

CEO
CFO

Athabasca Oil Sands Corp.
2000 – 250 -- 6 Ave. S.W.
Calgary, AB T2P 3H7
Phone: (403) 237-8227

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Currently One Of The Largest Holders Of Resources In Canada With Net Resources And Reserves Of 8.820 Billion Barrels Of Contingent Resource (Best Estimate) And Approximately 114 Million Barrels Of Probable Reserves, Athabasca Oil Sands Corp. Is Focused On Being A Major Energy Producer



ATHABASCA
OIL SANDS CORP.

Resources
Oil Sands
(TSX - ATH)



Mr. Sveinung Svarte, MBA, MSc.
President and CEO

BIO:

Mr. Svarte started his career with Conoco working on projects in Norway and the United Kingdom. From 1989 to 2006 he was with Total SA where he held various positions throughout the world until his transfer to Canada as Vice President, Oil Sands for Total E&P Canada. After Total acquired Deer Creek Ltd in 2005, he assumed the position as Vice President, Corporate Development, overseeing four departments: Exploration, Business Development, Planning and Development and Research.

In 2006 Mr. Svarte joined Athabasca Oil Sands as President and CEO and has led the company through its growth and ex-

pansion.

Mr. Svarte was born and raised in Norway. He attended the Norwegian Institute of Technology where he obtained a Master of Science (petroleum technology) and received his Master of Business Administration from the University of Chicago. Mr. Svarte is married with one son and the family is fluent in Norwegian, French and English.

Company Profile:

Athabasca Oil Sands Corp. is a dynamic oil sands company formed to develop and produce bitumen in the Athabasca region of northeastern Alberta, Canada. It was incorporated in 2006 with a goal to use the latest technology to produce bitumen in a sound and safe manner. The company has excellent assets, talented people and is very well financed.

Athabasca's shares trade on the Toronto Stock Exchange (TSX) under the trading symbol ATH. On December 20, 2010, it was added to the Canadian Global Equities Index Series, a sub-index of the FTSE index in London, England. The company has a current market capitalization of \$6.0 billion (CDN).

According to Bill Gallacher, Athabasca's chair of the board, the company has a bright future as it continues to deliver what it promises. "In just four years, Athabasca's efforts have resulted in over 12 billion barrels of resource (gross). The company has the potential to become one of the world's largest in situ bitumen producers in Canada.

"Athabasca has an excellent portfolio of short, medium and long-term assets to develop. We expect these assets will deliver production for the next 40 years as each project is developed and brought on-stream," Gallacher adds. "The company's resources are well-known, well-defined,

and well-explored. The management team has a strong track record of creating value for its investors."

Athabasca currently has net resources and reserves of 8.820 billion barrels of contingent resource (best estimate) and approximately 114 million barrels of probable reserves, based on third-party independent evaluators.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Svarte, what is the grand vision for Athabasca Oil Sands?

Mr. Svarte: The vision of Athabasca Oil Sands Corp. is basically to be a major energy producer. We are currently one of the largest holders of bitumen in Canada, with about nine billion barrels of recoverable oil, and that is after we divested about three billion barrels to a very large company called PetroChina International Investment Company Limited. For us, going forward, we have to develop these barrels. We think we can probably reach between 500,000 and 800,000 barrels per day potential production in the future.

CEOCFO: You have a long history in the business; what do you like about oil sands, particularly and what attracted you to this area of the industry?

Mr. Svarte: I came to Canada as the VP of Oil Sands from a large European company. What attracted me was the site itself, because there is nowhere in the world where you can have so many billions barrels of resources. In addition, as you know, the world needs energy and it will continue to need oil – a lot of it – and obviously, this was the place where you could really build something big. There are not many places where you can do that. Plus, it is in a very, very friendly environment in Canada, among friendly

people, and it is a nice country to do business.

CEOFCO: What is happening on the ground today?

Mr. Svarte: Basically, we have almost finished what we call "the exploration phase" because we have proven up enough resources and now we are moving into the development phase. We have a joint venture with PetroChina and we jointly will develop two projects (MacKay River and Dover commercial oil sands projects). First oil there will not be before 2014, probably, from a large project of 35,000 barrels per day (at MacKay River).

On December 20, 2010, Athabasca was pleased to announce that Dover Operating Corp. (Dover OPCO) had submitted the application to the Energy Resources Conservation Board (ERCB) and Alberta Environment to build a 250,000 barrels/day oil sands project at Dover, 70 kilometres northwest of Fort McMurray. It anticipates a 24-month regulatory review before it receives the necessary approvals. The first phase is expected to be constructed in Dover North, which is currently intended to be a 50,000 barrels/day project. Athabasca owns 40% and Cretaceous Oil Sands Holdings Limited, a wholly owned subsidiary of PetroChina, owns 60%.

On December 2009, Athabasca submitted the application for MacKay River to the various regulatory authorities. Construction is slated to start in early 2012. Pending regulatory and partner approval, MacKay River should start steaming its first phase of production sometime in 2014. That phase should ultimately reach daily rates of 35,000 barrels. It is still on-schedule and on budget. Full production will be approximately 150,000 barrels/day.

We have four other projects as well we are doing on our own so far. One of those called, Hangingstone that we are moving forward with, and we will probably have first steam as early as in late 2013. We are moving into the process where we start building things on the ground.

On November 29, 2010, Athabasca announced it had approved accelerated development of its Hangingstone bitumen properties, near Fort McMurray. The first phase of the Hangingstone development is anticipated to be commissioned as a

12,000 barrels/day steam assisted gravity drainage (SAGD) demonstration project. First steam could be as early as late 2013. The company expects to file its regulatory application for this first phase in the second half of 2011. It is the initial segment of a multi-phase development plan in the Hangingstone area. The second phase is estimated at 25,000 barrels/day, with start-up as early as 2016.

CEOFCO: Do you prefer to do things alone or joint ventures; what is your particular philosophy?

Mr. Svarte: Obviously, you like to do things on your own, but in oil sands, you need a little capital. We knew straight away when we put together such a large resource base that we would need partnerships. That is why last year we pursued partnerships and we tied up a large

It starts with being clear to most people that the world will continue to need a lot of oil. The western world consumption is not increasing. However, if you look at China and India, there are so many people that aspire to have a car and obviously, they are not going to listen to the rest of the world telling them that they should not have it. Therefore, demand will continue to increase. Nevertheless, when it comes to sources of energy, new oil, Canada is in a unique position with 175 billion barrels in the ground. And just my company, we proven up enough supply over the last four years to run the total Canadian consumption for about twenty years. There is no way in the world you can add resources that quickly.

- Mr. Sveinung Svarte, MBA, MSc.

joint venture with PetroChina, which assured us our funding for a lot of what we are doing in the future. Oil sands start-up companies usually need partners.

CEOFCO: You just acquired Excelsior Energy; are you looking at adding more properties?

Mr. Svarte: I get that question quite often and, obviously, we are a natural consolidator of smaller players around us. Having said that, in oil sands you have so much time that you can make those acquisitions ten years down the line. If the company you acquire is too small to develop a property themselves, then it is very hard for them to find alternatives. We will probably do more acquisitions, but there is no rush.

CEOFCO: What is the financial picture like for Athabasca Oil Sands today?

Mr. Svarte: We are in a very enviable position for most companies. We have about \$1.8 billion working capital.

CEOFCO: What's different about Oil Sands?

Mr. Svarte: Oil sands are really two different things. You have the one you read about in the press all the time, and you have what we are doing. What you normally see in the press is the picture, what we call the mining part of the oil sands, so it is like a surface mine. The deposits are close to the surface so they dig them out, and it is like a normal mining operation. Where we are, and that was always our strategy, was to go for what we call in situ extraction. That means your deposits are deeper, so you drill normal wells to produce with, and you have another well above the producer, where you inject steam to make the oil or bitumen less viscous, so it flows easier, and it drains into the well below and you produce it from there. Obviously, the geology and technology for oil sands development is very, very poorly understood around the world, especially in the media, because it publishes 'scary pictures' in the newspaper.

For example, I am Norwegian and there is a company called StatOil, which is the same as we are. It is probably one of the most environmentally prudent operators in the world, but whenever I read an article back in the Norwegian newspapers about them, they show a picture of other mining operations and obviously, they have nothing to do with that. However, when I ask the editor back in Norway, "Why don't you show a normal steam assisted gravity drainage (SAGD) operation or in situ operation" he says, "Well, nobody wants to read that stuff."

Where do I see oil sands going? I see a very bright future for oil sands and especially the in situ part in the environmental picture. In situ, which Athabasca is developing is very, very sound. The emission part is in line with the average barrel they use in the U.S. today, such as the Nigerian Oil, for instance. Much better than the Californian Heavy Oil. Then you add on aspects such as more ethical parts like no corruption in Canada, no proceeds going to funding terrorists, no minority problems, and the fact that the human rights are extremely well respected. It is a friendly country. If you put that into the whole equation then you have a very ethical supply of oil to the world. In addition, there is a lot of it.

CEOCFO: Are there any newer technologies or new ways of approaching the projects that you are able to take advantage of today?

Mr. Svarte: The beauty of technology is that it can only get better. If you look at the last five to seven years, the energy needs we use for extracting the oil has been cut in half. We see that trend going down, but that is because you learn how to operate better. You apply some small technology changes, so they are not really, what I call "Big Step technology changes." You see a lot of research going on using totally different methods. If some work, then yes indeed the picture could be very bright, because you will lower the cost and make the environmental impact even better. Therefore, yes indeed there are technology changes that will come. I do not say tomorrow, but maybe in five to ten years time.

CEOCFO: Is your team in place, or are you still putting together people for your whole development program?

Mr. Svarte: We have about 105 employees so far, and over the next fifteen months, they are probably going to double in size. Therefore, we need more people. However, the beauty about Canada or Alberta is that, we do attract people very easily. People in the industry here are very entrepreneurial. They like to start with smaller outfits like ours and when they know that the assets are good and the funding is there, it is very easy to find people.

CEOCFO: What can we expect to happen in the next year to eighteen months?

Mr. Svarte: It is to bring projects forward. A typical large project like we do, takes about four years from when you file your regulatory application, until you have the

first oil production. During the regulatory process, there is a lot of follow up, and answers to authority. The Canadian regulator is extremely professional. I have worked in many countries in the world and I have never seen such a well-developed system as up here. So obviously, you have to follow that system, but in the mean time start the planning for the project. By the time you have approval, two years from filing, you are ready to start building in the field. To build one phase of these projects generally takes about two years, so you build your surface facilities in between your entire project planning and engineering. It is a lot of work, even if you do not produce. It is actually the hardest part of the project. The easy part is when you start producing. That is when you need very few people in this industry.

CEOCFO: Are there any specific challenges that you are on the lookout for as you go forward?

Mr. Svarte: We have to keep on continuing educating the public about the in situ oil sands development, but we have no doubt ourselves. There is a lot more writing coming out these days, supporting us, showing that the oil sands of Alberta, especially the in situ part is a very ethically good supply to the world. It takes time to do it, but I see we are on the right track now. Other things are the fact that you have good assets as we do, and you have the financing. That means you get the people you need and you can develop. Therefore, I do not see too many hurdles. If we had not had the financing I would have been a bit more worried, because financial risk is probably the biggest risk there is in this industry for small operations.

CEOCFO: Is the investment community paying attention?

Mr. Svarte: Yes, they are, very much so. It starts with being clear to most people that the world will continue to need a lot of oil. The western world consumption is not increasing. However, if you look at China and India, there are so many people that aspire to have a car and obviously, they are not going to listen to the rest of the world telling them that they should not have it. Therefore, demand will continue to increase. Nevertheless, when it comes to sources of energy, new oil, Canada is in a unique position with 175 billion barrels in the ground. And just my company, we proven up enough supply over the last four years to run the total Canadian consumption for about twenty years. There is no way in the world you can add resources that quickly.

CEOCFO: In closing, why should investors pick Athabasca Oil Sands out of the crowd and what might be missed about the company?

Mr. Svarte: Why they should pick us is, because everything we promised over the last five years, we have delivered. It shows a bit of our attitude towards business. We like to under-promise and over deliver. In addition, we plan to do so in the future. We have a vast resource base. We are the largest oil sands leaseholder in the area, and the second largest holder of bitumen resources after Suncor. Therefore, we have plenty of upside. We have great assets, we have the financing, we have upside, and we get the people we need. And that is all you need to look for when you want to invest.



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