling value proposition with future free cash flow and an unhedged funds flow sensitivity of ~C$70 million for a US$5/bbl move in WTI.

The Company's capital allocation philosophy is guided by the following priorities:

- **Disciplined Operations**
    - Sustain production while spending within cash flow
    - Low sustaining capital advantage on low decline long life assets
- **Strong Balance Sheet**
    - Further improve resiliency with capital structure optimization
    - Significant flexibility with strong current liquidity of $336 million
- **Future Growth Projects**
    - High quality Thermal leases at Leismer/Corner with regulatory approval and egress
    - Flexible high margin Light Oil development (Montney/Duvernay)

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
Chief Financial Officer
1-403-817-9104
mtaylor@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”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “believe”, “view”, ”contemplate”, “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 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. In particular, this News Release contains forward-looking information pertaining to, but not limited to, the following: the Company’s 2019 and 2020 guidance; type well economic metrics; estimated recovery factors and reserve life index; and other matters.

Information relating to "reserves" is also deemed to be forward-looking information, as it involves the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated and that the reserves 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 outlook; the regulatory framework in the jurisdictions in which the Company conducts business; the Company’s financial and operational flexibility; the Company’s, capital expenditure outlook, financial sustainability and ability to access sources of funding; geological and engineering estimates in respect of Athabasca’s reserves and resources; and other matters.

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 6, 2019 available on SEDAR at www.sedar.com, including, but not limited to: fluctuations in commodity prices, foreign exchange and interest rates; political and general economic, market and business conditions in Alberta, Canada, the United States and globally; changes to royalty regimes, environmental risks and hazards; the potential for management estimates and assumptions to be inaccurate; the dependence on Murphy as the operator of the Company’s Duvernay assets; the capital requirements of Athabasca’s projects and the ability to obtain financing; operational and business interruption risks; failure by counterparties to make payments or perform their operational or other obligations to Athabasca in compliance with the terms of contractual arrangements; aboriginal claims; failure to obtain regulatory approvals or maintain compliance with regulatory requirements; uncertainties inherent in estimating quantities of reserves and resources; litigation risk; environmental risks and hazards; reliance on third party infrastructure; hedging risks; insurance risks; claims made in respect of Athabasca’s operations, properties or assets; risks related to Athabasca’s amended credit facilities and senior secured notes; and risks related to Athabasca’s common shares.

Also included in this press release are estimates of Athabasca's 2019 and 2020 capital expenditures, adjusted funds flow, operating netbacks and operating income levels, free cash flow, which are based on the various assumptions as to production levels, commodity prices and 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 press 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.

Non-GAAP Financial Measures

The "Adjusted Funds Flow", "Light Oil Operating Income", "Light Oil Operating Netback", "Light Oil Capital Expenditures Net of Capital-Carry", "Thermal Oil Operating Income", "Thermal Oil Operating Netback", "Consolidated Operating Income", "Consolidated Operating Netback", "Consolidated Capital Expenditures Net of Capital-Carry", and "Consolidated 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.

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. 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.