

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

July 26, 2018

Advantagewon Oil Corp. (CSE: AOC / OTC: ANTGF) – Substantial Boost in Reserves and Production

Sector/Industry: Junior Oil and Gas

www.aoc-oil.com

Market Data (as of July 26, 2018)

Current Price	C\$0.045
Fair Value	\$0.24
Rating*	BUY
Risk*	4
52 Week Range	C\$0.05 – C\$0.18
Shares O/S	203,952,602
Market Cap	C\$9.18 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	0.72x
YoY Return	-65.38%
YoY CSE	16.16%

*see back of report for rating and risk definitions



Highlights

- Advantagewon Oil Corp. (“company”, “Advantagewon”) announced 2017 revenues (net of royalties) of \$405,957 (our forecast was \$596,218), up 12.58% from \$360,604 in 2016. Q1-2018 net oil revenues were \$138,367, up 33.55% YoY.
- The company announced updated reserve estimates for their La Vernia property and the Saratoga property. La Vernia’s gross reserves increased by 36.70%, and net reserves increased by 36.96%. Saratoga’s gross and net reserves decreased minimally.
- La Vernia’s after-tax Net Present Value discounted at 10% (“NPV10”) increased to US\$46.20 million, from US\$24.65 million previously. Saratoga’s after-tax NPV10 decreased to US\$14.30 million, from US\$15.01 million previously.
- La Vernia’s before-tax NPV10 increased to US\$74.62 million, from US\$39.78 million previously. Saratoga’s before-tax NPV10 decreased to US\$23.00 million, from US\$24.27 million previously.
- A total of 32 wells on the La Vernia property have been brought to production, and management anticipates that these wells will add 16-64 boepd to production.
- Management’s guidance for 2018 exit production is 200 boepd. The current production is 40 boepd.
- **We are revising our fair value per share estimate from \$0.20 to \$0.24.**

Key Financial Data (FYE - Dec 31)

(C\$)	2017	2018E	2019E
Cash	\$ 780,989	\$ 114,294	\$ 51,956
Working Capital	\$ -361,739	\$ 317,715	\$ 611,916
Debt	\$ 718,432	\$ 350,000	\$ 350,000
Total Assets	\$ 14,664,526	\$ 16,398,502	\$ 18,264,228
Revenues	\$ 511,673	\$ 1,279,086	\$ 2,813,738
Net Income (Loss)	\$ -2,804,832	\$ -2,724,609	\$ -1,967,961
EPS	\$ -0.02	\$ -0.01	\$ -0.01
Shareholders' Equity	\$ 11,350,714	\$ 13,389,792	\$ 15,190,287

Financials

Revenues: The following is a summary of Advantagewon’s operating performance.

STATEMENT OF OPERATIONS						
(in \$) - YE Dec 31st	2014	2015	2016	2017	Q1-2017	Q1-2018
Gross Revenues	1,097,788	434,357	465,366	511,673	133,872	188,050
Production Expenses	376,309	387,873	279,163	347,290	114,031	77,013
Royalties	247,769	97,820	104,762	105,716	30,218	49,683
Gross Profit	473,710	51,336	81,441	58,667	10,377	61,354
EXPENSES						
G&A Expense	1,240,382	1,773,395	768,325	2,469,443	234,334	452,764
Share-based Compensation					201,512	258,980
EBITDA	- 766,672	- 1,824,731	- 686,884	- 2,410,776	- 446,223	- 650,390
Depreciation	137,898	142,477	122,517	119,868	61,052	30,217
EBIT	- 904,570	- 1,967,208	- 809,401	- 2,530,644	- 507,275	- 680,607
Financing Costs	300,128	535,855	471,130	246,248	71,667	33,552
EBT	- 1,204,698	- 2,503,063	- 1,280,531	- 2,776,892	- 578,942	- 714,159
Accretion Expense	1,769	7,381	5,393	8,659	6,582	10,429
Exploration Expense	781,485	41,401		57,693	28,997	
Non-recurring expenses						20,215
Taxes	- 101,000	- 82,000		38,412		
Net Profit (Loss)	- 1,886,952	- 2,469,845	- 1,209,257	- 2,804,832	- 614,521	- 744,803
FOREX Translation	225,424	880,672	156,018	477,525	59,420	243,481
Net comprehensive Profit (Loss)	- 1,661,528	- 1,589,173	- 1,365,275	- 3,282,357	- 673,941	- 501,322

Source: Company Data / FRC

Production in 2017 was 8,144 boe (22.31 boepd), down from 9,354 boe (25.63 boepd) during the previous year. However, net oil revenues increased to \$405,957 in 2017, from \$360,604 in 2016, reflecting an increase of 12.58%, due to rising oil prices. **For Q4-2017, production was 2,179 boe (24.22 boepd), down from 2,322 boe (25.80 boepd) during Q4-2016.** Net oil revenues increased to \$134,941 in Q4-2017, from \$86,803 in Q4-2016. The net loss in 2017 was \$3.28 million (EPS: -\$0.02) versus \$1.37 million (EPS: -\$0.01) in 2016.

Production in Q1-2018 was 2,359 boe (26.21 boepd), up from 2,260 boe (25.11 boepd) during the same period in the previous year. The increase in production was due to the acquisition of the Boldt and Rouse properties during Q4-2017. Net oil revenues increased to \$138,367 in Q1-2018, from \$103,604 in Q1-2017. We estimate that revenue per boe was \$79.72 in Q1-2018, versus \$59.24 per boe in Q1-2017. The net loss in the period was \$0.50 million (EPS: -\$0.00) versus \$0.67 million (EPS: -\$0.00) in Q1-2017.

In our initiating report, management had advised that they expected the exit rate for 2017 to be 60 bopd. **However, Q1-2018’s average boepd fell significantly short of management’s guidance.** According to management, discrepancies between actual and expected production are due to operational issues resulting in delays in commencing production from a number of wells. Furthermore, the company have advised that the current production is 40 bopd.

Forecasts: Our forecasts for 2018, and 2019, are shown below (note that the shares outstanding estimate also includes shares from the current financing):

STATEMENT OF OPERATIONS		
(in \$) - YE Dec 31st	2018E	2019E
Gross Revenues	1,279,086	2,813,738
Production Expenses	511,634	1,125,495
Royalties	337,936	743,392
Gross Profit	429,516	944,850
EXPENSES		
G&A Expense	1,931,327	2,027,893
Share-based Compensation	648,987	668,456
EBITDA	(2,150,798)	(1,751,499)
Depreciation	120,868	124,494
EBIT	(2,271,666)	(1,875,993)
Financing Costs	391,012	49,000
EBT	(2,662,678)	(1,924,993)
Accretion Expense	41,716	42,967
Exploration Expense		
Non-recurring expenses	20,215	
Taxes		
Net Profit (Loss)	(2,724,609)	(1,967,961)
FOREX Translation		
Net comprehensive Profit (Loss)	(2,724,609)	(1,967,961)
Shares outstanding	223,952,602	223,952,602
EPS	\$ -0.01	\$ -0.01

Source: FRC

Based on an average production rate of approximately 40 bopd in 2018, we estimate gross revenues of \$1.28 million. We estimate a net loss of \$2.72 million (EPS: -\$0.01) in 2018. We had previously forecasted an average production rate of 60 bopd, revenues of \$1.31 million, and a net loss of \$1.78 million (EPS: -\$0.01).

We are introducing our 2019 forecasts in this update. Based on an average production rate of 100 bopd in 2019, we estimate gross revenues of \$2.81 million. We estimate a net loss of \$1.97 million (EPS: -\$0.01) in 2019. **Note that this is a conservative estimate as management's guidance on 2018 exit production is 200 bopd.** Our forecasted bopd will be adjusted in the future based on the company's performance and press releases. We have remained conservative due to the company being unable to meet production targets suggested by previous guidance.

Netbacks: The following tables show netbacks during 2014 through to Q1-2018. Note that the entirety of Advantagewon's oil production consists of light/ medium crude.

Operating Netback	2014	2015	2016	2017	Q1-2017	Q1-2018
Production - boe	11,449	7,287	9,354	8,144	2,260	2,359
Net Oil Revenue	\$ 850,019	\$ 336,537	\$ 360,604	\$ 405,957	\$ 103,654	\$ 138,367
Production Revenues (net of royalties)	\$ 74.25	\$ 46.18	\$ 38.55	\$ 49.85	\$ 45.86	\$ 58.65
Operating Costs	\$ 32.87	\$ 53.23	\$ 29.85	\$ 42.64	\$ 50.46	\$ 32.65
Operating Netback	\$ 41.38	\$ -7.04	\$ 8.71	\$ 7.20	\$ -4.59	\$ 26.01

Source: Company Data / FRC

Operating netbacks for 2017 were \$7.20/boe, versus \$8.71/boe in the previous year. The

reduction in netbacks was due to increased production costs, which outweighed the increase in revenues due to rising oil prices in 2017. Production costs increased largely as a result of rising pumper costs.

However, for the three months ended March 31, 2018, the company saw netbacks of \$26.01 per boe, significantly higher than Q1-2017 netbacks of -\$4.59.

Cash Flows: The following table shows a summary of the company's cash flows:

Summary of Cash Flows						
(\$, mm)	2014	2015	2016	2017	2017 (3M)	2018 (3M)
Operating	-\$0.45	-\$0.52	-\$1.07	-\$1.89	-\$0.55	-\$0.50
Investing	-\$2.47	-\$0.56	-\$0.51	-\$3.28	-\$0.48	-\$0.38
Financing	\$2.80	\$1.19	\$2.07	\$5.33	\$1.15	\$0.43
Effects of Exchange Rate	-\$0.00	-\$0.03	-\$0.01	\$0.01	\$0.00	\$0.01
Net	-\$0.12	\$0.08	\$0.49	\$0.17	\$0.12	-\$0.43
Free Cash Flows to Firm (FCF)	-\$2.92	-\$1.08	-\$1.58	-\$5.17	-\$1.03	-\$0.88

Source: Company Data / FRC

Liquidity: At the end of Q1-2018, the company had \$0.35 million in cash. Working capital and the current ratio were \$0.38 million, and 1.33x, respectively.

Liquidity & Capital Structure	2014	2015	2016	2017	Q1-2018
Cash	38,479	120,368	606,693	780,989	347,455
Working Capital	- 1,549,938	- 2,179,433	- 1,215,939	- 361,739	- 380,395
Current Ratio	0.12	0.22	0.43	0.75	1.33
LT Debt	-	90,271	633,497	-	-
Total Debt	447,006	1,284,456	1,409,902	718,432	690,537
LT Debt / Capital	-	0.02	0.11	-	-
Total Debt / Capital	0.11	0.24	0.23	0.06	0.05
EBIT Interest Coverage	- 3.01	- 3.67	- 1.72	- 10.28	- 4.61
Total Invested Capital	3,929,253	5,218,337	5,424,172	11,288,157	13,021,317

Source: Company Data / FRC

Stock options and warrants: We estimate that the company currently has 12.98 million stock options (weighted average exercise price of \$0.13), and 85.09 million warrants (weighted average exercise price of \$0.21) outstanding. All the options, and all the warrants, are currently out of the money.

Financings: On July 9, 2018, the company announced that it intended to complete a non-brokered private placement for gross proceeds of up to \$1 million. The company intends to issue up to 20 million units at \$0.05 per unit, including a single common share and a warrant with a strike price at \$0.10 per share.

Future Cash Needs: Based on forecasted CAPEX in 2018 of \$1.51 million, we believe the company will need to raise a total of \$3.2 million this year.

La Vernia Reserve and NAV Estimate: MKM Engineering published a report on April 24, 2018. They assigned an estimate of 4.06 mm boe of gross reserves (proved plus probable), and 3.15 mm boe of net reserves. This is as compared to the previous estimate of 2.97 mm boe of gross reserves (proved plus probable), and 2.30 mm boe of net reserves. The

Updated Reserve Estimates

percentage change in estimates of gross reserves (proved plus probable) and net reserves were 36.70% and 36.96%, respectively. The increase in reserves was a result of the inclusion of oil reserves in the deeper Austin Chalk formation, which we believe was due to the increase in oil prices.

**Summary of Oil and Gas Reserves
Forecast Prices and Costs**

Reserves Category	Light and Medium Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
PROVED						
Developed Producing	45	34	0	0	0	0
Developed Non-Producing	78	67	0	0	0	0
Undeveloped	2,568	1,981	0	0	0	0
TOTAL PROVED	2,691	2,082	0	0	0	0
PROBABLE	1,368	1,072	0	0	0	0
TOTAL PROVED PLUS PROBABLE	4,059	3,154	0	0	0	0

Source: Reserve Report

The new before-tax NAV @ 10% is US\$74.62 million. The new after-tax NAV @ 10% is US\$46.20 million. Given that there are currently 203.95 million shares outstanding, this implies a before-tax NAV per share of US\$0.37 and an after-tax NAV per share of US\$0.23, for the La Vernia property. Our valuation is presented in a later section. Prior to the updated estimates, the before-tax NAV @ 10% was US\$39.78 million, and the after-tax NAV @ 10% was US\$24.65 million.

**Net Present Values of Future Net Revenues
Forecast Prices and Costs**

Reserves Category	Before Income Taxes Discounted at (% / year) ⁽¹⁾				
	0% (\$US thousands)	5% (\$US thousands)	10% (\$US thousands)	15% (\$US thousands)	20% (\$US thousands)
PROVED					
Developed Producing	922	623	428	301	216
Developed Non-Producing	3,549	1,968	1,272	905	685
Undeveloped	110,683	70,922	48,377	34,544	25,526
TOTAL PROVED	115,154	73,513	50,077	35,750	26,427
PROBABLE	60,714	37,155	24,541	17,057	12,289
TOTAL PROVED PLUS PROBABLE	175,868	110,668	74,618	52,807	38,716

Reserves Category	After Income Taxes Discounted at (% / year) ⁽¹⁾				
	0% (\$US thousands)	5% (\$US thousands)	10% (\$US thousands)	15% (\$US thousands)	20% (\$US thousands)
PROVED					
Developed Producing	554	384	271	197	147
Developed Non-Producing	2,129	1,201	788	569	437
Undeveloped	66,410	43,246	29,950	21,693	16,246
TOTAL PROVED	69,093	44,831	31,009	22,459	16,830
PROBABLE	36,428	22,654	15,190	10,708	7,818
TOTAL PROVED PLUS PROBABLE	105,521	67,485	46,199	33,167	24,648

Source: Reserve Report

The study used the following commodity prices. Note that these prices are significantly lower than the prices outlined in our oil price forecast section, due to the difference in oil price outlook at current and at the time the technical report was completed.

Summary of Pricing and Inflation Rate Assumptions
As of December 31, 2017
Forecast Prices and Costs

Year	OIL			Cromer 29 ⁰ (\$Cdn/bbl)	NATURAL GAS U.S. Henry Hub (\$/MMBtu)	EDMONTON LIQUIDS PRICES			Inflation Rate %/Year	Exchange Rate (\$US/\$Cdn)
	WTI Cushing (\$US/bbl)	Edmonton Reference (\$Cdn/bbl)	Hardisty 25 ⁰ (\$Cdn/bbl)			Pentanes (\$Cdn/bbl)	Butane (\$Cdn/bbl)	Propane (\$Cdn/bbl)		
Forecast:										
2018	58.50				3.00				2.0	
2019	58.70				3.05				2.0	
2020	62.40				3.25				2.0	
2021	69.00				3.55				2.0	
2022	73.10				3.80				2.0	
2023	74.50				3.85				2.0	
2024	76.00				3.95				2.0	
2025	77.50				4.00				2.0	
2026	79.10				4.10				2.0	
2027	80.70				4.15				2.0	
2028	82.30				4.25				2.0	
2029	83.90				4.35				2.0	
2030	85.60				4.45				2.0	
2031	87.30				4.50				2.0	
2032	89.10				4.60				2.0	
Thereafter	2%/yr				2%/yr				2.0	

Source: Reserve Report

Saratoga Reserve and NAV Estimate: MKM Engineering published a report on March 30, 2018, on the Saratoga property. Gross reserves (proved plus probable) amounted to 852 Mbbbl and 633 Mbbbl net reserves, on Advantagewon’s target properties. This is as compared to the previous estimate of 853 Mbbbl boe of gross reserves (proved plus probable), and 644 Mbbbl boe of net reserves. The percentage change in estimates of gross reserves (proved plus probable) and net reserves were minimal.

Summary of Oil and Gas Reserves
Forecast Prices and Costs

Reserves Category	Light and Medium Oil		Natural Gas		Natural Gas Liquids	
	Gross (Mbbbl)	Net (Mbbbl)	Gross (MMcf)	Net (MMcf)	Gross (Mbbbl)	Net (Mbbbl)
PROVED						
Developed Producing	17	13	0	0	0	0
Developed Non-Producing	73	54	0	0	0	0
Undeveloped	297	221	0	0	0	0
TOTAL PROVED	387	288	0	0	0	0
PROBABLE	465	345	0	0	0	0
TOTAL PROVED PLUS PROBABLE	852	633	0	0	0	0

Source: Reserve Report

The new before-tax NAV @ 10% is US\$23.00 million. The new after-tax NAV @ 10% is US\$14.30 million. Given that there are currently 203.95 million shares outstanding, this implies a before-tax NAV per share of US\$0.11 and an after-tax NAV per share of US\$0.07, for the Saratoga property. Our valuation is presented in a later section. Prior to the updated estimates, the before-tax NAV @ 10% was US\$24.27 million, and the after-tax NAV @ 10% was US\$15.01 million.

**Net Present Values of Future Net Revenues
Forecast Prices and Costs**

Reserves Category	Before Income Taxes Discounted at (% / year) ⁽¹⁾				
	0%	5%	10%	15%	20%
	(\$US thousands)	(\$US thousands)	(\$US thousands)	(\$US thousands)	(\$US thousands)
PROVED					
Developed Producing	457	415	378	346	319
Developed Non-Producing	2,711	2,216	1,839	1,546	1,314
Undeveloped	11,018	8,610	6,797	5,416	4,350
TOTAL PROVED	14,186	11,241	9,014	7,308	5,983
PROBABLE	22,158	17,465	13,990	11,363	9,341
TOTAL PROVED PLUS PROBABLE	36,344	28,706	23,004	18,671	15,324
Reserves Category	After Income Taxes Discounted at (% / year) ⁽¹⁾				
	0%	5%	10%	15%	20%
	(\$US thousands)	(\$US thousands)	(\$US thousands)	(\$US thousands)	(\$US thousands)
PROVED					
Developed Producing	274	254	235	219	205
Developed Non-Producing	1,627	1,352	1,140	973	839
Undeveloped	6,611	5,273	4,250	3,457	2,836
TOTAL PROVED	8,512	6,879	5,625	4,649	3,880
PROBABLE	13,295	10,660	8,679	7,161	5,976
TOTAL PROVED PLUS PROBABLE	21,807	17,539	14,304	11,810	9,856

Source: Reserve Report

The study used the following commodity prices. Note that these prices are conservative and significantly lower than the consensus price forecasts outlined in our oil price forecast section, presented later in this report.

**Summary of Pricing and Inflation Rate Assumptions
As of December 31, 2017
Forecast Prices and Costs**

Year	OIL			NATURAL GAS Cromer 29 ⁰ (\$Cdn/bbl)	EDMONTON LIQUIDS PRICES			Inflation Rate %/Year	Exchange Rate (\$US/\$Cdn)
	WTI Cushing (\$US/bbl)	Edmonton Reference (\$Cdn/bbl)	Hardisty 25 ⁰ (\$Cdn/bbl)		Henry Hub (\$US/MMBtu)	Pentanes (\$Cdn/bbl)	Butane (\$Cdn/bbl)		
Forecast:									
2018	58.50			3.00				2.0	
2019	58.70			3.05				2.0	
2020	62.40			3.25				2.0	
2021	69.00			3.55				2.0	
2022	73.10			3.80				2.0	
2023	74.50			3.85				2.0	
2024	76.00			3.95				2.0	
2025	77.50			4.00				2.0	
2026	79.10			4.10				2.0	
2027	80.70			4.15				2.0	
2028	82.30			4.25				2.0	
2029	83.90			4.35				2.0	
2030	85.60			4.45				2.0	
2031	87.30			4.50				2.0	
2032	89.10			4.60				2.0	
Thereafter	2%/yr			2%/yr				2.0	

Source: Reserve Report

Management does not expect to drill additional wells on the Saratoga property.

On March 7, 2018, the company announced that it had commenced drilling at its La Vernia property, with plans to drill a total of six wells. The proposed vertical wells are expected to be approximately 400 metres deep and add an average of 15 bopd per well for a total of 90 bopd.

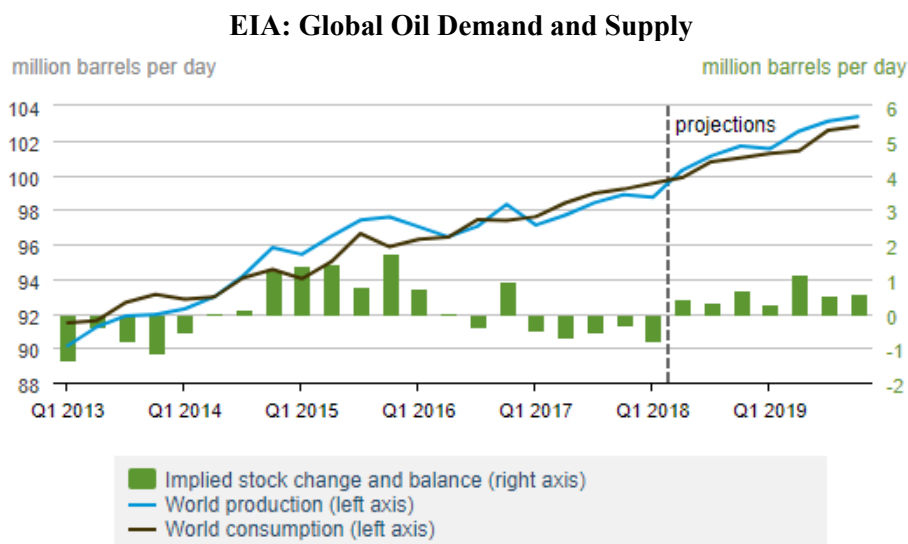
**Operational
Update**

Oil Price Outlook

On May 1, 2018, the company provided an operational update stating that a total of three wells were drilled. On May 14, 2018, the company announced that they had added a total of 3 bopd from previously shut-in wells. On May 22, 2018, the company announced that it would continue with production testing and swabbing of two of the new wells. The company reported several delays with regards to the roll-out of their drilling program, due to weather delays and availability of contractors to conduct the required work in the state of Texas.

On July 23, 2018, the company announced that a total of 32 wells on its La Vernia property had been brought to production. These wells are currently being production tested and the company anticipates that these wells will add 16 to 64 bopd.

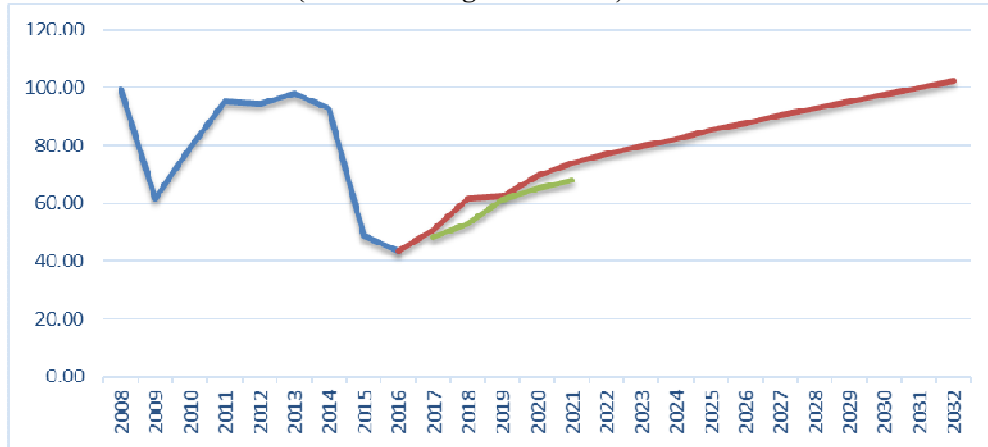
The price of oil is a function of worldwide oil production and consumption. Deficits in the oil supply result in higher oil prices, reflecting excess demand, whereas oil supply gluts lead to lower oil prices. The chart below from the U.S. Energy Information Administration (EIA) outlines worldwide oil supply and demand projections:



Source: EIA

The consensus oil price forecasts through 2032 are shown below. Note that the green line denotes the price forecasts from our initiating report- improvement in the oil price and general sentiment have caused consensus forecasts to increase.

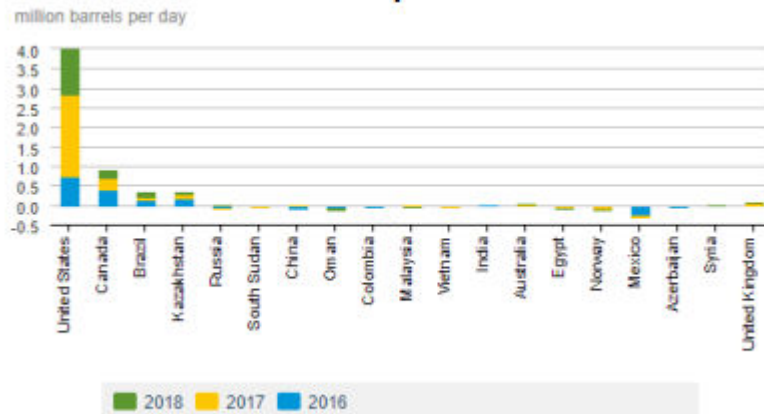
Oil (WTI Cushing Oklahoma) – US\$/bbl



Source: GLJ, Sproule, EPA, FRC

Based on consensus forecasts, WTI prices are expected to range between US\$62/ bbl and US\$77/ bbl between 2018 and 2022. This is despite significant growth in U.S. production, which has grown significantly between 2016 and 2018.

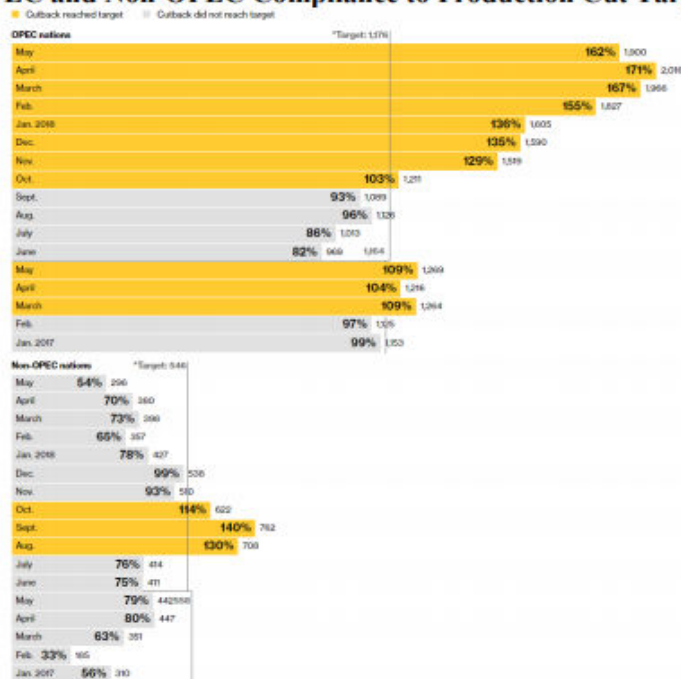
Non-OPEC Crude Oil and Liquid Fuels Production Growth



Source: EIA

Offsetting the growth in U.S. production may be OPEC-mandated supply cuts. OPEC members recently committed to significant production cuts in order to stabilize and push oil prices upwards. As the chart below shows, OPEC’s adherence to production cut targets has been strong across the board, whilst non-OPEC adherence has been markedly lower.

OPEC and Non-OPEC Compliance to Production Cut Targets



Source: Bloomberg, OPEC, EIA

OPEC members have historically influenced the global price of oil via the use of cartel-wide production adjustments. However, the recent shale boom in the U.S. has led to a decline in the price-setting power of OPEC. OPEC countries are highly reliant on oil revenues. For example, oil accounts for more than 40% of Saudi Arabia’s GDP, and more than 50% of Kuwait and Libya’s GDP comes from oil.

We believe that if the price of oil is not significantly above the US\$50-US\$60 per barrel range, exploration and development spending will drop drastically. At the same time, as per the Energy Information Administration, the global demand for oil is expected to grow at 1.1% p.a. Overall, we believe the market timing is conducive for oil focused juniors such as Advantagewon.

DCF Valuation

Our new after-tax NAV@10% on the La Vernia and Saratoga projects is US\$74.73 million versus our previous estimate of US\$38.32 million. After accounting for working capital and debt, and a long-term exchange-rate of \$1.10, our DCF valuation on Advantagewon’s shares is \$0.37 per share. Our previous DCF valuation on the company’s shares was \$0.20.

Valuation

NAV @ 10% (After-Tax)	\$ 82,198,755
Working Capital - Debt	\$ 1,380,395
Estimated Equity Value	\$ 83,579,150
Number of Shares	223,952,602
Fair Value per Share	\$ 0.37

Source: FRC

The below table outlines the forecasted oil prices used in our valuation. Note that the consensus price forecasts are significantly higher than those used in the published technical reports.

Year	Oil Price Estimate (US\$/bbl)
2017	\$ 43.34
2018	\$ 50.53
2019	\$ 61.59
2020	\$ 62.42
2021	\$ 69.62
2022	\$ 73.71
2023	\$ 76.87
2024	\$ 79.84
2025	\$ 82.32
2026	\$ 85.30
2027	\$ 87.81
2028	\$ 90.57
2029	\$ 92.80
2030	\$ 95.29
2031	\$ 97.50

Source: GLJ, Sproule, EPA, FRC

Comparables Valuation

The following table outlines our valuation on Advantagewon's shares based on comparables valuation:

Company	Production (boepd)	% Oil	2P Reserves (mmboc)	2P NAV (After-Tax @ 10% - US\$)	EV (US)	EV/ boepd	EV/ 2P Reserves	EV/ AT-NAV
Gear Energy Ltd.	6,522	87%	22.6	\$330.82	\$238.90	\$36,630	\$10.58	72.2%
Prairie Provident Resources	5,500	70%+	18.3	\$298.47	\$80.00	\$14,545	\$4.36	26.8%
InPlay Oil Corp.	4,415	61%	23.1	\$318.17	\$127.66	\$28,915	\$5.52	40.1%
Razor Energy Corp.	4,353	87%	16.6	\$199.38	\$57.58	\$13,227	\$3.46	28.9%
Eagle Energy Corp.	2,974	80%	19.3	\$272.03	\$39.36	\$13,233	\$2.04	14.5%
Granite Oil Corp.	2,500	90%+	16.6	\$266.76	\$106.17	\$42,469	\$6.39	39.8%
Strategic Oil & Gas Ltd.	2,183	78%	16.0	\$130.10	\$95.26	\$43,636	\$5.95	73.2%
Zargon Oil and Gas Ltd.	2,145	85%	12.5	\$113.25	\$38.15	\$17,783	\$3.06	33.7%
BNK Petroleum Inc.	1,464	68%	37.7	\$398.40	\$107.08	\$73,145	\$2.84	26.9%
Hemisphere Energy Corp.	1,080	96%	6.2	\$95.25	\$30.58	\$28,310	\$4.95	32.1%
Traverse Energy Ltd.	673	~50%	2.2	\$32.07	\$16.53	\$24,559	\$7.42	51.5%
Average (excl. outliers)	3,273	77%	16.2	\$211.75	\$79.39	\$30,587	\$5.14	40.0%
Advantagewon	100 (2018 exit est.)	100%	4.9	\$60.50	\$7.32	\$36,619	\$1.49	12.1%
Fair Value Estimate (C\$)						\$0.02	\$0.15	\$0.14
Average (C\$)							\$0.10	

Source: FRC

The average of our three comparables valuation metrics is \$0.10 per share. Note that we had not used a comparables valuation approach in our initiating report. Though Advantagewon’s shares appears to be trading at a premium on a boepd basis, the shares appear to be undervalued based on 2P reserves and after-tax NAV estimates.

Based on the above, we are revising our fair value per share estimate from \$0.20 to \$0.24, which is the average of our DCF and comparables valuations.

Risks

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- Revenues and profitability of the company depend heavily on future oil prices.
- The strength of the portfolio will depend heavily on the ability to acquire and develop attractive projects.
- Production and development risks.
- Exchange rate risk.
- Access to capital and share dilution.
- The company has yet to demonstrate a track record of profitability.

We are assigning a risk rating of 4 (Speculative).

APPENDIX

STATEMENT OF OPERATIONS						
(in \$) - YE Dec 31st	2014	2015	2016	2017	2018E	2019E
Gross Revenues	1,097,788	434,357	465,366	511,673	1,279,086	2,813,738
Production Expenses	376,309	387,873	279,163	347,290	511,634	1,125,495
Royalties	247,769	97,820	104,762	105,716	337,936	743,392
Gross Profit	473,710	(51,336)	81,441	58,667	429,516	944,850
EXPENSES						
G&A Expense	1,240,382	1,773,395	768,325	1,839,359	1,931,327	2,027,893
Share-based Compensation				630,084	648,987	668,456
EBITDA	(766,672)	(1,824,731)	(686,884)	(2,410,776)	(2,150,798)	(1,751,499)
Depreciation	137,898	142,477	122,517	119,868	120,868	124,494
EBIT	(904,570)	(1,967,208)	(809,401)	(2,530,644)	(2,271,666)	(1,875,993)
Financing Costs	300,128	535,855	471,130	246,248	391,012	49,000
EBT	(1,204,698)	(2,503,063)	(1,280,531)	(2,776,892)	(2,662,678)	(1,924,993)
Accretion Expense	1,769	7,381	5,393	8,659	41,716	42,967
Exploration Expense	781,485	41,401		57,693		
Non-recurring expenses			-76,667	-38,412	20,215	
Taxes	-101,000	-82,000				
Net Profit (Loss)	(1,886,952)	(2,469,845)	(1,209,257)	(2,804,832)	(2,724,609)	(1,967,961)
FOREX Translation	225,424	880,672	-156,018	-477,525		
Net comprehensive Profit (Loss)	(1,661,528)	(1,589,173)	(1,365,275)	(3,282,357)	(2,724,609)	(1,967,961)

BALANCE SHEET (in CAD\$) - YE Dec 31st	2014	2015	2016	2017	2018E	2019E
ASSETS						
CURRENT						
Cash and cash equiv.	38,479	120,368	606,693	780,989	114,294	51,956
ST Investment			112,500		914,700	914,700
Inventory			37,789	65,095	65,095	65,095
A/R	115,630	434,119	41,716	149,604	239,132	526,043
Prepaid	65,732	54,013	110,319	81,484	76,588	168,478
Total Current Assets	219,841	608,500	909,017	1,077,172	1,409,809	1,726,272
Prepaid Bond Deposits				320,122	329,726	339,617
Equipment	219,271	230,089	217,264	195,081	195,081	195,081
Exploration Property	90,753	488,919	1,096,466	7,886,903	9,278,639	10,818,009
Oil and Gas Property	5,170,823	6,199,695	6,015,134	5,185,248	5,185,248	5,185,248
Goodwill						
Total Assets	5,700,688	7,527,203	8,237,881	14,664,526	16,398,502	18,264,228
LIABILITIES						
CURRENT						
Loan Payable	432,599	868,938	272,707	718,432	350,000	350,000
Share Subscription Payable			345,000			
A/P	1,322,773	1,593,748	1,003,551	720,479	742,093	764,356
convertible debt	14,407	325,247	503,698			
Total Current Liabilities	1,769,779	2,787,933	2,124,956	1,438,911	1,092,093	1,114,356
Convertible debt		90,271				
Decommissioning Liabilities	410,183	594,750	858,465	1,874,901	1,916,617	1,959,584
Notes payable/ LT debt			633,497			
deferred income taxes						
Total Liabilities	2,179,962	3,472,954	3,616,918	3,313,812	3,008,710	3,073,941
SHAREHOLDERS EQUITY						
Equity	5,645,493	7,745,389	8,886,815	18,826,057	23,589,744	27,358,200
Deficit	-2,355,985	-4,803,030	-5,221,724	-7,953,690	-10,678,299	-12,646,259
Accumulated other comprehensive income	231,218	1,111,890	955,872	478,347	478,347	478,347
Total shareholders' equity (deficiency)	3,520,726	4,054,249	4,620,963	11,350,714	13,389,792	15,190,287
Total Liabilities and Shareholders Equity	5,700,688	7,527,203	8,237,881	14,664,526	16,398,502	18,264,228

STATEMENTS OF CASH FLOWS						
(in CAD\$) - YE Dec 31st	2014	2015	2016	2017	2018E	2019E
OPERATING ACTIVITIES						
Net profit for the year	-1,886,952	-2,469,845	-1,209,257	-2,804,832	-2,724,609	-1,967,961
Adjusted for items not involving cash:						
Stock-based Compensation	655,000	1,060,114	16,784	1,077,214	648,987	668,456
Shares issued for Ainslie Oil Corp	201,738					
Depletion, Depreciation, Amortization	139,847	142,477	123,229	119,868	120,868	124,494
Accretion of Decommissioning Liability	1,769	7,381	5,393	8,659	41,716	42,967
Accretion of debt financing costs	169,532	120,682	42,000	-7,709		
Accretion on Convertible Debt		170,111	93,180	51,888		
Short-term Investment				-62,498		
Gain on settlement of A/P			-127,600			
FOREX						
Income tax recovery	-101,000	-82,000				
Loss on Amendment to Conv. Debt				24,086		
Convertible debt conversion adjustment			50,933			
Funds From Operations	-820,066	-1,051,080	-1,005,338	-1,593,324	-1,913,038	-1,132,043
Change in working capital						
A/R	-103,974	96,411	-20,097	-113,888	-89,528	-286,911
Inventory			-37,789	-27,306	0	0
Prepaid	-57,226	11,719	-58,371	19,621	4,896	-91,890
A/P	527,425	424,225	54,284	-174,214	21,614	22,263
NET CASH USED IN OPERATING ACTIVITIES	-453,841	-518,725	-1,067,311	-1,889,111	-1,976,055	-1,488,582
INVESTING ACTIVITIES						
Equipment Additions	-210,711					
Change in Prepaid Bond Deposits				-320,122	-9,604	-9,892
Exploration & Evaluation & Oil and Gas Expenditures	-2,260,043	-562,381	-511,342	-2,962,785	-1,512,604	-1,663,864
NET CASH USED IN INVESTING ACTIVITIES	-2,470,754	-562,381	-511,342	-3,282,907	-1,522,208	-1,673,756
FINANCING ACTIVITIES						
Private Placements	1,549,500	268,604	1,888,000	5,575,861	3,200,000	3,100,000
Shares repurchased	-35,000					
Dividends Paid	-282,316					
Warrants Exercised	390,000					
Share subscriptions Received			345,000	6,000		
Receipt of Loans Payable	857,500	425,000	25,000	251,640		
Repayment of Loans Payable	-313,025	-68,954	-191,218	-280,000	-368,432	
Decommissioning Liabilities expenditures						
Repayment of Convertible Debt				-100,000		
Issuance of Convertible Debt	752,000	560,250				
Share and debt issuance recovery	-113,921	5,542	5,026	-118,800		
NET CASH FROM FINANCING ACTIVITIES	2,804,738	1,190,442	2,071,808	5,334,701	2,831,568	3,100,000
Foreign Exchange / Others	-4,895	-27,447	-6,830	11,613		
INCREASE IN CASH FOR THE YEAR	-124,752	81,889	486,325	174,296	-666,695	-62,338
CASH, BEGINNING OF THE YEAR	163,231	38,479	120,368	606,693	780,989	114,294
CASH, END OF THE YEAR	38,479	120,368	606,693	780,989	114,294	51,956

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company’s capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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