# Advantage Provides Operational Update First Quarter 2021 Production Outperformance

**(TSX: AAV)**

CALGARY, AB, April 5, 2021 /CNW/ - Advantage Oil & Gas Ltd. ("Advantage" or the "Corporation") is pleased to provide an operational update following the conclusion of its winter capital program.  For the first quarter of 2021, Advantage achieved record average production of approximately 49,700 boe/d (270.6 mmcf/d natural gas, 2,155 bbls/d crude oil and condensate, and 2,445 bbls/d NGLs), an increase of 14% over the previous quarter. All fourteen new wells completed at Glacier have exceeded Management's expectations, and adjusted funds flow ("AFF")[a] is expected to exceed capital by over 40% in the quarter.  This strong start to 2021 is consistent with the recently increased annual guidance which included a 3% increase in production (48,000 – 51,000 boe/d) and a 9% reduction in net capital expenditures[a] ($115 – $135 million).

*(All references to first quarter 2021 operating and financial results contained herein are estimates only.  Advantage will report its first quarter actual results on April 29, 2021.)*

**Operational Highlights**

- For the fourteen wells brought onstream at Glacier since July 2020, the average IP30 has been 10 mmcf/d of natural gas
- Five additional Glacier wells were drilled and cased but remain behind pipe with completion and tie-in planned for third quarter 2021
- An additional fourteen wells are scheduled to be drilled in the second half of 2021 with the primary focus remaining at Glacier
- The northwest segment of the Glacier gas gathering system has been expanded and will be placed into operation in early April, increasing capacity and eliminating restrictions on several new well pads
- Total gas sales were strategically increased in February and March enabled by the high well productivities and available Glacier Gas Plant capacity, capitalizing on higher gas prices driven by the extreme cold weather
- Liquids production has been stable for the last four quarters at approximately 4,600 bbls/d despite our focus on gas development with no new oil wells drilled

**Successful "Tuck-in" Acquisitions**

- Completed two complementary asset acquisitions consisting of 12.4 net sections of highly prospective Doig/Montney rights contiguous to our existing land base
- Increases our Doig/Montney land position to 228 net sections and enhances our deep inventory of over 1,400 drill locations
- The acquisitions were facilitated by Advantage's dominant infrastructure position in the area, and acquisition costs are already captured within the 2021 capital guidance
- Total production of the assets was 130 boe/d (0.8 mmcf/d natural gas, 0 bbls/d crude oil and condensate, and 5 bbls/d NGLs), which is already tied into the Glacier Gas Plant

**Advancing Corporate Strategy**

Advantage believes that disciplined investment and balance sheet strength are crucial to maximize returns for our shareholders.  As announced recently, the Corporation issued revised 2021 guidance with lower capital and higher production.  In conjunction with strong first quarter results, Advantage's estimated net debt to AFF[a] ratio is expected to be approximately 1x in 2021 while delivering close to 10% annual production growth and approximately $70 million free cash flow[a].  This financial strength will provide the basis to:

- Continue to deliver moderate production growth (between 5% and 10%) utilizing existing capacity at our Glacier Gas Plant
- Enhance corporate resilience and scale through:
- balancing our high exposure to gas pricing by growing our liquids production at Progress and Wembley
- revenue-generating cleantech investments through Entropy Inc. that will leverage our carbon capture and sequestration technology and expertise
- acquisitions that create efficiencies and scale
- Potentially return capital to shareholders

Advantage remains on track to deliver strong growth in AFF[(a)], based on current natural gas futures pricing. For 2021, free cash flow[(a)], debt reduction and moderate production growth remain key priorities.

***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 "guidance", "anticipate", "target", "objectives", "estimates", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's focus, strategy and development plans; estimated production and amount of adjusted funds flow for the first quarter of 2021; timing for wells to come on-stream; number of wells to be drilled in the second half of 2021;Advantage's estimated net debt to AFF ratio, production growth and amount of free cash flow for 2021; Advantage's plans to enhance corporate resilience and scale, which may include acquisitions and/or returns of capital; and Advantage's key priorities for 2021. 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, including as a result of demand and supply effects resulting from the COVID-19 pandemic; 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, net 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 and processing 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; ability to access sufficient capital from internal and external sources; and any decision to return capital to shareholders is subject to the approval of the board of directors taking into account various factors, including, but not limited to, restrictions under credit facilities and compliance with solvency tests under applicable laws. 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; the impact and duration thereof that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs and natural gas; effects of regulation by governmental agencies; current and future commodity prices and royalty regimes; the Corporation's current and future hedging program; future exchange rates; royalty rates; future operating costs; future transportation costs and availability of product transportation capacity; availability of skilled labor; availability of drilling and related equipment; timing and amount of net capital expenditures; the number of new wells required to achieve the budget objectives; that the Corporation will have sufficient adjusted funds 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* *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 therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press 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.*

*The information in this press release in respect of the estimated net debt to AFF ratio and free cash flow for 2021 may constitute a financial outlook within the meaning of applicable securities laws. Such information has been prepared by management based on a number of assumptions, including the assumptions discussed in this press release, to provide an outlook of the Corporation's anticipated financial results and may not be appropriate for other purposes. The actual results of operations and the resulting financial results may vary from the amounts set forth herein, and such variations may be material. Advantage believes that such information has been prepared on a reasonable basis, reflecting management's best estimates and judgments. Such information is made as of the date of this press release and Advantage disclaims any intent or obligation to update publicly the financial outlook contained herein, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law.*

***Oil and Gas Advisories***

*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.*

*References in this press release to IP30 rates 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. IP30 is defined as an average production rate over 30 consecutive days. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Advantage.*

*This press release discloses drilling inventory in the Doig/Montney in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from the Sproule Associates Limited ("Sproule") reserves evaluation effective December 31, 2020 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on Advantage's prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the more than 1,400 total drilling locations identified herein, 299 are proved locations, 38 are probable locations and more than 1,063 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Advantage will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which Advantage actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.*

***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", "free cash flow", 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", "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. Please see the Corporation's most recent Management's Discussion and Analysis, which is available at [www.sedar.com](http://www.sedar.com) and [www.advantageog.com](http://www.advantageog.com), for additional information about these financial measures, including a reconciliation to the nearest GAAP measures.*

*Net Capital Expenditures*

*Net capital expenditures include total capital expenditures related to property, plant and equipment and exploration and evaluation assets. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods.*

*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 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 and paying payables. Expenditures on decommissioning liabilities are excluded from the calculation as the amount and timing of these expenditures are unrelated to current production and are partially discretionary due to the nature of our low liability.*

*Free Cash Flow*

*Free cash flow is calculated as adjusted funds flow less net capital expenditures. Free cash flow is a useful measure of Advantage's ability to settle outstanding debt and obligations.*

*Net Debt to Adjusted Funds Flow*

*Net debt to adjusted funds flow is calculated by dividing net debt by adjusted fund flow for the previous four quarters. Net debt is comprised of bank indebtedness and working capital.  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 debt if it devoted all its adjusted funds flow to debt repayment.*

***Abbreviations***

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

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| *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* |
| *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* |
| *mmcf/d* | *million cubic feet per day* |
| *Crude oil and condensate* | *Light crude oil and medium crude oil as defined in National Instrument 51-101* |
| *NGLs* | *Natural Gas Liquids as defined in National Instrument 51-101* |
| *Natural gas* | *Conventional Natural Gas as defined in National Instrument 51-101* |

a. *Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for description of non-GAAP measures.*

SOURCE Advantage Oil & Gas Ltd.

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