



FOR IMMEDIATE RELEASE
December 28, 2011 (6:00 a.m. EST)

Athabasca Oil Sands Corp. Announces Approval of MacKay River Commercial Oil Sands Project

CALGARY – Athabasca Oil Sands Corp. (TSX: ATH) is pleased to announce that MacKay Operating Corp. (MacKay Opco) has received full regulatory approval from Alberta Energy Resources Conservation Board and Alberta Environment and Water for the MacKay River commercial oil sands project.

Sveinung Svarte, president and CEO says, “To obtain approval in just over 24-months is an achievement and Athabasca is very pleased with the regulatory process. The company filed the application on December 10, 2009 and MacKay Opco received the final approval on **December 23, 2011**. To achieve this major milestone, MacKay Opco’s Regulatory and Stakeholder Affairs team effectively dealt with all stakeholders to resolve their concerns and get this commercial oil sands project endorsed by the regulators and the Alberta government.”

The MacKay River project is a 150,000 barrels per day (bbl/d) steam assisted gravity drainage (SAGD) project with Phase 1 expected to produce 35,000 bbl/d of oil. Construction of the project will begin next month with start-up targeted for 2014.

MacKay Opco is a Calgary-based joint venture between Athabasca (40%) and Cretaceous Oilsands Holdings Limited, a wholly owned subsidiary of PetroChina (60%). The company was formed to operate the jointly owned MacKay River oil sands leases.

Athabasca is a dynamic company focused on development of oil resource plays in Alberta, Canada. It has accumulated a large, high quality resource base suitable for extraction of extra heavy crude oil (bitumen) and light oil. The company is well financed and, with its excellent assets and talented people, Athabasca is poised to become a major Canadian oil producer. It is traded on the TSX under the symbol ATH.

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Reader Advisory

This News Release contains forward-looking information that involves various risks, uncertainties and other factors. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "expect", "may", "will", "project", "should", "targeted" and similar expressions are intended to identify forward-looking statements. The forward-looking information is not historical fact,

but rather is based on AOSC's current plans, objectives, goals, strategies, estimates, assumptions and projections about AOSC's industry, business and future financial results. These statements involve 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 statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this News Release should not be unduly relied upon. These statements speak only as of the date of this News Release. In particular, this News Release may contain forward-looking statements pertaining to the following: AOSC's capital expenditure programs; AOSC's estimated future commitments and business plans with respect to the Corporation's interest in the MacKay River oil sands assets; the timing for receipt of additional regulatory approvals in respect of the MacKay River commercial oil sands project; and the timing for development of the MacKay River commercial oil sands project. With respect to forward-looking statements and forward-looking information contained in this News Release, assumptions have been made regarding, among other things: the timing of completion of facilities, AOSC's ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the regulatory framework governing royalties, taxes and environmental matters; the applicability of technologies for the recovery and production of AOSC's reserves and resources; the sufficiency of budgeted capital expenditures to carry out planned activities; the future capital expenditures to be made by AOSC; future sources of funding for AOSC's capital programs and AOSC's ability to obtain financing on acceptable terms; and geological and engineering estimates in respect of AOSC's reserves and resources. Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and in the Company's Annual Information Form dated March 28, 2011, which is available on the SEDAR website at www.sedar.com ("AIF"), including: general economic, market and business conditions; factors affecting potential profitability; uncertainties inherent in estimating quantities of reserves and resources; uncertainties inherent in Steam Assisted Gravity Drainage ("SAGD"); the potential impact of the exercise of the Put/Call Options (as defined in the AIF) on AOSC; failure to meet development schedules and potential cost overruns; increases in operating costs making projects uneconomic; the effect of diluent and natural gas supply constraints and increases in the costs thereof; gas over bitumen issues affecting operational results; environmental risks and hazards; failure to obtain or retain key personnel; the substantial capital requirements of the MacKay River commercial oil sands project; the need to obtain regulatory approvals and maintain compliance with regulatory requirements; the potential for management estimates and assumptions to be inaccurate; failure by counterparties to make payments or perform their operational or other obligations to AOSC in compliance with the terms of contractual arrangements between AOSC and such counterparties and the possible consequences thereof; the potential lack of available drilling equipment; and competition for, among other things, capital, export pipeline capacity and skilled personnel. In addition, information and statements relating to "reserves" and "resources" are deemed to be forward-looking information and statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and that the reserves and resources described can be profitably produced in the future. The risks and uncertainties referred to above are described in more detail in AOSC's AIF which is available on the SEDAR website at www.sedar.com. See also AOSC's financial statements and Management's Discussion and Analysis for the year ended December 31, 2010 and for the current interim financial period, which are also available on SEDAR. Readers are cautioned that the foregoing list of risk factors should not be construed as exhaustive. The forward-looking statements included in this News Release are expressly qualified by this cautionary statement. AOSC does not undertake any obligation to publicly update or revise any forward-looking statements except as required by applicable securities laws.