

Advantage Announces Record Production, Strong Reserves Growth with 212% PDP Reserves Replacement and 2.2 PDP Recycle Ratio

2019 Year-End Reserves & Operating Results (TSX: AAV)

CALGARY, Feb. 5, 2020 /CNW/ - Advantage Oil & Gas Ltd. ("Advantage" or the "Corporation") is pleased to announce its 2019 year-end reserve evaluation by Sproule Associates Limited ("Sproule"), and a summary of 2019 operating results.



During 2019, Advantage achieved several important milestones in our liquids-focused transition, as demonstrated by our reserves additions and operating results. These achievements have positioned Advantage for a step change in oil and condensate production in 2020, enhancing our portfolio of investment opportunities while preserving our low-cost prolific gas foundation.

Accomplishments in 2019 include an important light oil pool discovery at Progress (see Advantage press release dated September 3, 2019), first oil production at Pipestone/Wembley, and further development of the condensate-rich middle Montney at Glacier and Valhalla. These accomplishments increased reserves in all four assets, with the following highlights:

- Proved developed producing ("PDP") reserves increased by 21%
- PDP finding and development cost ("F&D") of \$5.38/boe
- PDP recycle ratio of 2.2
- Proved plus probable ("2P") condensate/light oil reserves increased by 45%
- Total 2P liquids reserves increased by 15%

During the fourth quarter of 2019, Advantage achieved record production of 47,370 boe/d, up 5,290 boe/d or 13% above the third quarter of 2019 by increasing natural gas production to capture increased AECO prices. Annual production was 44,334 boe/d, up 6% over 2018. Liquids production in the fourth quarter of 2019 was 3,031 bbls/d, with annual liquids production reaching 2,700 bbls/d, an increase of 81% over 2018.

Advantage achieved adjusted funds flow^(a) for 2019 of \$155 million or \$0.83/share^(a). Year-end total debt-to-adjusted funds flow ratio^(a) was 2.0 with bank debt of \$296 million drawn on the Corporation's \$400 million credit facility.

Low Cost Reserves Additions Continued in 2019 as Liquids Program Progresses

2019 Reserves Highlights	PDP	1P ⁽¹⁾	2P
2019 Reserves (million boe)	106.0	352.8	465.7
2019 F&D Cost (\$/per boe, including FDC ⁽²⁾)	\$5.38	\$4.26	\$5.94
2019 Recycle ratio	2.2	2.8	2.0
2019 Reserves Increase Over 2018	20.7%	8.5%	7.8%

Proved reserves

(1) ("1P").

(2) Future development capital ("FDC").

a) *Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.*

Key accomplishments included:

- Replaced 307% of annual production (2P)
- Increased liquids reserves by 11% to 6.6 million bbls (PDP) and 15% to 44.7 million bbls (2P)
- Annual corporate decline rate of 26%

2019 Operating & Financial Information

(References to 2019 operational and financial results are estimates only and have not been reviewed or audited by our independent auditor. Advantage is expected to release its fourth quarter and year-end results after markets close on or about February 27, 2020)

	Q4 2019E	2019E
Production (boe/d)	47,370	44,334
Natural gas (mcf/d)	266,035	249,802
Natural gas liquids (bbls/d)	3,031	2,700
Operating netback (\$/boe) ^(a)	\$11.79	\$11.15
Cash provided by operating activities (\$ millions)	\$40	\$156
Adjusted Funds Flow (\$ millions) ^(a)	\$45	\$155
Cash used in investing activities (\$ millions)	\$50	\$174
Net Capital Expenditures (\$ millions) ^(a)	\$60	\$185
Total Debt (\$ millions) ^(a)	\$304	\$304
Total Debt to Adjusted Funds Flow ^(a)		2.0

- Achieved low annual 2019 royalty costs of \$0.29/boe, operating costs of \$1.98/boe, transportation expenses of \$3.50/boe, general and administrative costs of \$0.73/boe and finance costs of \$0.84/boe
- Annual 2019 cash provided by operating activities of \$156 million and adjusted funds flow ^(a) of \$155 million was supported by market diversification gains and realized gains on derivatives
- Cash used in investing activities was \$174 million and 2019 net capital expenditures ^(a) was \$185 million
- Capital efficiency ^(a) was \$13,100/boe/d, including \$57 million for major facilities projects, and \$9,000/boe/d excluding major facilities expenditures

a) Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.

RESERVES SUMMARY TABLES

Company Gross (before royalties) Working Interest Reserves Summary as at December 31, 2019

	Light & Medium Crude Oil (mbbl)	Conventional Natural Gas (mmcf)	Natural Gas Liquids (mbbl)	Total Oil Equivalent (mboe)
Proved				
Developed Producing	232	595,907	6,414	105,963
Developed Non-producing	2,215	35,912	1,506	9,706
Undeveloped	4,233	1,302,300	15,873	237,156
Total Proved	6,679	1,934,120	23,792	352,824
Probable	5,973	591,922	8,254	112,880
Total Proved + Probable	12,652	2,526,042	32,046	465,705

Table may not add due to
(1) rounding.

Company Net Present Value of Future Net Revenue using Sproule price forecasts ⁽¹⁾⁽²⁾⁽³⁾ (\$000)

	Before Income Taxes Discounted at		
	0%	10%	15%
Proved			
Developed Producing	1,725,541	909,505	741,899
Developed Non-producing	213,394	125,305	105,203
Undeveloped	2,194,028	473,956	201,754
Total Proved	4,132,963	1,508,766	1,048,856

Probable	2,289,288	696,966	477,451
Total Proved + Probable	6,422,251	2,205,731	1,526,307

- (1) Advantage's light and medium oil, conventional natural gas and natural gas liquid reserves were evaluated using Sproule's product price forecast effective December 31, 2019 prior to the provision for income taxes, interests, debt services charges and general and administrative expenses. It should not be assumed that the discounted future net revenue estimated by Sproule represents the fair market value of the reserves.
- (2) Assumes that development of reserves will occur, without regard to the likely availability to the Corporation of funding required for that development.
- (3) Future Net Revenue incorporates Managements' estimates of required abandonment and reclamation costs, including expected timing such costs will be incurred, associated with all wells, facilities and infrastructure.
- (4) Table may not add due to rounding.

a) *Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.*

Sproule Price Forecasts

The net present value of future net revenue at December 31, 2019 was based upon oil, natural gas and natural gas liquids pricing assumptions prepared by Sproule effective December 31, 2019. These forecasts are adjusted for reserves quality, transportation charges and the provision of any applicable sales contracts. The price assumptions used over the next seven years are summarized in the table below:

Year	Canadian Light Sweet Crude 40° API (\$Cdn/bbl)	Alberta AECO-C Natural Gas (\$Cdn/mmbtu)	Henry Hub Natural Gas (\$US/mmbtu)	Edmonton Propane (\$Cdn/bbl)	Edmonton Butane (\$Cdn/bbl)	Edmonton Pentanes Plus (\$Cdn/bbl)	Exchange Rate (\$US/\$Cdn)
2020	73.84	2.04	2.80	25.07	37.72	76.32	0.76
2021	78.51	2.27	3.00	31.84	43.90	80.52	0.77
2022	78.73	2.81	3.25	32.43	47.74	80.00	0.80
2023	80.30	2.89	3.32	33.26	48.69	81.68	0.80
2024	81.91	2.98	3.38	34.12	49.67	83.38	0.80
2025	83.54	3.06	3.45	34.99	50.66	85.13	0.80
2026	85.21	3.15	3.52	35.88	51.67	86.90	0.80

Company Gross (before royalties) Working Interest Reserves Reconciliation⁽¹⁾:

Proved	Light & Medium Crude Oil (mmbbl)	Conventional Natural Gas (mmcf)	Natural Gas Liquids (mmbbl)	Total Oil Equivalent (mboe)
Opening balance Dec. 31, 2018	3,011	1,777,022	25,884	325,065
Extensions and improved recovery	3,473	28,996	3,181	11,487
Technical revisions ⁽¹⁾	215	219,310	(4,293)	32,474
Discoveries	-	-	-	-
Acquisitions	-	12	40	42
Dispositions	-	-	-	-
Economic factors	(5)	(42)	(49)	(61)
Production	(15)	(91,178)	(970)	(16,182)
Closing balance at Dec. 31, 2019	6,679	1,934,120	23,792	352,824

a) *Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.*

	Light & Medium Crude Oil (mbbl)	Conventional Natural Gas (mmcf)	Natural Gas Liquids (mbbl)	Total Oil Equivalent (mboe)
Proved Plus Probable				
Opening balance Dec. 31, 2018	4,404	2,360,157	34,423	432,186
Extensions and improved recovery	9,390	73,771	6,019	27,704
Technical revisions ⁽¹⁾	(1,122)	183,318	(7,454)	21,977
Discoveries	-	-	-	-
Acquisitions	-	18	59	62
Dispositions	-	-	-	-
Economic factors	(5)	(44)	(31)	(43)
Production	(15)	(91,178)	(970)	(16,182)
Closing balance at Dec. 31, 2019	12,652	2,526,042	32,046	465,705

- (1) Technical revisions accounted for 74% of the total proved additions and 44% of the total proved plus probable additions. Percentage of each category calculated by dividing the technical revisions in the category by the total reserve additions in the same category before production.
- (2) Tables may not add due to rounding.

Company 2019 F&D Costs – Gross (before royalties) Working Interest Reserves including FDC⁽¹⁾⁽²⁾⁽³⁾

	Proved	Proved + Probable
Net capital expenditures (\$000) ^(a)	184,922	184,922
Net change in FDC (\$000)	2,402	110,096
Total capital (\$000)	187,324	295,018
Total mboe, end of year	352,824	465,705
Total mboe, beginning of year	325,065	432,186
Production, mboe	(16,182)	(16,182)
Reserve additions, mboe	43,941	49,701
2019 F&D costs (\$/boe)	\$4.26	\$5.94
2018 F&D costs (\$/boe)	\$8.33	\$8.04
Three-year average F&D costs (\$/boe)	\$5.97	\$6.03

- (1) F&D costs are calculated by dividing total capital by reserve additions during the applicable period. Total capital includes both capital expenditures incurred and changes in FDC required to bring the proved undeveloped and probable undeveloped reserves to production during the applicable period. Reserves additions are calculated as the change in reserves from the beginning to the ending of the applicable period excluding production.
- (2) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated FDC generally will not reflect total finding and development costs related to reserves additions for that year. Changes in forecast FDC occur annually as a result of development activities, acquisition and disposition activities and capital cost estimates that reflect Sproule's best estimate of what it will cost to bring the proved undeveloped and probable undeveloped reserves on production.
- (3) The change in FDC is primarily from incremental undeveloped locations.

a) Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.

The reserves by category and year-over-year changes compared to 2018 are indicated below:

Reserve Category	Light & Medium Crude Oil Million bbls	Conventional Natural Gas Tcf	Natural Gas Liquids Million bbls	Total Oil Equivalent Million boe	% Change from 2018
PDP	0.23	0.60	6.41	106.0	20.7%
1P	6.68	1.93	23.79	352.8	8.5%

2P 12.65 2.53 32.05 465.7 7.8%

The total number of 2P future well locations booked in the Sproule 2019 Reserves Report are illustrated in the following table:

Sproule Number of Gross Horizontal Wells Booked			
	Developed	Undeveloped	Total
Upper	120	121	241
Middle	71	139	210
Lower	55	87	142
Total	246	347	593

Advantage's 1P reserves life index is 20 years and its 2P reserves life index is 27 years based on the Corporation's average fourth quarter 2019 production rate of approximately 47,370 boe/d.

Additional comments pertaining to each of the reserves categories:

- PDP reserves increased 21% due to the recognition of 24 new wells that were brought on production through 2019 and upward technical revisions
- 1P reserves increased 8.5%
- 2P reserves increased 7.8% through the addition of 35 new wells and locations. A total of 347 undeveloped locations are booked in the Sproule 2019 Reserves Report

Looking Forward

By the fourth quarter of 2020, Advantage anticipates that several additional critical milestones in oil development will have been accomplished, leading to a step change in liquids production and revenue. 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 exposure to high value commodities, while supplementing our low-cost, resilient natural gas foundation.

- a) *Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.*

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 position, strategy and plans and the benefits to be derived therefrom, market diversification and low cost structure; the expected timing of release of Advantage's 2019 fourth quarter and year-end results and additional reserves information; the number of estimated future well locations booked; and Advantage's estimated fourth quarter and full year 2019 financial and operating results including production, sales, royalties, operating expense, transportation expense, operating netback, cash provided by operating activities, adjusted funds flow, cash used in investing activities, net capital expenditures and total debt. In addition, statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The recovery and reserve estimates of Advantage's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. 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; the effect of acquisitions; 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; uncertainties associated with estimating oil and natural gas reserves; 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 (mcf) may be misleading, particularly if used in isolation. Boe and mcf 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 mcf 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 F&D cost, recycle ratio, reserve replacement, and reserve life index, 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. F&D cost is calculated based on adding net capital expenditures and the net change in future development capital ("FDC"), divided by reserve additions for the year from the Sproule 2019 Reserves Report. Recycle ratio is calculated by dividing Advantage's fourth quarter operating netback by the calculated F&D cost of the applicable year and expressed as a ratio. Reserve replacement is calculated by dividing reserves net volume additions by the current annual production and expressed as a

percentage. Reserve life index is calculated by dividing the total volume of reserves by the fourth quarter production rate and expressed in years. Reserves per share is calculated as the total volume of reserves divided by the number of common shares issued and outstanding at year end.

Sproule was engaged as an independent qualified reserve evaluator to evaluate Advantage's year-end reserves as of December 31, 2019 ("Sproule 2019 Reserves Report") in accordance with National Instrument 51-101 ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook"). Reserves are stated on a gross (before royalties) working interest basis unless otherwise indicated. Additional details are provided in the accompanying tables to this release and additional reserve information as required under NI 51-101 will be included in our Annual Information Form which will be filed on SEDAR on or about February 27, 2020. The recovery and reserve estimates of reserves provided in this news release are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual reserves may eventually prove to be greater than, or less than, the estimates provided herein.

This press release discloses undeveloped drilling locations in two categories: (i) proved locations; and (ii) probable locations. Proved locations and probable locations are derived from the Sproule 2019 Reserves Report and account for drilling locations that have associated proved and/or probable reserves, as applicable. Of the 347 total undeveloped drilling locations identified herein, 309 are proved locations with 110 in the Upper Montney, 116 in the Middle Montney, and 83 in the Lower Montney. Of the 38 probable locations, 11 are in the Upper Montney, 23 in the Middle Montney, and 4 in the Lower Montney.

- a) Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.

Non-GAAP Measures

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," "capital efficiency" and "total debt to adjusted funds flow" which should not be considered as alternatives to, or more meaningful than "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:

(\$000)	Three months ended December 31, 2019	Year ended December 31, 2019
Cash used in investing activities	\$ 50,365	\$ 173,640
Changes in non-cash working capital	9,244	11,282
Net capital expenditures	\$ 59,609	\$ 184,922

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 expenditures on decommissioning 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. Adjusted funds flow has also been presented 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:

(\$000)	Three months ended December 31, 2019	Year ended December 31, 2019
Cash provided by operating activities	\$ 40,043	\$ 156,063
Expenditures on decommissioning liability	85	1,911
Changes in non-cash working capital	4,402	(2,794)
Adjusted funds flow	\$ 44,530	\$ 155,180

a) *Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.*

Operating Netback

Advantage calculates operating netback on a total and per boe basis. Operating netback is comprised of sales revenue, realized gains/losses 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.

(\$/boe)	Three months ended December 31, 2019	Year ended December 31, 2019
Sales of natural gas and liquids from production	\$ 17.69	\$ 15.53
Net sales of natural gas purchased from third parties	-	(0.09)
Realized gains (losses) on derivatives	(0.04)	1.48
Royalty expense	(0.51)	(0.29)
Operating expense	(1.89)	(1.98)
Transportation expense	(3.46)	(3.50)
Operating netback	\$ 11.79	\$ 11.15

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.

Total Debt

Total debt is comprised of bank indebtedness and working capital 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)	December 31 2019
Bank indebtedness	\$ 295,624
Working capital deficit	7,996
Total debt	\$ 303,620

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.

Capital Efficiency

Three-year and single year capital efficiency is calculated by dividing net capital development costs for oil and gas activities

including drilling, completion, facilities, infrastructure, office and capitalized general and administrative costs (excluding abandonment and reclamation costs, exploration and evaluation costs, and acquisition and disposition related costs and proceeds) by the average production additions of the applicable year to replace base production declines and deliver production growth targets, expressed in \$/boe/d. Capital efficiency is considered by management to be a useful performance measure as a common metric used to evaluate the efficiency with which capital activity is allocated to achieve production additions.

Certain financial and operating results included in this news release for the fourth quarter and year-ended 2019 are based on unaudited estimated results. These estimated results are subject to change upon completion of the Corporation's audited financial statements for the year ended December 31, 2019, and changes could be material. Advantage anticipates filing its audited financial statements and related management's discussion and analysis for the year ended December 31, 2019 on SEDAR on or about February 27, 2020.

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

bbl	one barrel
bbls	barrels
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
mbbl	thousand barrels
mboe	thousand barrels of oil equivalent of natural gas
mcf	thousand cubic feet
mcfe	thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or NGLs
mmcf	million cubic feet
mmbtu	million British thermal units
mmcf/d	million cubic feet per day
mmcfe/d	million cubic feet equivalent per day
tcf	trillion cubic feet
tcfe	trillion cubic feet equivalent

- a) Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.

SOURCE Advantage Oil & Gas Ltd.

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<https://advantageog.mediaroom.com/2020-02-05-Advantage-Announces-Record-Production-Strong-Reserves-Growth-with-212-PDP-Reserves-Replacement-and-2-2-PDP-Recycle-Ratio>