News Release Archive

Advantage Announces Second Quarter 2019 Operating & Financial Results

Solid Adjusted Funds Flow Driven by Liquids Production Growth and Market Diversification Gains (TSX: AAV)

CALGARY, Aug. 1, 2019 /CNW/ **-** Advantage Oil & Gas Ltd. ("Advantage" or the "Corporation") is pleased to announce solid operating and financial results for the second quarter of 2019 with liquids production growth of 142%, strong market diversification gains of $16 million and continued low costs.

The Corporation's second quarter operational highlights were substantially reported in our press release dated July 8, 2019 and included successful liquids-rich well results, commissioning of a new liquids handling facility at Valhalla and dry gas production curtailments in response to periods of very low AECO natural gas prices. In addition, Advantage secured 76 mmcf/d of firm NGTL capacity to Empress, which will substantially eliminate AECO exposure by 2021.

These operational and financial achievements demonstrate the ongoing disciplined execution of Advantage's multi-year liquids development program and our transition to increasing liquids revenues.

Highlights for the six months and second quarter of 2019

- First half of 2019 production was 43,935 boe/d (17% higher than 2018). Second quarter 2019 production was 42,982 boe/d (22% higher than 2018)
- First half 2019 liquids production was 2,306 bbls/d (112% higher than 2018). Second quarter 2019 liquids production was 2,580 bbls/d (142% higher than 2018). Liquids production reached approximately 2,900 bbls/d (71% C5+/Oil) in July
- Generated adjusted funds flow[(a)] of $82.8 million ($0.44/share) for the first half of 2019, and $32.8 million ($0.18/share) for the second quarter. Adjusted funds flow exceeded net capital expenditures by $6 million in the first half of 2019
- Achieved $21.6 million of gains from our market diversification portfolio including $13.6 million of hedging gains over the six months of 2019. This resulted in an average realized natural gas price of $2.65/mcf compared to the average daily AECO price of $1.82/mcf
- Maintained low costs including royalty costs of $0.28/boe, operating costs of $1.95/boe, transportation costs of $3.48/boe and general & administrative costs of $0.63/boe over the first half of 2019
- Retained strong financial flexibility with total debt to adjusted funds flow[(a)] of 1.7x at the end of the second quarter 2019
- Secured an additional 76 mmcf/d of firm NGTL transportation capacity to Empress, AB in two tranches commencing November 2020 and November 2021 providing additional downstream capacity to continental markets and virtually eliminating AECO price exposure by 2021

(a) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "non-GAAP measures".

Looking Forward

During the second half of 2019, Advantage will bring 11 standing liquids-rich wells onstream at east Glacier and Valhalla; the 12-25 Pipestone/Wembley well (see Advantage press release dated March 5, 2018) is expected to begin production in September 2019 when Tidewater's new Pipestone gas plant is scheduled to be commissioned. Construction of our Wembley liquids handing facility will begin in September and is targeted for completion in second quarter of 2020.

Advantage retains flexibility to moderate capital spending by up to $30 million through the second half of 2019 with no impact expected to our 2019 production guidance. Any reductions to the capital program will be prioritized to minimize the impact on our high-returns liquids projects and will be intended to preserve mid-term total debt to adjusted funds flow[(a)] ratio below two times.

The Corporation's 2019 net capital expenditures[(a)] guidance range remains between $180 and $200 million. Our 2019 annual production guidance range remains between 43,500 and 46,500 boe/d (261 and 279 mmcfe/d), including liquids production between 2,900 and 3,200 bbls/d.

In the third quarter of 2019, Advantage is prepared to continue restricting AECO-exposed dry natural gas production if there are periods of extremely low prices. However, the Corporation has adequate productive capacity to achieve 2019 gas production targets, so long as prices justify steady production in the second half. Liquids production is expected to continue increasing throughout the second half of 2019.

Advantage will remain diligent in monitoring commodity and industry trends and respond accordingly to retain a strong balance sheet while advancing our multi-year strategy to increase liquids development and enhance shareholder returns.

(a) Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures"

Second Quarter 2019 Operating and Financial Summary

Financial Highlights	Three months ended June 30		Six months ended June 30	
($000, except as otherwise indicated)	**2019**	**2018**	**2019**	**2018**
Financial Statement Highlights				
Sales including realized hedging [3]	**$ 60,017**	$ 45,319	**$ 141,389**	$ 118,697
Net income (loss) and comprehensive income (loss)	**$ 3,372**	$ (15,294)	**$ 4,053**	$ (5,191)
per basic share [2]	**$ 0.02**	$ (0.08)	**$ 0.02**	$ (0.03)
Cash provided by operating activities	**$ 44,292**	$ 21,009	**$ 88,775**	$ 79,663
Cash provided by (used in) financing activities	**$ (20,309)**	$ 12,852	**$ (808)**	$ 41,193
Cash used in investing activities	**$ 27,303**	$ 38,701	**$ 87,017**	$ 123,926
Basic weighted average shares (000)	**186,858**	186,190	**186,402**	186,077
Other Financial Highlights				
Adjusted funds flow [1]	**$ 32,777**	$ 23,160	**$ 82,800**	$ 72,042
per boe	**$ 8.38**	$ 7.20	**$ 10.41**	$ 10.59
per basic share [2]	**$ 0.18**	$ 0.12	**$ 0.44**	$ 0.39
Net capital expenditures [1]	**$ 19,578**	$ 25,324	**$ 77,000**	$ 102,397
Working capital (surplus) deficit [1]	**$ (1,891)**	$ 3,206	**$ (1,891)**	$ 3,206
Bank indebtedness	**$ 270,495**	$ 250,189	**$ 270,495**	$ 250,189
Total debt [1]	**$ 268,604**	$ 253,395	**$ 268,604**	$ 253,395

(1) Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".
(2) Based on basic weighted average shares outstanding.
(3) Excludes net sales of natural gas purchased from third parties.

Operating Highlights	Three months ended June 30		Six months ended June 30	
	2019	**2018**	**2019**	**2018**
Operating				
Daily Production				
Natural gas (mcf/d)	**242,409**	205,712	**249,773**	219,009
Liquids (bbls/d)	**2,580**	1,067	**2,306**	1,086
Total production (mcfe/d)	**257,889**	212,114	**263,609**	225,525
Total production (boe/d)	**42,982**	35,352	**43,935**	37,588
Average prices (including realized hedging)				
Natural gas ($/mcf) [2]	**$ 2.17**	$ 2.05	**$ 2.65**	$ 2.65
Liquids ($/bbl)	**$ 51.76**	$ 72.32	**$ 51.83**	$ 69.17
Operating Netback ($/boe)				
Sales of natural gas and liquids from production	**$ 13.14**	$ 11.65	**$ 16.07**	$ 14.04
Net sales of natural gas purchased from third parties [1]	**-**	0.35	**(0.18)**	0.16
Realized gains on derivatives	**2.20**	2.43	**1.71**	3.40
Royalty recovery (expense)	**0.02**	0.33	**(0.28)**	(0.02)
Operating expense	**(1.89)**	(2.06)	**(1.95)**	(2.00)
Transportation expense	**(3.56)**	(3.75)	**(3.48)**	(3.59)
Operating netback [1]	**$ 9.91**	$ 8.95	**$ 11.89**	$ 11.99

(1) Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".
(2) Excludes net sales of natural gas purchased from third parties.

The Corporation's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2019 together with the notes thereto, and Management's Discussion and Analysis for the three and six months ended June 30, 2019 have been filed on SEDAR and are available on the Corporation's website at http://www.advantageog.com/investors/financial-reports/financial-reports-2019.

Advisory

The information in this press release contains certain forward-looking statements, including within the meaning of applicable securities laws. These statements relate to future events or our future intentions or performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "demonstrate", "expect", "may", "can", "will", "project", "predict", "potential", "target", "intend", "could", "might", "should", "guidance", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's focus strategy, plans and expectations generally; the expected benefits of adding firm NGTL capacity; the anticipated number of wells to be brought on production in Glacier and Valhalla for the remainder of 2019; Advantage's 2019 liquids development plan and how such plan will be accomplished; the anticipated timing of when wells will be tied-in and that production will increase at east Glacier and Valhalla and the timing of when production from our Pipestone/Wembley assets are to be brought on-stream; Advantage's ability to moderate capital spending through the second half of 2019; ability to preserve total debt to adjusted funds flow ratio; and Advantage's 2019 net capital expenditures guidance range, 2019 production guidance range and 2019 liquids production guidance range. Advantage's actual decisions, activities, results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including, but not limited to: changes in general economic, market and business conditions; industry conditions; actions by governmental or regulatory authorities including increasing taxes and changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; Advantage's success at acquisition, exploitation and development of reserves; unexpected drilling results; changes in commodity prices, currency exchange rates, capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties, including hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; delays in anticipated timing of drilling and completion of wells; individual well productivity; competition from other producers; the lack of availability of qualified personnel or management; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; stock market volatility and market valuations; liabilities inherent in oil and natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; ability to obtain required approvals of regulatory authorities; and ability to access sufficient capital from internal and external sources. Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form which is available at www.sedar.com ("SEDAR") and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this press release, Advantage has made assumptions regarding, but not limited to: conditions in general economic and financial markets; effects of regulation by governmental agencies; current and future commodity prices and royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labor; availability of drilling and related equipment; timing and amount of net capital expenditures; the impact of increasing competition; the price of crude oil and natural gas; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's properties in the manner currently contemplated; current or, *where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated; and the estimates of the Corporation's production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.*

Management has included the above summary of assumptions and risks related to forward-looking information above and in its continuous disclosure filings on SEDAR in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this news release and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Barrels of oil equivalent (boe) and thousand cubic feet of natural gas equivalent (mcfe) may be misleading, particularly if used in isolation. Boe and mcfe conversion ratios have been calculated using a conversion rate of six thousand cubic feet of natural gas equivalent to one barrel of oil. A boe and mcfe conversion ratio of 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. Given that the value ratio based on the current price of crude oil as compared to natural gas 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.

This press release contains a number of oil and gas metrics, including operating netback, which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Corporation's performance; however, such measures are not reliable indicators of the future performance of the Corporation and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide securityholders with measures to compare Advantage's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this news release, should not be relied upon for investment or other purposes. See below under the heading "Non-GAPP Measures" for how operating netback is calculated.

Non-GAAP Measures (a)

The Corporation discloses several financial and performance measures in this press release that do not have any standardized meaning prescribed under GAAP. These financial and performance measures include "net capital expenditures", "adjusted funds flow", "operating netback", "total debt", "total debt to adjusted funds flow", "working capital" and "net sales of natural gas purchased from third parties", which should not be considered as alternatives to, or more meaningful than "net income", "comprehensive income", "cash provided by operating activities", "cash used in investing activities", or "bank indebtedness" presented within the consolidated financial statements as determined in accordance with GAAP. Management believes that these measures provide an indication of the results generated by the Corporation's principal business activities and provide useful supplemental information for analysis of the Corporation's operating performance and liquidity. Advantage's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies.

Net Capital Expenditures

Net capital expenditures include total capital expenditures related to property, plant and equipment and exploration and evaluation assets incurred during the period. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods. A reconciliation between net capital expenditures and the nearest measure calculated in accordance with GAAP, cash used in investing activities, is provided below:

	Three months ended June 30		Six months ended June 30	
($000)	**2019**	**2018**	**2019**	**2018**
Cash used in investing activities	**$ 27,303**	**$ 38,701**	**$ 87,017**	**$ 123,926**
Changes in non-cash working capital	(7,725)	(13,377)	(10,017)	(21,529)
Net capital expenditures	**$ 19,578**	**$ 25,324**	**$ 77,000**	**$ 102,397**

Working Capital

Working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued payables at the reporting date. Working capital provides Management and users with a measure of the Corporation's operating liquidity.

Total Debt

Total debt is comprised of bank indebtedness and working capital (surplus) deficit. Total debt provides Management and users with a measure of the Corporation's indebtedness and expected settlement of net liabilities in the next year. A detailed calculation of total debt is provided below:

($000)		**June 30, 2019**		**December 31, 2018**
Bank indebtedness (non-current)	$	270,495	$	270,918
Working capital (surplus) deficit		(1,891)		1,912
Total debt	**$**	**268,604**	**$**	**272,830**

Adjusted Funds Flow

The Corporation considers adjusted funds flow to be a useful measure of Advantage's ability to generate cash from the production of natural gas and liquids, which may be used to settle outstanding debt and obligations, and to support future capital expenditures plans. Changes in non-cash working capital and other long-term liabilities are excluded from adjusted funds flow as they may vary significantly between periods and are not considered to be indicative of the Corporation's operating performance as they are a function of the timeliness of collecting receivables or paying payables. Expenditures on decommissioning liabilities are excluded from the calculation as the amount and timing of these expenditures are unrelated to current production, highly variable and discretionary. Adjusted funds flow has also been presented per boe, by dividing adjusted funds flow by total production in boe for the reporting period, and per basic share, by dividing by the basic weighted average shares outstanding of the Corporation. A reconciliation between adjusted funds flow and the nearest measure calculated in accordance with GAAP, cash provided by operating activities, is provided below:

	Three months ended June 30				**Six months ended June 30**			
($000)		**2019**		**2018**		**2019**		**2018**
Cash provided by operating activities	**$**	44,292	**$**	21,009	**$**	88,775	**$**	79,663
Increase in other long-term liabilities		(366)		-		(366)		-
Expenditures on decommissioning liability		690		115		1,555		236
Changes in non-cash working capital		(11,839)		2,036		(7,164)		(7,857)
Adjusted funds flow	**$**	**32,777**	**$**	**23,160**	**$**	**82,800**	**$**	**72,042**

Total Debt to Adjusted Funds Flow

Total debt to adjusted funds flow is calculated by dividing total debt by adjusted fund flow for the previous four quarters. Total debt to adjusted funds flow is a coverage ratio that provides Management and users the ability to determine how long it would take the Corporation to repay its debt if it devoted all its adjusted funds flow to debt repayment.

Operating Netback

Advantage calculates operating netback on a per boe basis. Operating netback is comprised of sales revenue, realized gains on derivatives and net sales of natural gas purchased from third parties, net of expenses resulting from field operations, including royalty expense, operating expense and transportation expense. Operating netback provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells.

Net Sales of Natural Gas Purchased from Third Parties

Net sales of natural gas purchased from third parties represents the revenue or loss generated from the sale of natural gas volumes purchased from third parties, after deducting the cost to purchase the volumes. The purchase and sale transactions are non-routine and are considered by Management to be related for *performance purposes.*

The following abbreviations used in this press release have the meanings set forth below:

bbl	*one barrel*
bbls/d	*barrels per day*
boe	*barrels of oil equivalent of natural gas, on the basis of one barrel of oil or NGLs for six thousand cubic feet of natural gas*
boe/d	*barrels of oil equivalent of natural gas per day*
mcf	*thousand cubic feet*
mcf/d	*thousand cubic feet per day*
mcfe	*thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or NGLs*
mcfe/d	*thousand cubic feet equivalent per day*
mmcf/d	*million cubic feet per day*
mmcfe/d	*million cubic feet equivalent per day*

SOURCE Advantage Oil & Gas Ltd.

For further information: Craig Blackwood, Vice President, Finance and Chief Financial Officer, (403) 718-8005; OR Investor Relations, Toll free: 1-866-393-0393; ADVANTAGE OIL & GAS LTD., 2200, 440 - 2nd Avenue SW, Calgary, Alberta T2P 5E9, Phone: (403) 718-8000, Fax: (403) 718-8332, Web Site: www.advantageog.com, E-mail: ir@advantageog.com

---

https://advantageog.mediaroom.com/2019-08-01-Advantage-Announces-Second-Quarter-2019-Operating-Financial-Results