



Advantage Announces First Quarter 2020 Results, Strong Asset Performance, and Revised Capital Program

(TSX: AAV)

Calgary, Alberta, May 6, 2020 – Advantage Oil & Gas Ltd. (“Advantage” or the “Corporation”) is pleased to announce solid first quarter 2020 operating results including production of 46,458 boe/d (up 3% from first quarter 2019) and record liquids production of 3,714 bbls/d (up 83% from first quarter 2019) with continued low operating costs of \$2.28/boe. Production from new wells at Progress and Pipestone/Wembley is meeting or exceeding expectations, and performance of the foundational assets at Glacier and Valhalla has remained robust.

Advantage’s highly active first quarter included the completion of strategic oil infrastructure projects at both Pipestone/Wembley and Progress. With the recent commissioning of this infrastructure, Advantage has established flexibility to optimize capital deployment between our prolific low-cost gas at Glacier, our prolific condensate-rich gas at Valhalla, and our high quality light oil assets at Wembley and Progress.

In response to the current shift in commodity prices, the Corporation has updated 2020 capital guidance to between \$130 million and \$145 million, with plans to moderate liquids growth and focus spending on the highest rate-of-return investments at Glacier. This plan is designed to increase liquidity and financial flexibility, bolstering our ability to pursue strategic opportunities and execute value-generating investments with a disciplined approach. In conjunction with the Corporation’s recently announced sale of 12.5% of our Glacier Gas Plant for \$100 million (see Advantage news release dated April 13, 2020) to fortify our balance sheet, Advantage will continue to target a net debt to adjusted funds flow^(a) ratio of 2x or less in 2021.

Advantage wishes to thank our field staff, head office staff and service providers for their commitment and hard work required to complete recent projects under strict health protocols, during the COVID 19 pandemic. We commend and appreciate their dedication, along with other industry producers and all front-line workers, as we continue to deliver environmentally responsible, essential energy to Canada and the world.

First quarter 2020 results:

- Total production of 46,458 boe/d including natural gas production of 256.5 mmcf/d and liquids production of 3,714 bbls/d
- Cash provided by operating activities of \$20.8 million and adjusted funds flow^(a) of \$32.1 million or \$0.17 per share
- Net capital expenditures^(a) of \$93.6 million. This included \$49 million of infrastructure spending to establish efficient operations at both Wembley and Progress. First half 2020

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.*

spending remains approximately \$100 million. All drilling, completions and facilities spending required to meet 2020 production guidance is now substantially complete; remaining capital spending is primarily discretionary investment in the highest rate-of-return projects.

- Bank indebtedness of \$330.6 million and net debt^(a) of \$364.9 million. The Corporation intends to use the proceeds from the \$100 million sale of 12.5% of our Glacier Gas Plant to reduce bank indebtedness on closing in July.
- Maintained low cash costs including operating costs of \$2.28/boe.
- A non-cash impairment expense of \$361 million (\$277 million net of tax) was recognized due to a significantly reduced independent reserve engineer price forecast attributable to exceptional commodity price volatility. The impairment has no impact on adjusted funds flow and could reverse in the future should the commodity futures recover.

Operational Update

At Progress, construction of a 26 km gathering system was completed during the first quarter, connecting five wells from our recently discovered light oil play to the Glacier Gas Plant. Productivity of the wells is exceeding expectations and the wells remain restricted, with maximum capacity of approximately 2,000 bbls/d, depending on frac water flowback rates. In preparation to construct a 5,000 bbl/d battery, \$18 million was spent during the quarter to purchase major equipment. Construction of this battery has been deferred while oil prices remain impacted by the COVID pandemic.

At Wembley, construction of our 36 mmcf/d gas and 5,000 bbl/d liquids hub was completed and commissioned during April. With liquids extraction and compression now in place, liquids constraints at a third-party gas plant have been alleviated and wellhead pressures have been reduced. Since the battery was commissioned, the 8 Wembley wells drilled to date have been ramping up and producing at expectations.

At Glacier, one previously drilled well was brought on production during the quarter. The well averaged 7.5 mmcf/d and 7.5 MPa flowing pressure over the first 30 days of production. Approximately four wells will be drilled during the remainder of 2020, targeting low-risk prolific gas that will produce into existing processing capacity at the Glacier Gas Plant.

All four properties (Glacier, Valhalla, Wembley and Progress) now have established infrastructure and proven productivity. Development of each of the assets can continue within existing capacity, with no major infrastructure or land spending, providing strong returns in most commodity price environments. Advantage has minimal take-or-pay obligations, which provides flexibility to redirect capital to the highest rate-of-return projects, and to vary the pace of development freely.

Advantage has hedged approximately 55% of its natural gas production for the second and third quarters of this year. For 2021, 12% of forecast natural gas production is hedged between Henry Hub, Chicago and Dawn at an average price of US \$2.51 per mmbtu, with more hedging planned in the coming months.

Looking Forward and Updated Guidance

Although gas prices experienced a significant decline across the North American complex in the first quarter due to a warm winter, futures have strengthened significantly as supply and demand have rebalanced; as such, Advantage has adjusted capital spending to be prepared to capitalize on strategic opportunities and to deliver strong returns through organic development. The asset sale of 12.5% of our Glacier Gas Plant, which is scheduled to close in July, fortifies the Corporation's balance sheet and provides significant financial and operational flexibility during this period of unprecedented volatility. Key goals for our revised guidance will be to optimize returns, invest opportunistically, and target a net debt to adjusted funds flow^(a) ratio of approximately 2x or less in 2021. The Corporation has revised its 2020 guidance as follows:

	Updated Guidance ⁽¹⁾	Original Guidance ⁽²⁾
Cash Used in Investing Activities ⁽³⁾ (\$ millions)	\$130 to 145 ⁽⁴⁾	\$170 to \$200
Average Production (boe/day)	43,500 to 46,500	45,000 to 47,500
Gas Production (mmcf/d)	235 to 250	234 to 245
Liquids Production (bbls/d)	4,200 to 4,700	6,000 to 6,700
Royalty Rate (%)	3% to 5%	3% to 5%
Operating Expense (\$/boe)	\$2.50	\$2.50
Transportation Expense (\$/boe)	\$3.70	\$3.70
G&A/Finance Expense (\$/boe)	\$1.80	\$1.70

⁽¹⁾ Forward-looking information. Refer to Forward-Looking Information and Other Advisories for cautionary statements regarding Advantage's guidance including material assumptions and risk factors.

⁽²⁾ See News Release dated January 8, 2020.

⁽³⁾ Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed and other differences are immaterial.

⁽⁴⁾ Excludes net proceeds from the asset sale of 12.5% of our Glacier Gas Plant.

First Quarter 2020 Operating and Financial Summary

Financial Highlights	Three months ended	
	March 31	
(\$000, except as otherwise indicated)	2020	2019
Financial Statement Highlights		
Sales including realized derivatives ⁽³⁾	\$ 65,772	\$ 81,372
Net income (loss) and comprehensive income (loss)	\$ (266,519)	\$ 681
per basic share ⁽²⁾	\$ (1.43)	\$ 0.00
Cash provided by operating activities	\$ 20,826	\$ 44,483
Cash provided by financing activities	\$ 34,960	\$ 19,501
Cash used in investing activities	\$ 65,221	\$ 59,714
Basic weighted average shares (000)	186,911	185,942
Other Financial Highlights		
Adjusted funds flow ⁽¹⁾	\$ 32,093	\$ 50,023
per boe ⁽¹⁾	\$ 7.59	\$ 12.38
per basic share ⁽¹⁾⁽²⁾	\$ 0.17	\$ 0.27
Net capital expenditures ⁽¹⁾	\$ 93,630	\$ 57,422
Working capital deficit (surplus) ⁽¹⁾	\$ 34,284	\$ (9,325)
Bank indebtedness	\$ 330,644	\$ 290,612
Net debt ⁽¹⁾	\$ 364,928	\$ 281,287

⁽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	
	2020	2019
Operating		
Daily Production		
Natural gas (mcf/d)	256,463	257,219
Crude oil and condensate (bbls/d)	2,151	750
NGLs (bbls/d)	1,563	1,280
Total production (boe/d)	46,458	44,900
Average realized prices (including realized derivatives)		
Natural gas (\$/mcf) ⁽²⁾	\$ 2.11	\$ 3.11
Crude oil and condensate (\$/bbl)	\$ 60.64	\$ 61.59
NGLs (\$/bbl)	\$ 32.98	\$ 46.28
Operating Netback (\$/boe)		
Petroleum and natural gas sales from production	\$ 15.18	\$ 18.90
Net sales of natural gas purchased from third parties ⁽¹⁾	-	(0.35)
Realized gains on derivatives	0.38	1.23
Royalty expense	(0.89)	(0.57)
Operating expense	(2.28)	(2.02)
Transportation expense	(3.50)	(3.40)
Operating netback ⁽¹⁾	\$ 8.89	\$ 13.79

⁽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 consolidated financial statements for the three months ended March 31, 2020 together with the notes thereto, and Management’s Discussion and Analysis for the three months ended March 31, 2020 have been filed on SEDAR and are available on the Corporation’s website at <http://www.advantageog.com/investors/financial-reports/financial-reports-2020>. Upon request, Advantage will provide a hard copy of any financial reports free of charge.

For further information contact:

Craig Blackwood
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

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 "anticipate", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's strategy and development plans; and Advantage's expectations generally and with respect to its liquid development. 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 sale of 12.5% of the Glacier Gas Plant will close in July 2020; 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. 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.

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. References to natural gas or liquids production in this press release refer to conventional natural gas and natural gas liquids, respectively, product types as defined in National Instrument 51-101.

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.

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 press release, should not be relied upon for investment or other purposes.

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", "net debt", "net 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:

(\$000)	Three months ended March 31	
	2020	2019
Cash used in investing activities	\$ 65,221	\$ 59,714
Changes in non-cash working capital	28,409	(2,292)
Net capital expenditures	\$ 93,630	\$ 57,422

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.

Net Debt

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. A detailed calculation of net debt is provided below:

(\$000)	March 31	December 31
	2020	2019
Bank indebtedness (non-current)	\$ 330,644	\$ 295,624
Working capital deficit	34,284	7,996
Net debt	\$ 364,928	\$ 303,620

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:

(\$000, except as otherwise indicated)	Three months ended March 31	
	2020	2019
Cash provided by operating activities	\$ 20,826	\$ 44,483
Expenditures on decommissioning liability	179	865
Changes in non-cash working capital	11,088	4,675
Adjusted funds flow	\$ 32,093	\$ 50,023

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 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.

Operating Netback

Advantage calculates operating netback on a 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.

	Three months ended March 31			
	2020		2019	
	\$000	per boe	\$000	per boe
Petroleum and natural gas sales from production	\$ 64,185	\$ 15.18	\$ 76,393	\$ 18.90
Net sales of natural gas purchased from third parties	-	-	(1,400)	(0.35)
Realized gains on derivatives	1,587	0.38	4,979	1.23
Royalty expense	(3,755)	(0.89)	(2,302)	(0.57)
Operating expense	(9,647)	(2.28)	(8,157)	(2.02)
Transportation expense	(14,804)	(3.50)	(13,750)	(3.40)
Operating netback	\$ 37,566	\$ 8.89	\$ 55,763	\$ 13.79

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

<i>bbl</i>	<i>one barrel</i>
<i>bbls</i>	<i>barrels</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>mcfe</i>	<i>thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or NGLs</i>
<i>mcfe/d</i>	<i>thousand cubic feet equivalent per day</i>
<i>mmcf</i>	<i>million cubic feet</i>
<i>mmcf/d</i>	<i>million cubic feet per day</i>
<i>mmcfe/d</i>	<i>million cubic feet equivalent per day</i>
<i>Liquids or NGLs</i>	<i>Natural Gas Liquids as defined in National Instrument 51-101</i>
<i>Natural gas</i>	<i>Conventional Natural Gas as defined in National Instrument 51-101</i>