Fundamental Research Corp.
Investment Analysis for Intelligent Investors

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Advantagewon Oil Corp. – Oil in Texas – Production Update

Sector/Industry: Junior Oil and Gas **www.advantagewonoilcorp.com**

Offering	
Offer	Up to $2 million (up to 4 mllion units)
Securities Offered	Units (each unit consits of 1 common share and 1/2 common share purchase warrant (exercise price - $0.50 per share; maturity - 24 months)
Price	$0.35 per unit
Selling Fees	up to 8% in cash + broker warrants (exercise price - $0.75 per share; maturity - 24 months)
Auditor	McGovern, Hurley, Cunningham LLP

- This offering does not have an offering memorandum
- 2013 audited financial statements are yet to be completed.
- Capital Raised to date - $0.45 million

FRC Rating	
Expected Annual Yield	N/A
Rating	4
Risk	5

*see back of report for rating definitions

Investment Highlights

- We initiated coverage on Advantagewon Oil Corp. ("Advantagewon", "the company") in July 2014.
- The company is currently pursuing a $2 million equity financing. According to management, since our initial report, the company has raised approximately $0.45 million. The unit price of the current financing has been lowered from $0.50 to $0.35 per unit.
- The company holds two oil projects in Texas - the Saratoga property in Hardin county, and the La Vernia property in Guadalupe county.
- Saratoga is currently producing from two wells. Although there was a drop in production since our initial report due to technical problems, production is back up again to approximately 105 bopd.
- A NI 51-101 reserve report on two of the three leases in Saratoga estimated 1.61 mm bbl of 2P (proved + probable) gross reserves for a before-tax Net Present Value @ 10% ("NPV") of $43.0 million. The company plans to drill the next well in late November.
- La Vernia, which is a low-risk/low-cost infill drilling development project, is currently not producing. The company has currently optioned 1,200 acres (80 drilling locations), and is in negotiations to option another 2,000 acres.
- Management intends to take the company public next year to provide liquidity for investors.
- Despite the recent drop in oil prices, there has been little change in the long-term consensus forecasts. WTI prices are expected to range between $90/bbl and $106/bbl between 2015 and 2025.
- Our fair value estimate on the company's shares has dropped from $0.96 to $0.79 per share, due to lower near-term oil price forecasts, and the share dilution as a result of financing.

Risks

- Volatility of commodity prices.
- Development and operational risks.
- The company is likely to acquire leases that are not in production. Therefore, this investment is exposed to production and development risks.
- Access to capital and share dilution.
- Advantagewon has a limited track record.
- As the company intends to hold projects in the U.S., investors will be exposed to exchange rate risks.
- No redemption options. Investors can only redeem if and when the company goes public.
- We were not provided with the company's financial statements. All of the production data provided to us were prepared by management. There is no third-party verification.

Overview

Advantagewon Oil Corp. is currently pursuing a financing to raise up to $2 million. Approximately $0.45 million has been raised to date. At the time of our initiating report, the company was planning to issue up to 4 million units at a unit price of $0.50. Each unit will consist of a common share and a half common share purchase warrant (exercise price - $0.75; maturity period – 2 years). **Since then, management has decided to lower the unit price to $0.35, and the exercise price of the warrants to $0.50 per share.**

The locations of the company's two oil projects are shown in the map below.

Source: Company

Management Team

The company has had no significant change in the management team or board of directors. As mentioned in our initial report, the company only has one independent director. We would have liked to see more independent members on the board to ensure management works in the best interests of shareholders.

The CEO's (Paul Haber) experience in taking companies public will be valuable when management decides to take Advantagewon public. The company's technical team, John M. Thibeaux and David Copeland, have extensive backgrounds in the Texas oil and gas space.

The following sections provide an update on the company's two projects since our initial report.

Saratoga, Hardin County

The Saratoga Field, located 90 miles northeast of Houston, is one of the largest oil producing fields in Hardin county. Production from the field is shallow, with depths of between 1,500 and 5,000 feet. The field's recovery, with partial water drive and pressure depletion, was approximately 17%.

Advantagewon's project in the Saratoga Field, includes a 100% working interest (74%

net revenue interest) on 260 acres of land, covering three leases – Caswell Trust, Kariker, and Marlatt. At the time of acquisition, the project had two producing wells, one salt water disposal "SWD" well, and four shut-in wells. Caswell and Kariker are operated by REO Operating LLC, an unrelated company contracted by Advantagewon. Marlatt is operated by Gulf Coast Exploitation, LLC, which is a related company owned by John M. Thibeaux. **We confirmed this from the Texas-Drilling.com website.**

The two producing wells (in Caswell Trust), were producing 13 bopd at the time of acquisition. Production subsequently dropped to 5 bopd as one of the producing wells had holes in its casing, and had to be shut down. Following the acquisition, a new well (Marlatt #1), was drilled for $800,000 in May 2014. The new well had an initial production ("IP") of over 100+ bopd from the Cook Mountain formation. However, production subsequently dropped to below 40 bopd in August 2014 (as shown in the table below) due to mechanical problems. Since then, the company installed a new pump, and management states that production is back up again to approximately 100 bopd. The initial decline rate of wells in the area is approximately 20% p.a.

The following table shows production and revenues from the wells in Caswell Trust and Marlatt since June 2014, as provided by the company.

Name: **Caswell Trust #1**

Operator: REO Operating, LLC

Month	Gravity	Volume	Volume/Day	Oil Price	Gross Value	Net Value (after-tax)	Advantagewon's WI	Advantagewon (Net)
Jun-14	40.3	132.83	4.43	$101.89	$13,535	$12,911	77.5%	$10,006
Jul-14	38.2	104.26	3.36	$99.87	$10,412	$9,933	76.5%	$7,598
Aug-14	39.0	75.82	2.45	$96.23	$7,296	$6,960	76.5%	$5,324

Name: **Marlatt #1**

Operator: Gulf Coast Exploitation

Month	Gravity	Volume	Volume/Day	Oil Price	Gross Value	Net Value (after-tax)	Advantagewon's WI	Advantagewon (Net)
Jun-14	37.3	1721.47	57.38	$101.89	$175,408	$167,325	77.5%	$129,677
Jul-14	38.4	1632.28	52.65	$99.87	$163,014	$155,502	77.5%	$120,514
Aug-14	38.0	1069.04	34.49	$96.23	$102,871	$98,130	77.5%	$76,051
Sep-14	38.0	861.11	28.70	$93.54	$80,547	$76,835	77.5%	$59,547
Oct-14		1181.00	38.10					

Source: Company & Railroad Commission of Texas

We were not provided with the company's financial statements to confirm the above production data or revenue figures.

Reserve and NAV Estimate: The company has yet to attain an independent third-party evaluation on the Marlatt leases. MKM Engineering of Texas estimated that, as of November 2013, the Caswell Trust, and the Kariker leases, hold 1.61 mm boe gross, and 1.20 mm boe net, of 2P reserves (proved + probable) in eight wells. MKM Engineering assigned a before-tax Net Present Value ("NPV") @ 10% of $43.03 million, and an after-tax NPV @ 10% of $26.60 million. The study used oil prices ranging between $93 and $114/bbl from 2014 to 2023. These estimates are not too far off from the current consensus forecasts, presented later in the report.

Development Plans: The company has a $1 million operating line of credit (interest - 2% per month) in place to drill the next well on Saratoga. The line of credit is provided by GC-Global Capital Corp. (TSXV: GDE-A), a Canadian merchant bank. Management expects to spud a new well (Caswell #12) in late November.

La Vernia, Guadalupe County

As the current focus is on the Saratoga field (as it has a higher expected return), the La Vernia project has had no material changes since our initial report.

Advantagewon intends to acquire a maximum of 6,000 acres in the 20,000 acre La Vernia Field in Guadalupe county. Management estimates the entire field is currently producing approximately 250 bopd, with approximately 99.5% of the wells producing for over 30 years. The company seeks to acquire properties with infill development potential.

Based on the leases available in the area, management believes there is potential for infill drilling down to 5 acre well spacing, with a total of 1.5 mm bbl of recoverable oil from 250+ wells.

The initial production of a well is typically 10 bopd. Production typically drops to less than 1 bopd by year 4. The well life is typically 20 – 40 years. The monthly fixed operating cost per well is just $300 - $400. Drilling cost is estimated at $100k/well.

Management estimates there are approximately 10,000 acres (800 locations) available for lease in the field. **They have currently optioned 1,200 acres (80 drilling locations), and are in negotiations to option another 2,000 acres.** They have a 100% WI, and a 78% NRI in the currently held leases. The entire 3,000 - 3,200 acre package is estimated to support 250 wells (based on 5 – 10 acre well spacing). The company's leases are operated by Gulf Coast Exploitation, LLC. We were not provided any documents showing the company's interest in the leases.

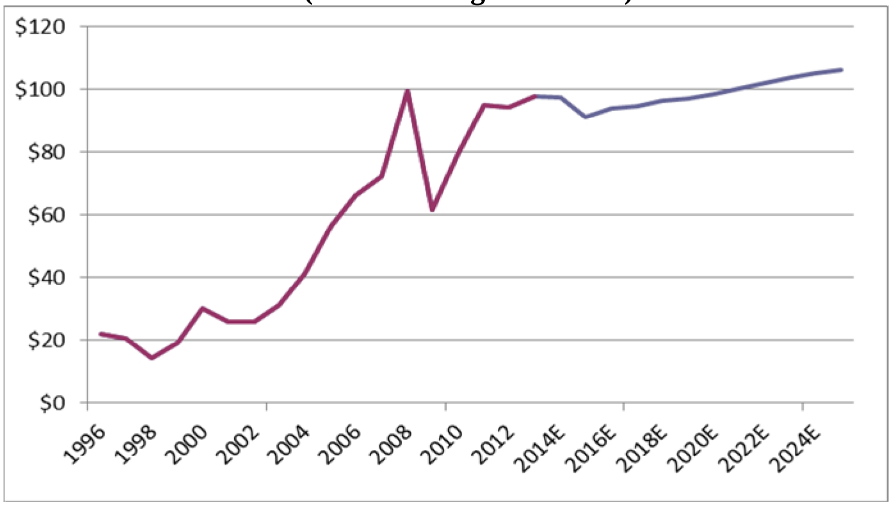
Reserve and NAV Estimate: MKM Engineering estimated that as of November 2013, 10,000 acres of this field hold 6 mm boe gross, and 4.7 mm boe net, of 2P reserves (proved + probable) across 1,000 wells. MKM Engineering assigned a before-tax Net Present Value ("NPV") @ 10% of $119.15 million, and an after-tax NPV @ 10% of $73.79 million. This study also used oil prices ranging between $93 and $114/bbl from 2014 to 2023.

Oil Price Outlook

Oil price forecasts through 2025 are shown below. Based on consensus forecasts, WTI prices are expected to range between $90/bbl and $106/bbl between 2015 and 2025. **Despite**

the recent drop in oil prices, there has been little change to the long-term consensus forecasts. The near-term forecasts (next 3 years) have dropped by approximately 5%.

Oil (WTI Cushing Oklahoma)



Source: GLJ and Sproule

Structure

The following table shows the revised capital structure, as provided by the company. The total number of shares outstanding increased from 37.79 million to 45.03 million, due to the shares issued from the ongoing financing, and as the outstanding convertible debentures, at the time of our initiating report, were converted.

Previous Private Placements	17,425,000
Saratoga Original Owners	22,060,000
Ainslie Corp	2,651,806
GC-Global Capital	2,714,001
Exercise of Warrants	175,000
Total	**45,025,807**

The following shows the distribution of the outstanding shares:

- 17,425,000 issued in previous private placements
- 22,060,000 issued to Saratoga's original owners
- Ainslie Oil Corp. was a related entity, which held the leases in Guadalupe. The company acquired the leases from Ainslie by issuing 2,651,806 shares.
- 2,714,001 issued to GC-Global Capital Corp.

The company has a $257,500 bridge loan (interest – 24% p.a.) from GC-Global Capital Corp. The loan was originally expected to expire on July 16, 2014. In a recent press release from GC-Global, the maturity date of this loan has been extended to December 16, 2014.

The annual interest rate on the loan was also amended to 36% p.a. The company has not provided us an update on this.

The company also has 1,950,000 warrants and nil options outstanding (exercise price of $0.20; maturity date is undisclosed).

We were not provided with the company's financial statements or any documents showing the above capital structure. This is one of the key risks with this investment as we are not in a position to verify/confirm the company's balance sheet, capital structure, or its financial performance.

Management indicated that they intend to have their 2013 audited financial statements completed shortly.

Cash Distributions – Once the company attains stabilized production, management expects to pay out dividends ever year. According to management, the company declared its first dividend of $0.01 per common share in June 2014. As we have not reviewed the company's financial statements, we were unable to confirm whether these dividends are sustainable.

Management indicated to us that no additional dividends were paid out since June.

Management salaries/G&A expenses – Management has not disclosed their salaries and the company's expected General & Administrative expenses.

Financial Analysis and Projections

Our fair value estimate on the company's shares dropped from $0.96 to $0.79 per share due to the lower near-term oil price forecasts, and the share dilution as a result of the financing. The following table shows a summary of our valuation model.

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	Saratoga	Guadalupe Project
Net Revenue Interest	74%	78%
Total no. of wells	9	250
Initial production per well (bopd)	100	10
Decline rate	30%	30%
Life (years)	20	20
Oil (recovered) - mm bbl	0.98	1.52
Production + Operating Cost ($/bbl) - 25% premium added to NI 51-101 reserve report estimates	$31	$20
Drilling/Completion costs per well	$800,000	$100,000

After-Tax NPV @ 10% of Projects	$47,929,008
Debt (loan + conv debentures)	-$257,500
NPV, net of Debt	$47,671,508
Private Company / Liquidity Discount	25%
Fair Value of Advantagewon	$35,753,631
No. of Shares Outstanding	45,025,807
Fair Value per Share	**$0.79**

The sensitivity of our fair value estimate to our base-case oil price assumptions and discount rate is shown below.

		Change in Oil Prices						
		-30%	-20%	-10%	0%	10%	20%	30%
Discount Rate	0.0%	$0.61	$0.82	$1.04	$1.28	$1.54	$1.84	$2.18
	2.5%	$0.55	$0.73	$0.92	$1.12	$1.34	$1.58	$1.86
	5.0%	$0.49	$0.65	$0.82	$0.99	$1.18	$1.38	$1.60
	10.0%	$0.40	$0.53	$0.66	$0.79	$0.94	$1.08	$1.24
	12.5%	$0.36	$0.48	$0.60	$0.72	$0.84	$0.97	$1.11
	15.0%	$0.33	$0.43	$0.54	$0.65	$0.76	$0.88	$1.00
	20.0%	$0.27	$0.36	$0.45	$0.54	$0.64	$0.73	$0.83

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 and natural gas prices.
- We were not provided with the company's financial statements, or any documents showing the company's ownership in the leases.
- The strength of the portfolio will depend heavily on the ability to acquire and develop attractive projects.
- Production and development risks.

- Our cash flow projections are highly sensitive to our production assumptions.
- As the company intends to hold projects in the U.S., investors will be exposed to exchange rate risks.
- The Saratoga project has a higher risk profile due to its relatively higher drilling costs.
- The company needs to raise additional capital to develop its projects.
- Share dilution from future financings is possible.
- There are no redemption options; the company might never go public, which will negatively impact this investment's liquidity.

Conclusion / Rating

We are pleased with the production to date from Marlatt #1. The proposed new well will provide a lot more insight into Saratoga's overall potential.

The current offering of $2 million, and the $1 million operating line of credit available for the company, we believe, should allow the company to drill at least 1-2 wells in Saratoga, and 5-10 wells in La Vernia. If successful, the company should be able to double production from current levels. However, we are concerned that we have not been able to confirm the company's capital structure, and/or its financial performance to date.

We have maintained our overall rating on the offering at 4.

FRC Rating	
Expected Annual Yield	N/A
Rating	4
Risk	5

Management's plans to take the company public will depend heavily on the upcoming drill programs on the two projects.

Fundamental Research Corp. Rating Scale:

Rating – 1: Excellent Return to Risk Ratio
Rating – 2: Very Good Return to Risk Ratio
Rating – 3: Good Return to Risk Ratio
Rating – 4: Average Return to Risk Ratio
Rating – 5: Weak Return to Risk Ratio
Rating – 6: Very Weak Return to Risk Ratio
Rating – 7: Poor Return to Risk Ratio
A "+" indicates the rating is in the top third of the category, A "-" indicates the lower third and no "+" or "-" indicates the middle third of the category.

Fundamental Research Corp. Risk Rating Scale:
1 (Low Risk)
2 (Below Average Risk)
3 (Average Risk)
4 (Speculative)
5 (Highly Speculative)

FRC Distribution of Ratings			
Rating - 1	0%	Risk - 1	0%
Rating - 2	25%	Risk - 2	2%
Rating - 3	47%	Risk - 3	32%
Rating - 4	10%	Risk - 4	42%
Rating - 5	5%	Risk - 5	9%
Rating - 6	1%	Suspended	16%
Rating - 7	0%		
Suspended	12%		

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