

Advantage Announces First Quarter 2019 Operating & Financial Results

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2019 Liquids Production Growth On-Track with Lower Capital
(TSX: AAV)

CALGARY, May 2, 2019 - Advantage Oil & Gas Ltd. ("Advantage" or the "Corporation") is pleased to announce continued advancement of our liquids development plan as demonstrated by our first quarter 2019 results. Advantage's achievements include:

- 13% increase in production to 44,900 boe/d, including an 84% increase in liquids production to 2,030 bbls/d during the quarter, on plan to exceed 2,300 bbls/d in the second quarter
- Generated adjusted funds flow ^(a) of \$50 million (\$0.27/share) and net capital expenditures^(a) of \$57 million
- Achieved a \$5.8 million gain through gas marketing and hedging initiatives resulting in an average realized natural gas price of Cdn \$3.11/mcf
- Increased hedging to 47% of estimated 2019 total gas sales at an average Cdn price of \$2.50/mcf with only 20% of gas production exposed to AECO pricing between April and October 2019
- Maintained low corporate costs including royalty costs of \$0.57/boe, operating costs of \$2.02/boe, transportation costs of \$3.40/boe and G&A costs of \$0.61/boe
- Renewal of our \$400 million credit facility with over \$100 million undrawn
- Retained strong financial flexibility with a total debt to adjusted funds flow ^(a) of 1.9x
- At Glacier, a new 10 well liquids-rich Middle Montney pad is exceeding expectations
- Successfully commissioned our new Valhalla liquids handling facility, in preparation for 7 standing Middle Montney wells to be brought on-production through the remainder of 2019

Advantage's 2019 capital development program has been reduced by \$10 million with no impact to the Corporation's annual production guidance. Annual 2019 capital expenditures are anticipated to range from \$180 to \$200 million with annual liquids production increasing 100% year-on-year to average between 2,900 to 3,200 bbls/d, and total production between 43,500 and 46,500 boe/d. The 2019 program is expected to reduce year-end total debt to adjusted funds flow ^(a) to approximately 1.7x based on current strip prices. The \$10 million reduction was accomplished primarily by deferring lean gas well drilling.

Advantage's 2019 to 2021 liquids development plan increases liquids production to over 11,000 bbls/d in 2021. The plan results in more than 50% of revenue from high value liquids while targeting a total debt to adjusted funds flow below 2.0 times based on current strip prices. Advantage's extensive infrastructure ownership and minimal external commitments provides the Corporation with the flexibility to allocate capital between our four project areas over the plan period as we refine and optimize our plan to enhance investment returns. This will be accomplished through allocating capital to the highest return projects and managing the pace of development which may vary the total plan capital required.

Operations Update

During the first quarter, Advantage drilled 5 gross wells (4.7 net) at Valhalla, completed 2 gross wells (2 net) at Valhalla, completed 10 gross wells (10 net) at east Glacier, and commissioned the new Valhalla liquids hub. Production was significantly reduced in February 2019 for 10 days due to 76% firm service restrictions on TransCanada Pipelines Ltd's NGTL system; conversely Advantage increased production in March to capture higher prices during a prolonged period of cold weather.

Glacier

During the first quarter of 2019, Advantage completed and tested a 10 well Middle Montney pad located in

east Glacier. These Middle Montney wells demonstrated an average liquids yield of 73 bbls/mmcf. Gas production rates from these wells exceeded the Corporation's average well type curves by 20%. Two of the 10 wells are currently on-production with the remaining eight to be tied-in following spring breakup.

Valhalla

During the first quarter of 2019, 5 gross (4.7 net) wells were drilled across three different liquids-rich Montney horizons with completions and tie-ins planned for the third quarter 2019. Two additional wells (drilled in late 2018) were completed in the Middle Montney; flow back and tie-ins will occur following spring breakup.

Advantage commissioned a 100% owned Valhalla compression and liquids facility during the first quarter. This facility is designed to accommodate 40 mmcf/d of raw gas and 2,000 bbls/d of free liquids and is expandable to accommodate future liquids-rich production growth at Valhalla.

Pipestone/Wembley

At Wembley, Advantage continues to progress engineering, procurement and regulatory work on a liquids hub (capacity of 36 mmcf/d of raw gas and 5,000 bbls/d of oil), along with the associated gathering and sales pipelines. Long lead-time items have been ordered and regulatory approval has been obtained for the portion of gathering and sales pipelines necessary to deliver the first tranche of production from Wembley to a third party processor in the area. Production is expected to commence during the third quarter of 2019.

Progress

At Progress, Advantage is preparing to construct a pipeline to tie-in two previously drilled wells to our Glacier gas plant through the Valhalla liquids hub. This new pipeline, expected to be complete by the fourth quarter of 2019, further expands Advantage's infrastructure network, and will serve as a trunk line as Advantage continues to delineate the Progress Montney oil asset.

Looking Forward

The Corporation's 2019 net capital expenditures^(a) guidance range is \$180 to \$200 million. Our 2019 production guidance range of between 43,500 and 46,500 boe/d (261 and 279 mmcf/d) remains unchanged. Liquids production is expected to average between 2,900 and 3,200 bbls/d. Advantage believes that AECO gas prices may remain volatile through the summer due in part to the receipt and delivery balancing procedure on the NGTL pipeline system. In the event of periods of very low prices, Advantage has the flexibility to appropriately manage production on unhedged AECO sales, with minimal impact on adjusted funds flow due to Advantage's existing market diversification positions.

Advantage is planning to invest approximately \$15 million in the second quarter of 2019. Liquids production is forecast to continue increasing through the remainder of 2019 as we tie-in new wells at east Glacier and Valhalla. Additionally, production from our Pipestone/Wembley asset is targeted to be brought on-stream during the third quarter when third party processing capacity is available.

First Quarter 2019 Operating and Financial Summary

Financial Highlights	Three months ended			
	March 31			
(\$000, except as otherwise indicated)	2019		2018	
Financial Statement Highlights				
Sales including realized hedging ⁽³⁾	\$ 81,372		\$ 73,378	
Net income and comprehensive income	\$ 681		\$ 10,103	
per basic share ⁽²⁾	\$ 0.00		\$ 0.05	
Cash provided by operating activities	\$ 44,483		\$ 58,654	
Cash provided by financing activities	\$ 19,501		\$ 28,341	
Cash used in investing activities	\$ 59,714		\$ 85,225	
Basic weighted average shares (000)	185,942		185,963	
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾	\$ 50,023		\$ 48,882	
per boe	\$ 12.38		\$ 13.63	
per basic share ⁽²⁾	\$ 0.27		\$ 0.26	
Net capital expenditures ⁽¹⁾	\$ 57,422		\$ 77,073	
Working capital (surplus) deficit ⁽¹⁾	\$ (9,325)		\$ 13,779	
Bank indebtedness	\$ 290,612		\$ 237,319	
Total debt ⁽¹⁾	\$ 281,287		\$ 251,098	

⁽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			
	March 31			
	2019		2018	
Operating				
Daily Production				
Natural gas (mcf/d)		257,219		232,456
Liquids (bbls/d)		2,030		1,105
Total production (mcf/d)		269,401		239,086
Total production (boe/d)		44,900		39,848
Average prices (including realized hedging)				
Natural gas (\$/mcf) ⁽²⁾		\$ 3.11		\$ 3.19
Liquids (\$/bbl)		\$ 51.93		\$ 66.11
Operating Netback (\$/boe)				
Sales of natural gas and liquids from production		\$ 18.90		\$ 16.19
Net sales of natural gas purchased from third parties ⁽¹⁾		(0.35)		-
Realized gains on derivatives		1.23		4.27
Royalty expense		(0.57)		(0.34)
Operating expense		(2.02)		(1.94)
Transportation expense		(3.40)		(3.44)
Operating netback ⁽¹⁾		\$ 13.79		\$ 14.74

⁽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 months ended March 31, 2019 together with the notes thereto, and Management's Discussion and Analysis for the three months ended March 31, 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 strategy and plans, expectations generally; expectation that liquids production will exceed 2,300 bbls/d in the second quarter of 2019; the anticipated number of wells to be brought on production for the remainder of 2019; the expected components and benefits to be derived from Advantage's 2019 to 2021 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 is to be brought on-stream; expected timing to complete the new pipeline at Progress and the benefits to be derived therefrom; Advantage's 2019 net capital expenditures guidance range, 2019 production guidance range and 2019 average liquids production guidance range; Advantage's anticipated amount of investment in the first half of 2019. 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 (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 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-GAAP 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	
	March 31	
(\$000)	2019	2018
Cash used in investing activities	\$ 59,714	\$ 85,225
Changes in non-cash working capital	(2,292)	(8,152)
Net capital expenditures ⁽¹⁾	\$ 57,422	\$ 77,073

⁽¹⁾ Excludes capitalized share-based compensation and changes in decommissioning liability.

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 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:

(\$000s)	31, 2019	December 31, 2018
Bank indebtedness	290,612 \$	270,918
Working capital deficit	1,912	
Total	281,287 \$	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 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. 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	
	March 31	
(\$000s)	2019	2018
Cash provided by operating activities	\$ 44,483	\$ 58,654
Expenditure on decommissioning liability	865	121
Changes in non-cash working capital	4,675	(9,893)
Adjusted funds flow	\$ 50,023	\$ 48,882

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

Operating netback is comprised of sales revenue and realized gains of derivatives, 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.

Contact

The following abbreviations are used in this press release: **Advantage Oil & Gas Ltd.** OR Investor Relations: Toll free: 1-866-393-0393; [Advantage Oil & Gas Ltd.](http://www.advantageoil.com), 300, 440 - 2nd Avenue SW, Calgary, Alberta T2P 5E9, Phone: (403) 718-8000, Fax: (403) 718-8332, Web Site: www.advantageoil.com, E-mail: info@advantageoil.com

bbls barrels

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mcf thousand cubic feet

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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 million cubic feet

mmcf/d million cubic feet per day

mmcfe/d million cubic feet equivalent per day

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