

ATHABASCA

OIL CORPORATION

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Company Overview

Company Highlights

About: Athabasca Oil Corporation (ATH) is a Canadian energy company operating primarily in Alberta engaging in the exploration, development, and production of thermal and light oil. The company owns 7,191km² of petroleum, natural gas, and mineral leases and permits. Athabasca was founded in 2006 and is headquartered in Calgary, Canada.

Recent Performance: With a YTD return of 122.69%, Athabasca has outperformed industry peers. Conversely, the TSX/S&P returned -5.85% for the same period.

Productions Mix: 83.33% Thermal Oil, 7.17% Light Oil, and 9.51% Liquid From Production Metrics

Recent Activity

Recent Corporate Finance Activity: Spend of \$82m in thermal oil wells at Leismer, ramping up production to 5,400 bbl/d.

Reduce Term Debt: The company is planning to use 100% of near-term FCF to reduce term debt and anticipate being in a net cash position by year-end 2022.

Share Performance



Key Metrics

Gross Profit	223,000,000	Cash From Operations	810,190,000
Gross Margin	18.72%	Cash	200,000,000
Enterprise Value	1.57 B	Total Debt	370,000,000
Market Cap	1.53 B	Debt to Equity	1.04x
Asset Turnover	0.35x	Earnings Per Share	\$0.10
52 Week High	\$0.98	52 Week Low	\$3.44

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Business Model

Product Highlights

Thermal Oil: Athabasca's thermal oil division consists of two operating oil sand projects with productive capacities of 20,000 and 9,000 bbl/d respectively. Additionally, the company has long-term growth opportunities in this space currently awaiting regulatory approval for a 40,000 bbl/d project.

Light Oil: Athabasca's light oil division focuses on high margin and quick payout opportunities. The company holds a 70% WI in Montney at Greater Placid and a 30% WI in Duvernay at Greater Kaybob

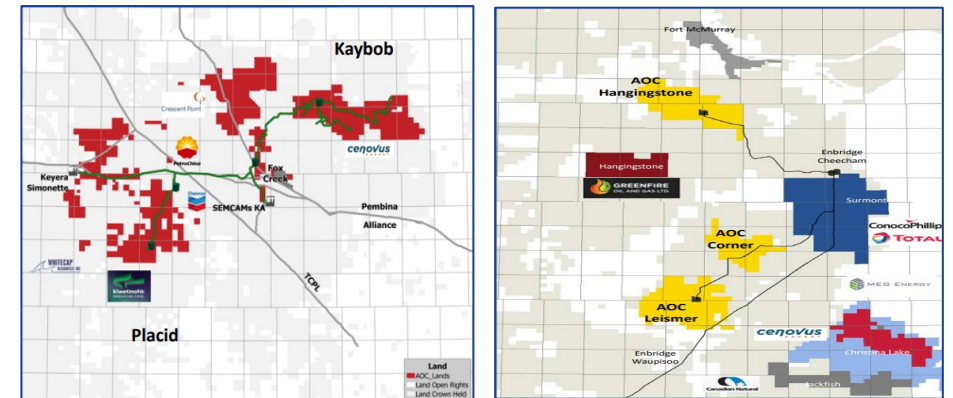
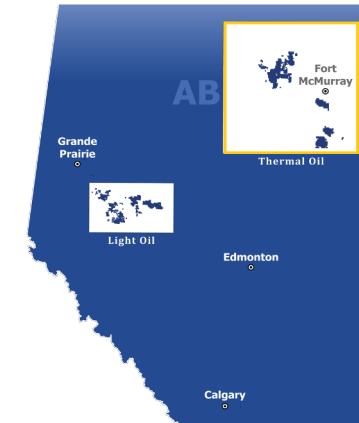
Strategy: Athabasca's strategy is to maximize shareholder returns by generating top-tier margins and free cash flow.

Competitive Advantage

Free Cash Flows: Athabasca Oil's asset portfolio is demonstrating its ability to generate significant Free Cash Flow and will provide tremendous optionality into the future.

Exposure to Commodity Price Upside: Production guidance of 34,000-35,000 boe/d (92% Liquids) in 2022 is expected to be attained with excellent exposure to commodity price upside. This is primarily due a mix of both minimal hedging and the pre-payout Crown royalty structure, with rates locked in between 5-9 %.

Thermal & Light Oil Production Maps



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Environment

Reduced Methane Venting: In 2021, Athabasca has converted all pneumatics their Light Oil division which reduced their methane venting by 13% from 2020 levels.

Maximized Water Recycling: The firm has invested in drum boiler and evaporator technology at our Hangingstone facility to maximize water recycling capabilities (98%).

Social

Safety: TRIF target of 0.5 in 2022, with an aspiration of no harm to people and no reportable hydrocarbon spills.

Indigenous Relations: Complete Indigenous cultural awareness training for Executives, leadership, and key team members in 2022.

Governance

Board Governance with ESG: Incorporate ESG goals into capital allocation decisions.

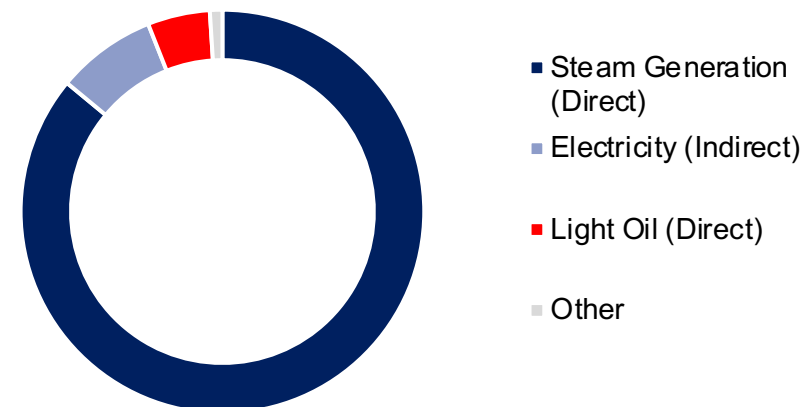
Disclosures: Continually improve external disclosure with alignment to leading ESG standards and frameworks including GRI, SASB, and TCFD.

Greenhouse Gas Management

GHG Reduction: By 2025, reduce Scope 1 emissions intensity by 30% from our 2015 baseline.

Carbon Capture and Storage (CCS): Athabasca is targeting to make an FID on the Leismer CCS project following the completion of a front-end engineering design and a local injection test.

Main Sources of GHG Emissions



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Supply Uncertainty & High Commodity Prices

High Prices: Previous underinvestment, quick economic recovery post-Covid, and geopolitical advancements have all contributed to attractive commodity prices.

Russia's Invasion of Ukraine: Russia's invasion of Ukraine led to EU banning most Russian energy imports effective December 5. Canada and other G7 countries intend to cap Russian oil prices in near future.

OPEC Cuts: On October 5 OPEC cut production by 2 million barrels a day, further cutting supply.

Record Free Cash Flows: Global upstream industry is projected to generate its highest ever annual free cash flows at \$1.4T.

Clean Energy Transition

Uncertainty Accelerating Transition: Growing concerns about energy security and prices have accelerated the transition towards clean energy, which poses a long-term threat to oil & gas

Future Workforce Uncertainty: 43% of energy workers want to leave the industry in the next five years.

Need for Resilient O&G Portfolios: Current investor sentiment and increased emissions reporting standards encourage O&G companies to build portfolios resilient to lower commodity prices and higher carbon costs.



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Comparable Company Analysis

Company Name	Market Data				Financial Data	Valuation (2022E)		
<i>25,000 < boe/d < 75,000</i>	Price	Market Cap (B)	Revenue (Thousands)	Enterprise Value (EV) (B)	EBITDA (Thousands)	EV / EBITDA	EV / DACF	P / NAV
Advantage Energy	\$11.43	2.12	\$492,035	2.20	\$659,313	2.38x	3.80x	0.64x
Crew Energy	\$6.10	0.96	\$335,568	1.09	\$352,057	2.44x	2.40x	0.59x
Kelt Exploration	\$5.47	1.07	\$316,763	1.05	\$227,383	3.37x	2.10x	0.58x
NuVista Energy	\$13.45	3.02	\$885,290	3.36	\$393,830	3.38x	2.40x	0.85x
Pipestone Energy	\$3.36	0.96	\$391,295	1.16	\$171,616	2.97x	2.30x	0.73x
Tamarack Valley Energy	\$5.06	2.95	\$701,051	3.15	\$753,587	3.37x	3.00x	1.45x
Athabasca Oil	\$2.61	1.53	\$1,016,323	1.57	\$663,461	2.36x	3.30x	0.88x

Summary Statistics

Mean	\$6.78	1.80	\$591,189.29	1.94	\$460,178	2.90x	2.76x	0.82x
Median	\$5.47	1.53	\$492,035	1.57	\$393,830	2.97x	2.40x	0.73x

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Valuation Summary

Stock Performance

YTD Return vs Benchmark: Athabasca oil has returned 122.69% YTD and 6.85% in the last 3 months compared to the TSX which has returned -5.85% YTD and -0.65% in the last 3 months

Future Dividend or Share Buybacks: Historically there has been no dividends but the firm plans to introduce a dividend or buy back shares once debt is paid off to increase investors returns

Set to Reach \$3/share: Through most broker estimates, there is a consensus that Athabasca oil will reach a share price of at least \$3.00 in the next year, providing a return of 15%

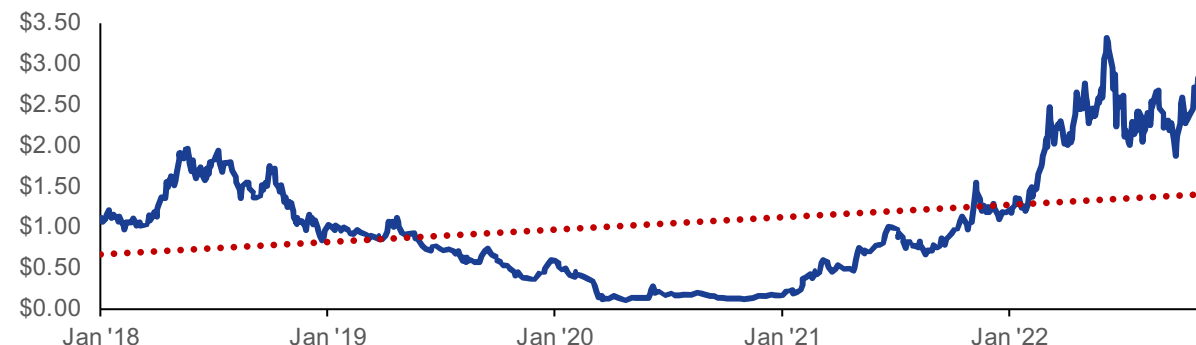
Broker Estimates		
Broker	Date	Target Price
RBC	Oct 24, 2022	\$3.00
TD	Nov 11, 2022	\$3.50
Yahoo Finance	Nov 19, 2022	\$3.25
Average Estimate:		\$3.25

Daily Adjusted Close

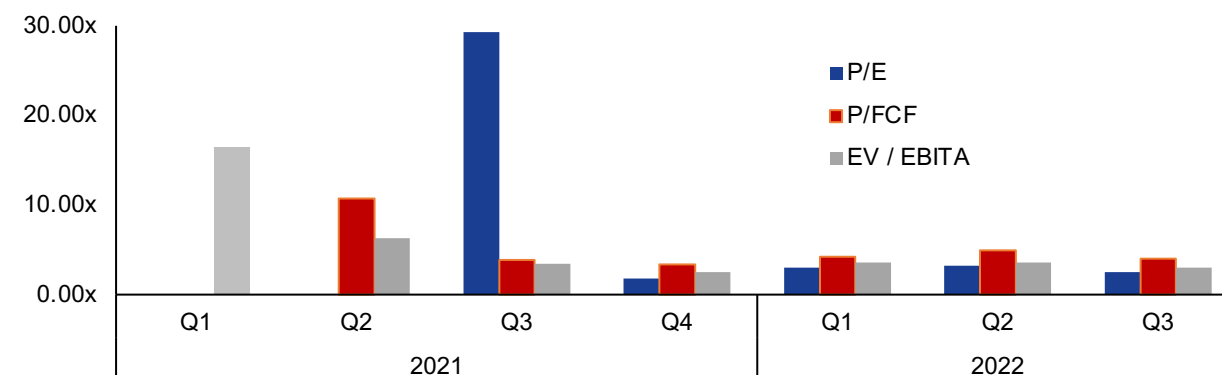
Price: **\$2.61**

52 Week Low: **\$0.98**

52 Week High: **\$3.44**



Key Metrics



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Investment Thesis

Managing for Strong Free Cash Flow

- Athabasca Oil generated approximately \$200MM in free cash flow during 2022 and is expected to generate approximately \$950MM over 2022 – 2024
- Once debt is paid off, Athabasca is expected to participate in share buy – backs or introduce dividends to increase returns for investors
- Athabasca currently has \$3.1 billion in tax pools

Long-term Value

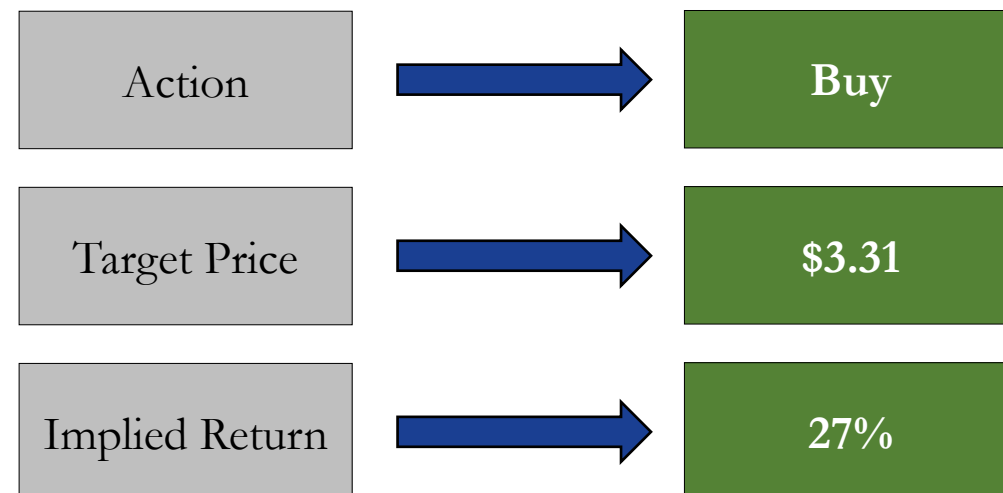
- Track record of operational execution and deep inventory of future projects.
 - Leismer: Regulatory approval to 40,000 bbl/d.
 - Light Oil: Approximately 850 locations with minimal expiries.
- Margins supported by \$3.1 B tax pool and pre-payout Crown royalties in thermal oil.

Strong Financial Capacity

- Athabasca Oil has low net debt of approximately \$100MM and will be net cash by year end.
- 100% of free cash flow is going towards debt reduction in the next term.

Valuation Weight		
NAV	Multiples	Target Price
70%	30%	\$3.43
60%	40%	\$3.31
50%	50%	\$3.20
40%	60%	\$3.08

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