

## **/CORRECTION -- Advantage Oil & Gas Ltd./**

In the news release, Advantage Announces Agreement to Sell 12.5% Interest in Glacier Gas Plant for \$100 Million, issued 13-Apr-2020 by Advantage Oil & Gas Ltd. over CNW, the footnote details under "Transaction Summary" was inadvertently missed. The complete, corrected release follows:

### **Advantage Announces Agreement to Sell 12.5% Interest in Glacier Gas Plant for \$100 Million**

**(TSX: AAV)**

CALGARY, April 13, 2020 /CNW/ - Advantage Oil & Gas Ltd. ("Advantage" or the "Corporation") is pleased to announce it has reached a definitive agreement to sell a 12.5% interest in the Glacier Gas Plant to a strategic partner for \$100 million cash proceeds. This transaction will fortify Advantage's robust balance sheet during a time of unprecedented volatility and augment the Corporation's ability to pursue strategic opportunities and execute value-generating capital projects. National Bank Financial Inc. acted as financial advisor to Advantage on the transaction.

#### **Minor Plant Interest Sale Enhances Significant Flexibility**

The Glacier Gas Plant is one of the largest producer-owned gas processing facilities in Canada. It was commissioned by Advantage in 2010 and expanded in six phases to reach 400 mmcf/d raw gas and 6,800 bbl/d liquids capacity by 2018. The Plant features innovative design, high operating run-times, zero venting, and state-of-the-art automation technology. Complemented by the Glacier Acid Gas Sequestration project, it continues to be a key element of Advantage's leading operating cost structure and extremely low carbon emissions intensity.



Advantage will continue to be operator of the Plant and will retain all surplus capacity during the term of a volume commitment. Advantage and the purchaser may pursue further strategic opportunities together.

The Glacier Gas Plant processes all production from Advantage's Montney assets at Glacier, Valhalla and Progress through a network of owned pipelines, compressor stations and liquids hubs. As commodity prices vary, Advantage maintains the optionality to redeploy capital to the assets with superior economics depending on the mix of gas, condensate and light oil, with no major infrastructure projects required.

#### **Transaction Summary**

- Advantage will sell a 12.5% interest in the 400 mmcf/d Glacier Gas Plant for \$100 million, and retain the remaining 87.5% interest
- In conjunction with the transaction, Advantage will enter into a 15-year volume commitment agreement with the purchaser for 50 mmcf/d at a fee of \$0.66/mcf
- No growth capital is required to fulfill the volume commitment
- Advantage's low-cost structure will be preserved, with an annualized impact to adjusted funds flow of approximately \$5 million or less than \$0.03/share <sup>(1)</sup>
- The transaction is planned to close in July 2020, subject to customary closing conditions

*(1) The volume commitment agreement is expected to be treated as a lease under accounting standards. As such, payments would be allocated between principal repayments on the lease liability and finance expense. The estimated annual net impact of a \$5 million reduction in adjusted funds flow represents interest savings from reducing bank indebtedness by \$100 million and incremental finance expense on the lease.*

#### **Second Half of 2020 Outlook**

Advantage accomplished several significant milestones in the first quarter of 2020, including a 30-day initial rate of over 2,150 boe/d (>50% oil and liquids) at Progress 16-36. However, discretionary spending on oil projects at Progress and Wembley has been deferred considering the current economic environment. Advantage plans to revise the capital program for second half of 2020; key goals for the program will be to optimize returns, invest opportunistically, and target a net debt to adjusted funds flow ratio of approximately 2x through 2021.

Advantage continues to monitor fundamental supply/demand balances of oil and natural gas. While gas price fundamentals appear to be strengthening, Advantage is prepared to mitigate the impact of low oil prices and

may adjust production levels to protect value and revenue should this exceptional environment persist.

### **Forward Looking Statement 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 for its operations generally; and Advantage's management of its capital spending plans. 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](http://www.sedar.com) ("SEDAR") and [www.advantageog.com](http://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: its calculations of adjusted funds flow and expected accounting standards and treatments under International Financial Reporting Standards; 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 risks and assumptions related to forward-looking statements 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.*

## **Oil and Gas Advisories**

*Barrels of oil equivalent (boe) may be misleading, particularly if used in isolation. Boe 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 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.*

*References in this press release to production test rates, flow rates, yields and other short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Advantage. Advantage cautions that test results and short-term production rates should be considered preliminary.*

## **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 "adjusted funds flow", "net debt", and "net debt to adjusted funds flow", which should not be considered as alternatives to, or more meaningful than "net income", "comprehensive income", "cash provided by operating 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.*

*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. A reconciliation between adjusted funds flow and the nearest measure calculated in accordance with GAAP, cash provided by operating activities, is provided in Management's Discussion and Analysis. Net debt is comprised of bank indebtedness and working capital. Net debt provides Management and users with a measure of the Corporation's bank indebtedness and expected settlement of net liabilities in the next year. Net debt to adjusted funds flow is calculated by dividing net debt by adjusted fund flow for the previous four quarters. Net 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 bank debt if it devoted all its adjusted funds flow to bank debt repayment.*

## **Abbreviations**

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

<i>bbl</i>	<i>one barrel</i>
<i>bbls/d</i>	<i>barrels per day</i>
<i>boe</i>	<i>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</i>
<i>boe/d</i>	<i>barrels of oil equivalent of natural gas per day</i>
<i>mcf</i>	<i>thousand cubic feet</i>
<i>mcf/d</i>	<i>thousand cubic feet per day</i>
<i>mmcf</i>	<i>million cubic feet</i>
<i>mmcf/d</i>	<i>million cubic feet per day</i>

SOURCE Advantage Oil & Gas Ltd.

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