

## 2019 Third Quarter Report

### Financial and Operating Highlights

(\$000, except as otherwise indicated)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
<b>Financial Statement Highlights</b>				
Sales including realized hedging <sup>(3)</sup>	\$ 56,927	\$ 57,928	\$ 198,316	\$ 176,625
Net loss and comprehensive loss	\$ (26,863)	\$ (8,852)	\$ (22,810)	\$ (14,043)
per basic share <sup>(2)</sup>	\$ (0.14)	\$ (0.05)	\$ (0.12)	\$ (0.08)
Cash provided by operating activities	\$ 27,323	\$ 27,950	\$ 116,098	\$ 107,613
Cash provided by financing activities	\$ 5,010	\$ 11,005	\$ 4,202	\$ 52,198
Cash used in investing activities	\$ 36,258	\$ 39,085	\$ 123,275	\$ 163,011
Basic weighted average shares (000)	186,911	186,065	186,574	186,073
<b>Other Financial Highlights</b>				
Adjusted funds flow <sup>(1)</sup>	\$ 27,928	\$ 32,035	\$ 110,728	\$ 104,077
per boe <sup>(1)</sup>	\$ 7.21	\$ 7.63	\$ 9.37	\$ 9.46
per basic share <sup>(2)</sup>	\$ 0.15	\$ 0.17	\$ 0.59	\$ 0.56
Net capital expenditures <sup>(1)</sup>	\$ 48,313	\$ 47,502	\$ 125,313	\$ 149,899
Working capital deficit <sup>(1)</sup>	\$ 13,322	\$ 8,169	\$ 13,322	\$ 8,169
Bank indebtedness	\$ 275,594	\$ 259,179	\$ 275,594	\$ 259,179
Total debt <sup>(1)</sup>	\$ 288,916	\$ 267,348	\$ 288,916	\$ 267,348
<b>Operating</b>				
Daily Production				
Natural gas (mcf/d)	233,625	262,841	244,331	233,780
Liquids (bbls/d)	3,142	1,804	2,588	1,328
Total production (mcf/d)	252,477	273,665	259,859	241,748
Total production (boe/d)	42,080	45,611	43,310	40,291
Average prices (including realized hedging)				
Natural gas (\$/mcf) <sup>(3)</sup>	\$ 2.04	\$ 1.93	\$ 2.45	\$ 2.38
Liquids (\$/bbl)	\$ 45.32	\$ 67.90	\$ 49.17	\$ 68.59
<b>Operating Netback (\$/boe)</b>				
Sales of natural gas and liquids from production	\$ 11.98	\$ 13.33	\$ 14.73	\$ 13.77
Net sales of natural gas purchased from third parties <sup>(1)</sup>	(0.03)	-	(0.13)	0.10
Realized gains on derivatives	2.72	0.47	2.04	2.29
Royalty expense	(0.06)	(0.19)	(0.21)	(0.08)
Operating expense	(2.12)	(1.61)	(2.01)	(1.85)
Transportation expense	(3.58)	(3.09)	(3.51)	(3.40)
Operating netback <sup>(1)</sup>	\$ 8.91	\$ 8.91	\$ 10.91	\$ 10.83

<sup>(1)</sup> Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

<sup>(2)</sup> Based on basic weighted average shares outstanding.

<sup>(3)</sup> Excludes net sales of natural gas purchased from third parties.

# MESSAGE TO SHAREHOLDERS

## Liquids Production Transition On-Track with Corporate Plan

Advantage Oil & Gas Ltd. (“Advantage” or the “Corporation”) is pleased to announce solid third quarter 2019 results and the fifth consecutive quarter of increasing liquids production. Development is proceeding as planned on Advantage’s significant Montney oil and liquids assets, and exposure to light oil and condensate revenue continues to increase. The Corporation’s measured delineation program also resulted in the discovery of a light oil pool on our 50 net section Progress land block in the third quarter of 2019 (see Advantage press release dated September 3, 2019). With this discovery, the Progress asset has become Advantage’s fourth liquids development asset, further strengthening our portfolio of high-quality resource. Advantage now holds a total of 210 net sections of Montney/Doig rights at Glacier, Valhalla, Progress and Pipestone/Wembley.

During the third quarter of 2019, liquids production increased to 3,142 bbls/d, up 74% year-over-year and 22% versus second quarter of 2019. Liquids accounted for 23% of revenue in the third quarter of 2019, on-track to the Corporation’s target of approximately 50% of revenue from liquids in 2021.

Consistent with our previously stated production management strategy, Advantage shut-in significant volumes of AECO-exposed dry natural gas during extremely low-price periods in the third quarter of 2019. Over the entire quarter, the shut-in volumes averaged 13 mmcf/d (2,160 boe/d). Total production averaged 42,080 boe/d with natural gas production of 233.6 mmcf/d and average AECO daily prices of \$0.91/mcf over the third quarter of 2019.

On October 15, 2019, TC Energy implemented the Temporary Service Protocol (“TSP”) on the NGTL system. The TSP is an operating procedure which modifies the NGTL pipeline balancing mechanism during times of maintenance between April and October. AECO prices increased to average over \$2.60/mcf for the remainder of October, and accordingly Advantage has maximized natural gas production levels, subject to NGTL firm service restrictions.

### Highlights for the nine months and third quarter of 2019:

- Total production was 43,310 boe/d for the nine months of 2019 (7% higher than 2018), with third quarter 2019 production of 42,080 boe/d.
- Liquids production was 2,588 bbls/d for the nine months of 2019 (95% higher than 2018), with third quarter 2019 liquids production of 3,142 bbls/d (74% higher than 2018).
- Generated adjusted funds flow<sup>(a)</sup> of \$110.7 million (\$0.59/share) for the nine months of 2019 with net capital expenditures of \$125.3 million. During the third quarter of 2019, adjusted funds flow<sup>(a)</sup> was \$27.9 million (\$0.15/share).
- Achieved \$37.6 million of gains from our market diversification portfolio, including \$24.1 million of hedging gains, over the nine months of 2019. This resulted in an average realized natural gas price of \$2.45/mcf compared to the average daily AECO price of \$1.51/mcf.
- Maintained low cost structure with royalty costs of \$0.21/boe, operating costs of \$2.01/boe, transportation costs of \$3.51/boe and general & administrative costs of \$0.71/boe over the nine months of 2019.
- Retained strong financial flexibility with total debt to adjusted funds flow<sup>(a)</sup> of 1.8x at the end of the third quarter 2019. Advantage’s credit facility has been recently reconfirmed at \$400 million following its semi-annual banking syndicate review.

(a) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see “Non-GAAP Measures”.

## **Operations Update**

### **Glacier/Valhalla Middle Montney**

At Glacier, all 10 middle Montney wells that were completed in the first quarter of 2019 were brought on production, at or above expectations, by the third quarter. At Valhalla, the final 5 wells from the first quarter 2019 program were tied-in and began production. Successful well results at both Glacier and Valhalla provided the liquids production growth in the second and third quarters.

### **Pipestone/Wembley**

At Pipestone/Wembley, a 4-well pad targeting oil in the D3 zone was drilled during the third quarter 2019, with completions planned for November and production expected to begin at year-end. In October 2019, three additional D3 wells were drilled, plus one water disposal, with completions planned in early 2020.

Advantage's first D3 well (12-25) at Pipestone/Wembley began producing to a new third-party gas plant in October 2019, approximately one month behind schedule. The commissioning of the new facility continues, though run times have been lower than anticipated.

Construction has commenced on Advantage's Pipestone/Wembley 5,000 bbls/day liquids handling hub and south block pipeline gathering system. The liquids hub is expected to be completed by the second quarter of 2020.

### **Progress**

The 16-36 discovery well and three previous Montney oil wells at Progress (see Advantage press release dated September 3, 2019) remain shut-in awaiting tie-in. Construction of the Progress to Valhalla pipeline commenced in the third quarter of 2019 with delays caused by wet weather conditions. Production is anticipated to begin by year-end 2019, flowing at restricted rates to the Advantage Glacier Gas Plant via 100% owned infrastructure. Engineering design of a new 5,000 bbls/d Progress liquids handling hub, which will allow higher rates of production and lower flowing pressures, is underway.

### **Looking Forward**

Advantage expects to maximize gas production for the remainder of the year. The Corporation anticipates reduced AECO price volatility and improved prices through this winter as a result of extremely low Alberta natural gas storage levels and an apparent contraction in industry supply as a result of reduced investment. Advantage also believes that the combined impacts of the TSP effective during next summer, the continued expansion of the NGTL system in 2020 and 2021 resulting in 3.1 Bcf/d of new demand and more favorable TCPL mainline tolls will result in improved support for Canadian natural gas prices.

Advantage will remain diligent in monitoring commodity and industry trends and respond accordingly to retain a strong balance sheet while advancing our multi-year strategy to increase liquids development and enhance shareholder returns.

(a) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures"

## 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 focus strategy, plans and expectations generally; the number and timing of well completions at Pipestone/Wembley and the timing for production to begin; the timing for infrastructure to be completed and associated benefits from such infrastructure; the timing for production to begin at Progress; the expectation that Advantage will maximize gas production for the remainder of 2019; anticipated reduced AECO price volatility and the reasons therefor; and the belief of improved support for Canadian natural gas prices and the reasons therefor. 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](http://www.sedar.com) ("SEDAR") and [www.advantageog.com](http://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.

## Advisory (continued)

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.

Type curve references in this press release are based on Advantage's historical production. Such type curves and well economics are useful in understanding management's assumptions of well performance in making investment decisions in relation to development drilling in the Montney area and for determining the success of the performance of development wells; however, such type curves and well economics are not necessarily determinative of the production rates and performance of existing and future wells and such type curves do not reflect the type curves used by our independent qualified reserves evaluator in estimating our reserves volumes. The type curves differ as a result of varying horizontal well length, stage count and stage spacing. The type curves represent the average type curves expected.

## 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”, “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:

(\$000)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
<b>Cash used in investing activities</b>	\$ 36,258	\$ 39,085	\$ 123,275	\$ 163,011
Changes in non-cash working capital	12,055	8,417	2,038	(13,112)
<b>Net capital expenditures</b>	<b>\$ 48,313</b>	<b>\$ 47,502</b>	<b>\$ 125,313</b>	<b>\$ 149,899</b>

### 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. 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:

(\$000)	September 30, 2019	December 31, 2018
Bank indebtedness (non-current)	\$ 275,594	\$ 270,918
Working capital deficit	13,322	1,912
<b>Total debt</b>	<b>\$ 288,916</b>	<b>\$ 272,830</b>

## Non-GAAP Measures (continued)

### 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)	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
Cash provided by operating activities	\$ 27,323	\$ 27,950	\$ 116,098	\$ 107,613
Increase in other long-term liabilities	(433)	-	(799)	-
Expenditures on decommissioning liability	271	501	1,826	737
Changes in non-cash working capital	767	3,584	(6,397)	(4,273)
<b>Adjusted funds flow</b>	<b>\$ 27,928</b>	<b>\$ 32,035</b>	<b>\$ 110,728</b>	<b>\$ 104,077</b>

### 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

Advantage calculates operating netback on a per boe basis. Operating netback is comprised of sales revenue, realized gains 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.

### 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.

# **CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS**

For the three and nine months ended September 30, 2019 and 2018



## CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of October 31, 2019, provides a detailed explanation of the consolidated financial and operating results of Advantage Oil & Gas Ltd. ("Advantage", the "Corporation", "us", "we" or "our") for the three and nine months ended September 30, 2019 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2019 and the audited consolidated financial statements for the year ended December 31, 2018 (together, the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

This MD&A contains non-GAAP measures and forward-looking information. Readers are advised to read this MD&A in conjunction with both the "Non-GAAP Measures" and "Forward-Looking Information and Other Advisories" found at the end of this MD&A.

<b>Financial Highlights</b>	<b>Three months ended</b>		<b>Nine months ended</b>	
<b>(\$000, except as otherwise indicated)</b>	<b>September 30</b>		<b>September 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Financial Statement Highlights</b>				
Sales including realized hedging <sup>(3)</sup>	\$ 56,927	\$ 57,928	\$ 198,316	\$ 176,625
Net loss and comprehensive loss	\$ (26,863)	\$ (8,852)	\$ (22,810)	\$ (14,043)
per basic share <sup>(2)</sup>	\$ (0.14)	\$ (0.05)	\$ (0.12)	\$ (0.08)
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Cash provided by financing activities	\$ 5,010	\$ 11,005	\$ 4,202	\$ 52,198
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Basic weighted average shares (000)	186,911	186,065	186,574	186,073
<b>Other Financial Highlights</b>				
Adjusted funds flow <sup>(4)</sup>	\$ 27,928	\$ 32,035	\$ 110,728	\$ 104,077
per boe <sup>(1)</sup>	\$ 7.21	\$ 7.63	\$ 9.37	\$ 9.46
per basic share <sup>(2)</sup>	\$ 0.15	\$ 0.17	\$ 0.59	\$ 0.56
Net capital expenditures <sup>(1)</sup>	\$ 48,313	\$ 47,502	\$ 125,313	\$ 149,899
Working capital deficit <sup>(1)</sup>	\$ 13,322	\$ 8,169	\$ 13,322	\$ 8,169
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Total debt <sup>(1)</sup>	\$ 288,916	\$ 267,348	\$ 288,916	\$ 267,348

<sup>(4)</sup> Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

<sup>(5)</sup> Based on basic weighted average shares outstanding.

<sup>(6)</sup> Excludes net sales of natural gas purchased from third parties.

Operating Highlights	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
<b>Operating</b>				
Daily Production				
Natural gas (mcf/d)	233,625	262,841	244,331	233,780
Liquids (bbls/d)	3,142	1,804	2,588	1,328
Total production (mcf/d)	252,477	273,665	259,859	241,748
Total production (boe/d)	42,080	45,611	43,310	40,291
Average prices (including realized hedging)				
Natural gas (\$/mcf) <sup>(2)</sup>	\$ 2.04	\$ 1.93	\$ 2.45	\$ 2.38
Liquids (\$/bbl)	\$ 45.32	\$ 67.90	\$ 49.17	\$ 68.59
<b>Operating Netback (\$/boe)</b>				
Sales of natural gas and liquids from production	\$ 11.98	\$ 13.33	\$ 14.73	\$ 13.77
Net sales of natural gas purchased from third parties <sup>(1)</sup>	(0.03)	-	(0.13)	0.10
Realized gains on derivatives	2.72	0.47	2.04	2.29
Royalty expense	(0.06)	(0.19)	(0.21)	(0.08)
Operating expense	(2.12)	(1.61)	(2.01)	(1.85)
Transportation expense	(3.58)	(3.09)	(3.51)	(3.40)
Operating netback <sup>(1)</sup>	\$ 8.91	\$ 8.91	\$ 10.91	\$ 10.83

<sup>(1)</sup> Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

<sup>(2)</sup> Excludes net sales of natural gas purchased from third parties.

## Natural Gas and Liquids Sales

(\$000)	Three months ended			Nine months ended		
	September 30 2019	September 30 2018	% change	September 30 2019	September 30 2018	% change
Natural gas sales <sup>(1)</sup>	\$ 33,290	\$ 44,666	(25) %	\$ 139,439	\$ 126,611	10 %
Realized gains on derivatives	10,538	1,993	429 %	24,139	25,148	(4) %
Natural gas sales including derivatives	43,828	46,659	(6) %	163,578	151,759	8 %
Liquids sales	13,099	11,269	16 %	34,738	24,866	40 %
<b>Total <sup>(1)</sup></b>	<b>\$ 56,927</b>	<b>\$ 57,928</b>	<b>(2) %</b>	<b>\$ 198,316</b>	<b>\$ 176,625</b>	<b>12 %</b>

<sup>(1)</sup> Excludes net sales of natural gas purchased from third parties and unrealized derivative gains and losses.

Advantage's natural gas and liquids sales including realized gains on derivatives was \$56.9 million for the three months ended September 30, 2019, comparable to the same period of 2018, with higher liquids sales and realized gains on derivatives that partially offset a weak natural gas pricing environment. Natural gas and liquids sales including realized gains on derivatives for the nine months ended September 30, 2019, was \$198.3 million, a 12% increase to the same period of 2018 with continued successful progression on gas and liquids production accompanying a modest improvement in natural gas prices.

Advantage proactively reduced natural gas production during the third quarter of 2019 in response to low natural gas benchmark prices, resulting in decreased natural gas sales of \$11.4 million or 25% (see "Production"). For the nine months ended September 30, 2019, natural gas sales increased \$12.8 million or 10% as a result of higher natural gas production and realized natural gas prices. Advantage continues to focus on market diversification and hedging which has strengthened and enhanced our natural gas sales. For the nine months ended September 30, 2019, Advantage recognized \$37.6 million of gains from our market diversification and commodity risk management portfolios (see "Commodity Prices and Marketing").

Liquids sales for the three and nine months ended September 30, 2019 increased by \$1.8 million or 16% and \$9.9 million or 40%, respectively, as a result of significantly increased liquids production, offset by weaker realized liquids prices. Liquids contributed 23% of total revenue for the third quarter, including realized hedging gains. Liquids production is expected to increase in the fourth quarter of 2019 as a result of our planned liquids growth at Pipestone/Wembley.

Realized gains on derivatives during the three and nine months ended September 30, 2019 were \$10.5 million and \$24.1 million, respectively. Realized gains on derivatives and changes from prior periods are the result of differences in natural gas prices and contracts outstanding during the three and nine months ended September 30, 2019 and 2018 (see "Commodity Price Risk Management and Market Diversification").

## Production

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Natural gas (mcf/d)	233,625	262,841	(11) %	244,331	233,780	5 %
Liquids (bbls/d)	3,142	1,804	74 %	2,588	1,328	95 %
<b>Total production - mcf/d</b>	<b>252,477</b>	<b>273,665</b>	<b>(8) %</b>	<b>259,859</b>	<b>241,748</b>	<b>7 %</b>
<b>- boe/d</b>	<b>42,080</b>	<b>45,611</b>	<b>(8) %</b>	<b>43,310</b>	<b>40,291</b>	<b>7 %</b>
Natural gas (%)	93 %	96 %		94 %	97 %	
Liquids (%)	7 %	4 %		6 %	3 %	

Advantage's development plan continues our increased focus on liquids-rich development that will enhance and diversify our production, revenues and cash flows. Liquids production for the three and nine months ended September 30, 2019 increased 74% and 95%, respectively, as compared to the same periods of 2018. Total production for the three months ended September 30, 2019 averaged 42,080 boe/d, an 8% decrease over the same period of 2018. However, for the nine months ended September 30, 2019, total production averaged 43,310 boe/d, a 7% increase over the same period of 2018.

The decrease in total production for the three months ended September 30, 2019 was primarily due to the Corporation proactively shutting-in an average of 13 mmcf/d of dry gas exposed to periods of extremely low AECO pricing, partially offset by significantly increased liquids production. For the nine months ended September 30, 2019, the increase in total production was primarily attributed to production gains from successful well results at east Glacier and Valhalla including the commencement of our new compressor and liquids handling facility at Valhalla in the first half of 2019. This increase was also partially due to lower production in early 2018 from a planned shut-down of our Glacier Gas Plant to begin the tie-in of new equipment for the plant expansion to 400 mmcf/d processing capacity.

## Commodity Prices and Marketing

Average Realized Prices	Three months ended			Nine months ended		
	September 30 2019	September 30 2018	% change	September 30 2019	September 30 2018	% change
Natural gas, excluding hedging (\$/mcf) <sup>(1)</sup>	\$ 1.55	\$ 1.85	(16) %	\$ 2.09	\$ 1.98	6 %
Natural gas, including hedging (\$/mcf) <sup>(1)</sup>	\$ 2.04	\$ 1.93	6 %	\$ 2.45	\$ 2.38	3 %
Liquids, excluding and including hedging (\$/bbl)	\$ 45.32	\$ 67.90	(33) %	\$ 49.17	\$ 68.59	(28) %
<b>Average Benchmark Prices</b>						
<b>Natural Gas</b>						
AECO daily (\$/mcf)	\$ 0.91	\$ 1.19	(24) %	\$ 1.51	\$ 1.48	2 %
AECO monthly (\$/mcf)	\$ 1.04	\$ 1.35	(23) %	\$ 1.36	\$ 1.41	(4) %
Dawn daily (\$US/mmbtu)	\$ 2.12	\$ 2.91	(27) %	\$ 2.46	\$ 2.91	(15) %
Chicago Citygate (\$US/mmbtu)	\$ 1.85	\$ 2.75	(33) %	\$ 2.54	\$ 2.86	(11) %
Henry Hub (\$US/mmbtu)	\$ 2.32	\$ 2.90	(20) %	\$ 2.57	\$ 2.91	(12) %
<b>Oil</b>						
WTI (\$US/bbl)	\$ 56.36	\$ 69.75	(19) %	\$ 57.00	\$ 66.93	(15) %
MSW Edmonton (\$/bbl)	\$ 69.21	\$ 77.27	(10) %	\$ 70.00	\$ 76.18	(8) %
Average Exchange rate (US\$/CDN\$)	0.7572	0.7651	(1) %	0.7523	0.7767	(3) %

<sup>(1)</sup> Excludes net sales of natural gas purchased from third parties.

Lower natural gas benchmark prices for the three months ended September 30, 2019 resulted in a realized natural gas price of \$1.55/mcf, excluding hedging, which was 16% below the same period of the prior year. Realized natural gas prices, excluding hedging, for the nine months ended September 30, 2019 was \$2.09/mcf, an increase of 6% as compared to the same period of the prior year. The Corporation's realized natural gas prices have not decreased to the same extent as the benchmark prices as a result of our continued market diversification efforts that have enhanced revenues, combined with proactively shutting-in dry gas production exposed to periods of extremely low AECO pricing (see "Production"). Advantage has the ability to optimize volatility in AECO pricing by increasing throughput at our 100% owned Glacier Gas Plant or decreasing production when AECO prices are extremely low. Advantage plans to continue this prudent strategy into the fourth quarter of 2019, when we expect stronger AECO prices due to the current low Western Canadian natural gas storage levels heading into winter.

Advantage sells significant natural gas into the Dawn and Chicago markets, both of which generated higher realized prices as compared to AECO. Advantage's firm transportation service to Dawn of 52,700 mcf/d is a ten-year commitment that began November 1, 2017 and represents approximately 21% of our natural gas production. The Dawn market has provided the Corporation with physical market diversification and exposure to higher prices, net of associated transportation expense (see "Transportation Expense"). Starting November 1, 2018, Advantage entered into sales arrangements for 20,000 mcf/d at Chicago Citygate prices, net of a fixed differential, that increased to 40,000 mcf/d in April 2019.

Realized liquids prices decreased by 33% and 28% for the three and nine months ended September 30, 2019, respectively, compared to the same periods of the prior year. The decrease has been primarily a result of lower WTI prices and the underlying price basis on which many of our contracts are based. Advantage's current liquids mix is comprised of 70% pentanes and condensate, which generally attract higher market prices than our other natural gas liquids.

## Commodity Price Risk Management and Market Diversification

The Corporation's financial results and condition are impacted primarily by the prices received for natural gas and liquids production. Natural gas and liquids prices can fluctuate widely and are determined by supply and demand factors, including available access to transportation, weather, general economic conditions in consuming and producing regions throughout North America and political factors. Management has been proactive in entering into derivative contracts for the purposes of reducing cash flow volatility in support of our Montney development plans. Advantage's Credit Facilities (as defined herein) allow us to enter into fixed price derivative contracts on up to 75% of total estimated natural gas and liquids production over the first three years and up to 50% over the fourth and fifth years. In addition, the Credit Facilities allow us to enter into basis swap arrangements to any natural gas price point in North America for up to 100,000 mmbtu/d with a maximum term of seven years. Basis swap arrangements are excluded from hedged production limits.

Our natural gas production and corresponding derivative contracts are expected to result in the realization of the following fixed market prices and variable market exposures for 2019:

	January 1 to December 31, 2019		
	Volumes Contracted (mmcf/d) <sup>(1)</sup>	Average Minimum Price	% of Estimated Production
<b>Fixed Price</b>			
AECO fixed price swaps	93.7	\$2.11/mcf	37 %
Dawn fixed price swaps	24.6	US\$2.96/mcf <sup>(2)</sup>	10 %
	118.3		47 %
<b>Variable Price</b>			
AECO physical	67.3	AECO	27 %
Dawn physical	28.1	Dawn <sup>(2)</sup>	11 %
Chicago physical	35.0	Chicago less US\$1.19/mcf	14 %
AECO / Henry Hub basis swaps	3.3	Henry Hub less US\$0.98/mcf	1 %
	133.7		53 %
<b>Total Natural Gas <sup>(3)</sup></b>	<b>252.0</b>		<b>100 %</b>

<sup>(1)</sup> All volumes contracted converted to mcf on the basis of 1 mcf = 1.055056 GJ and 1 mcf = 1 mmbtu.

<sup>(2)</sup> Transportation under our firm commitment from AECO to Dawn is approximately \$1.10/mcf.

<sup>(3)</sup> Represents the midpoint of our guidance for 2019 natural gas volumes (see News Release dated November 1, 2018).

## Commodity Price Risk Management and Market Diversification (continued)

A summary of realized and unrealized derivative gains and losses for the three and nine months ended September 30, 2019 and 2018 are as follows:

(\$000)	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Realized gains on derivatives	\$ 10,538	\$ 1,993	429 %	\$ 24,139	\$ 25,148	(4) %
Unrealized losses on derivatives	(30,966)	(8,728)	255 %	(57,037)	(31,861)	79 %
<b>Losses on derivatives</b>	<b>\$ (20,428)</b>	<b>\$ (6,735)</b>	<b>203 %</b>	<b>\$ (32,898)</b>	<b>\$ (6,713)</b>	<b>390 %</b>

For the three and nine months ended September 30, 2019 and 2018, Advantage recognized realized gains on derivatives due to the settlement of contracts with average derivative contract prices that were above average market prices. For the three and nine months ended September 30, 2019, Advantage recognized unrealized losses on derivatives of \$31.0 million and \$57.0 million, respectively, resulting from a decrease in the fair value of our future derivative contracts to a net liability of \$15.4 million, compared to a net asset of \$41.6 million at December 31, 2018. The decrease in the fair value of our outstanding derivative contracts over the nine months ended September 30, 2019 was attributable to the change in valuation of the derivative contracts due to strengthening natural gas prices, tightening of the AECO/ Henry Hub basis, and \$24.1 million of actual cash received from derivative settlements. The fair value of the net derivative asset or liability is the estimated value to settle the outstanding contracts as at a point in time. As such, unrealized derivative gains and losses do not impact adjusted funds flow and the actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions. Remaining derivative contracts will settle between October 1, 2019 and December 31, 2024.

### Sales of Natural Gas Purchased from Third Parties

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Sales of natural gas purchased from third parties (\$000)	\$ 220	\$ -	nm	\$ 857	\$ 5,078	(83) %
Natural gas purchased from third parties (\$000)	(325)	-	nm	(2,362)	(3,967)	(40) %
Net sales of natural gas purchased from third parties (\$000)	\$ (105)	\$ -	nm	\$ (1,505)	\$ 1,111	(235) %
per boe	\$ (0.03)	\$ -	nm	\$ (0.13)	\$ 0.10	(230) %

Advantage occasionally purchases natural gas volumes from third parties to satisfy physical delivery commitments during brief plant outages. During the nine months ended September 30, 2019, Advantage realized \$0.9 million of revenue from the sale of purchased natural gas while the natural gas volumes were purchased for a total of \$2.4 million. During the nine months ended September 30, 2018, Advantage had a scheduled plant expansion shutdown and purchased \$4.0 million of natural gas volumes from third parties while realizing \$5.1 million of revenue from the sale of this purchased natural gas.

## Royalty Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Royalty expense (\$000)	\$ 232	\$ 787	(71) %	\$ 2,459	\$ 929	165 %
per boe	\$ 0.06	\$ 0.19	(68) %	\$ 0.21	\$ 0.08	163 %
Royalty rate (percentage of natural gas and liquids sales)	0.5 %	1.4 %	(0.9) %	1.4 %	0.6 %	0.8 %

Royalty expense for the three months ended September 30, 2019 decreased due to lower production and realized natural gas prices when compared to the same period in 2018. Royalty expense for the nine months ended September 30, 2019 has increased due to higher production, along with higher realized natural gas prices and increased liquids sales. Advantage's corporate royalty rate remains low due to gas cost allowance received from the Alberta Provincial Government (the "Crown") to recognize capital and operating expenditures incurred by Advantage in the gathering and processing of the Crown's share of our natural gas production.

## Operating Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Operating expense (\$000)	\$ 8,204	\$ 6,755	21 %	\$ 23,742	\$ 20,331	17 %
per boe	\$ 2.12	\$ 1.61	32 %	\$ 2.01	\$ 1.85	9 %

Operating expense for the three and nine months ended September 30, 2019 increased to \$8.2 million and \$23.7 million compared to the respective periods of 2018. The increase in total operating expense was attributable to a higher number of producing wells and commissioning of our new Valhalla liquids handling hub. With our continuing liquid-rich development, we anticipate operating expense will increase marginally associated with increased production, additional Advantage owned infrastructure at Wembley, and processing of Wembley production at third-party facilities. Nevertheless, Advantage expects to maintain a low-cost structure per boe while continuing to progress development of our high-returns liquids projects.

## Transportation Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Natural gas (\$000)	\$ 11,927	\$ 11,514	4 %	\$ 36,842	\$ 34,125	8 %
Liquids (\$000)	1,950	1,434	36 %	4,693	3,219	46 %
Total transportation expense (\$000)	\$ 13,877	\$ 12,948	7 %	\$ 41,535	\$ 37,344	11 %
per boe	\$ 3.58	\$ 3.09	16 %	\$ 3.51	\$ 3.40	3 %

Transportation expense represents the cost of transporting our natural gas and liquids to the sales points, including associated fuel costs. Transportation expense for the three and nine months ended September 30, 2019 increased to \$13.9 million and \$41.5 million compared to the respective periods of 2018. The increase in total transportation expense was attributable to increased natural gas production and associated firm commitments, combined with our continued significant increase in liquids production (see "Production").



## Operating Netback

	Three months ended September 30			
	2019		2018	
	\$000	per boe	\$000	per boe
Sales of natural gas and liquids from production	\$ 46,389	\$ 11.98	\$ 55,935	\$ 13.33
Net sales of natural gas purchased from third parties <sup>(1)</sup>	(105)	(0.03)	-	-
Realized gains on derivatives	10,538	2.72	1,993	0.47
Royalty expense	(232)	(0.06)	(787)	(0.19)
Operating expense	(8,204)	(2.12)	(6,755)	(1.61)
Transportation expense	(13,877)	(3.58)	(12,948)	(3.09)
<b>Operating netback <sup>(1)</sup></b>	<b>\$ 34,509</b>	<b>\$ 8.91</b>	<b>\$ 37,438</b>	<b>\$ 8.91</b>

	Nine months ended September 30			
	2019		2018	
	\$000	per boe	\$000	per boe
Sales of natural gas and liquids from production	\$ 174,177	\$ 14.73	\$ 151,477	\$ 13.77
Net sales of natural gas purchased from third parties <sup>(1)</sup>	(1,505)	(0.13)	1,111	0.10
Realized gains on derivatives	24,139	2.04	25,148	2.29
Royalty expense	(2,459)	(0.21)	(929)	(0.08)
Operating expense	(23,742)	(2.01)	(20,331)	(1.85)
Transportation expense	(41,535)	(3.51)	(37,344)	(3.40)
<b>Operating netback <sup>(1)</sup></b>	<b>\$ 129,075</b>	<b>\$ 10.91</b>	<b>\$ 119,132</b>	<b>\$ 10.83</b>

<sup>(1)</sup> Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

Advantage's operating netback for the three months ended September 30, 2019 was \$34.5 million or \$8.91/boe, which was comparable to the same period in 2018. Advantage recognized a decrease in sales of natural gas and liquids due to the proactive shut-in of natural gas production accompanying low realized prices, which was offset by higher realized gains on derivatives as we had a significant portion of our natural gas production hedged for the current quarter. For the nine months ended September 30, 2019, Advantage's operating netback was \$129.1 million or \$10.91/boe, which was comparable to the same period in 2018. Advantage recognized a significant increase in sales of natural gas and liquids as a result of increased production, particularly the focus on liquids-rich development, and revenue enhancements through market diversification (see "Commodity Price Risk Management and Market Diversification").

## General and Administrative Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
General and administrative expense (\$000)	\$ 3,309	\$ 2,567	29 %	\$ 8,346	\$ 6,790	23 %
per boe	\$ 0.85	\$ 0.61	39 %	\$ 0.71	\$ 0.62	15 %
Employees at September 30				38	30	27 %

General and administrative (“G&A”) expense for the three and nine months ended September 30, 2019 increased due to expense related to the Corporation’s new Performance Awards and an increase in number of staff. For the nine months ended September 30, 2019, the Corporation made lease payments in the amount of \$0.5 million, which are no longer recorded under G&A as a result of adopting of IFRS 16 – leases on January 1, 2019.

## Share-based Compensation

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Share-based compensation (\$000)	\$ 2,092	\$ 2,519	(17) %	\$ 6,122	\$ 6,018	2 %
Capitalized (\$000)	(772)	(934)	(17) %	(2,259)	(2,233)	1 %
Share-based compensation expense (\$000)	\$ 1,320	\$ 1,585	(17) %	\$ 3,863	\$ 3,785	2 %
per boe	\$ 0.34	\$ 0.38	(11) %	\$ 0.33	\$ 0.34	(3) %

The Corporation’s share-based compensation plan consists of Stock Options and Performance Share Units which are granted to service providers of Advantage to align the interests of these individuals with those of shareholders. Capitalized share-based compensation is attributable to personnel involved with the development of the Corporation’s capital projects.

The Corporation recognized \$3.9 million of share-based compensation expense during the nine months ended September 30, 2019, and capitalized \$2.3 million of share-based compensation, both of which were comparable to the same period in 2018.

## Finance Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Cash expense (\$000)	\$ 3,272	\$ 2,836	15 %	\$ 10,009	\$ 7,759	29 %
per boe	\$ 0.85	\$ 0.68	25 %	\$ 0.85	\$ 0.71	20 %
Non-cash finance expense (\$000)	248	283	(12) %	771	794	(3) %
Total finance expense (\$000)	\$ 3,520	\$ 3,119	13 %	\$ 10,780	\$ 8,553	26 %
per boe	\$ 0.91	\$ 0.74	23 %	\$ 0.91	\$ 0.78	17 %

Advantage realized higher cash finance expense during the three and nine months ended September 30, 2019 due to higher average outstanding bank indebtedness. As anticipated in our development plan, Advantage has had higher average bank debt as compared to 2018 but continues to maintain a strong balance sheet with capital expenditures to September 30, 2019 marginally exceeding cash provided by operating activities. Advantage’s interest rates are primarily based on short term bankers’ acceptance rates plus a stamping fee and determined by total debt to the trailing four quarters Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) ratio as calculated pursuant to our Credit Facilities.

## Depreciation Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Depreciation expense (\$000)	\$ 30,626	\$ 32,791	(7) %	\$ 93,609	\$ 85,977	9 %
per boe	\$ 7.91	\$ 7.81	1 %	\$ 7.92	\$ 7.82	1 %

The changes in depreciation expense for the three and nine months ended September 30, 2019 when compared to the same periods in 2018 was entirely attributed to changes in production over those periods while the rate of depreciation expense per boe has been comparable.

## Taxes

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Income tax recovery (\$000)	\$ 8,369	\$ 2,500	235 %	\$ 21,742	\$ 3,791	474 %
per boe	\$ 2.16	\$ 0.60	260 %	\$ 1.84	\$ 0.34	441 %

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three and nine months ended September 30, 2019, the Corporation recognized a deferred income tax recovery of \$8.4 million and \$21.7 million as a result of net losses, accompanied by the *Job Creation Tax Cut Act* (“Bill 3”) being substantively enacted during the second quarter of 2019 by the Alberta Government. Bill 3 decreased the Corporation’s provincial corporate tax rate to 11% (from 12%) on July 1, 2019, with a further 1% rate reductions every year on January 1 until the provincial corporate tax rate is 8% on January 1, 2022. As at September 30, 2019, the Corporation had a deferred income tax liability of \$56.6 million.

## Net Loss and Comprehensive Loss

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2019	2018	change	2019	2018	change
Net loss and comprehensive loss (\$000)	\$ (26,863)	\$ (8,852)	203 %	\$ (22,810)	\$ (14,043)	62 %
per share - basic	\$ (0.14)	\$ (0.05)	180 %	\$ (0.12)	\$ (0.08)	50 %
per share - diluted	\$ (0.14)	\$ (0.05)	180 %	\$ (0.12)	\$ (0.08)	50 %

Advantage recognized a net loss of \$26.9 million and \$22.8 million for the three and nine months ended September 30, 2019, respectively. The increases in net loss and comprehensive loss were primarily due to unrealized losses on derivatives. Advantage recognized unrealized losses on derivatives for the nine months ended September 30, 2019 and 2018 of \$57.0 million and \$31.9 million, respectively. Unrealized derivative gains and losses do not impact adjusted funds flow and the actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions (see “Commodity Price Risk Management and Market Diversification”). Excluding unrealized losses on derivatives and deferred income taxes, Advantage’s earnings for the nine months ended September 30, 2019 were comparable to 2018, generating resilient operating netbacks of \$10.91/boe during significant commodity price volatility as a result of continued market diversification, commodity price risk management and maintaining low costs.

## Cash Provided by Operating Activities and Adjusted Funds Flow

(\$000, except as otherwise indicated)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Cash provided by operating activities	\$ 27,323	\$ 27,950	\$ 116,098	\$ 107,613
Increase in other long-term liabilities	(433)	-	(799)	-
Expenditures on decommissioning liability	271	501	1,826	737
Changes in non-cash working capital	767	3,584	(6,397)	(4,273)
<b>Adjusted funds flow <sup>(1)</sup></b>	<b>\$ 27,928</b>	<b>\$ 32,035</b>	<b>\$ 110,728</b>	<b>\$ 104,077</b>
<b>Adjusted funds flow per share <sup>(1)</sup></b>	<b>\$ 0.15</b>	<b>\$ 0.17</b>	<b>\$ 0.59</b>	<b>\$ 0.56</b>

<sup>(1)</sup> Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

For the three and nine months ended September 30, 2019, Advantage realized adjusted funds flow of \$27.9 million or \$0.15/share and \$110.7 million or \$0.59/share, respectively. Advantage realized higher adjusted funds flow for the nine months ended September 30, 2019 as a result of higher production, an increased focus on liquids-rich development, and stronger realized natural gas prices including revenue enhancements through market diversification (see "Operating Netback"). For the three months ended September 30, 2019, the decrease in adjusted funds flow related primarily due to the proactive shut-in of natural gas production accompanying low realized prices (see "Production").

## Contractual Obligations and Commitments

The Corporation has contractual obligations in the normal course of operations including purchases of assets and services, operating agreements, transportation and processing commitments, sales contracts and bank indebtedness. These obligations are of a recurring and consistent nature and impact cash flow in an ongoing manner. The following table is a summary of the Corporation's remaining contractual obligations and commitments. Advantage has no guarantees or off-balance sheet arrangements other than as disclosed.

(\$ millions)	Payments due by period						
	Total	2019	2020	2021	2022	2023	Beyond
Building operating cost <sup>(1)</sup>	\$ 3.2	\$ 0.1	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 1.5
Transportation and processing	492.7	12.2	47.5	50.6	58.8	53.9	269.7
Bank indebtedness <sup>(2)</sup>							
- principal	278.0	-	-	278.0	-	-	-
- interest	29.7	3.2	16.3	10.2	-	-	-
<b>Total contractual obligations</b>	<b>\$ 803.6</b>	<b>\$ 15.5</b>	<b>\$ 64.2</b>	<b>\$ 339.2</b>	<b>\$ 59.2</b>	<b>\$ 54.3</b>	<b>\$ 271.2</b>

<sup>(1)</sup> Excludes committed payments which are included in the Corporation's lease liability.

<sup>(2)</sup> As at September 30, 2019 the Corporation's bank indebtedness was governed by a credit facility agreement with a syndicate of financial institutions. Under the terms of the agreement, the facility is reviewed semi-annually, with the next review scheduled in April 2020. The facility is revolving and extendible at each annual review for a further 364-day period at the option of the syndicate. If not extended, the credit facility is converted at that time into a one-year term facility, with the principal payable at the end of such one-year term. Management fully expects that the facility will be extended at each annual review.

## Liquidity and Capital Resources

The following table is a summary of the Corporation's capitalization structure:

<b>(\$000, except as otherwise indicated)</b>	<b>September 30 2019</b>	<b>December 31 2018</b>
Bank indebtedness (non-current)	\$ 275,594	\$ 270,918
Working capital deficit <sup>(1)</sup>	13,322	1,912
<b>Total debt <sup>(1)</sup></b>	<b>\$ 288,916</b>	<b>\$ 272,830</b>
Shares outstanding	186,910,848	185,942,141
Shares closing market price (\$/share)	\$ 2.15	\$ 1.98
<b>Market capitalization</b>	<b>\$ 401,858</b>	<b>\$ 368,165</b>
<b>Total capitalization</b>	<b>\$ 690,774</b>	<b>\$ 640,995</b>
<b>Total debt to adjusted funds flow <sup>(1)</sup></b>	<b>1.8</b>	<b>1.8</b>

<sup>(1)</sup> Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

Advantage has a \$400 million Credit Facility of which \$115.3 million or 29% was available at September 30, 2019 after deducting letters of credit of US\$5 million outstanding (see "Bank Indebtedness, Credit Facilities and Other Obligations"). The Corporation's adjusted funds flow and bank indebtedness was utilized to fund our capital expenditure program of \$125.3 million for the nine months ended September 30, 2019. This resulted in a total debt to adjusted funds flow ratio of 1.8 times as at September 30, 2019, as expected. Advantage continues to be focused on maintaining a strong balance sheet, a disciplined commodity risk management program, a low-cost structure, and substantial available liquidity such that it is well positioned to continue successfully executing our multi-year development plan.

Advantage monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The capital structure of the Corporation is composed of working capital, bank indebtedness, and share capital. Advantage may manage its capital structure by issuing new common shares, repurchasing outstanding common shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend, or adjusting capital spending. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis. Management of the Corporation's capital structure is facilitated through its financial and operational forecasting processes. Selected forecast information is frequently provided to the Board of Directors. This continual financial assessment process further enables the Corporation to mitigate risks. The Corporation continues to satisfy all liabilities and commitments as they come due.

## **Bank Indebtedness, Credit Facilities and Other Obligations**

As at September 30, 2019, Advantage had bank indebtedness outstanding of \$275.6 million, an increase of \$4.7 million since December 31, 2018. Advantage's Credit Facilities have a borrowing base of \$400 million that is collateralized by a \$1 billion floating charge demand debenture covering all assets of the Corporation and has no financial covenants (the "Credit Facilities"). The borrowing base for the Credit Facilities is determined by the banking syndicate through an evaluation of our reserve estimates based upon their own commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. In October 2019, the semi-annual redetermination of the Credit Facilities borrowing base was completed, with no changes to the borrowing base of \$400 million, comprised of a \$20 million extendible revolving operating loan facility from one financial institution and a \$380 million extendible revolving loan facility from a syndicate of financial institutions. The next semi-annual review is scheduled to occur in April 2020. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time.

Advantage had a working capital deficit of \$13.3 million as at September 30, 2019, an increase of \$11.4 million compared to the working capital deficit at December 31, 2018 due to differences in the timing of capital expenditures and related payments. Our working capital includes cash and cash equivalents, trade receivables, prepaid expenses, deposits, trade payables and other accrued liabilities. Working capital varies primarily due to the timing of such items, the current level of business activity including our capital expenditure program, commodity price volatility, and seasonal fluctuations. We do not anticipate any problems in meeting future obligations as they become due as they can be satisfied with cash provided by operating activities and our available Credit Facilities.

## **Shareholders' Equity**

As at September 30, 2019, a total of 0.8 million Stock Options and 3.9 million Performance Share Units were outstanding, which represents 2.5% of Advantage's total outstanding common shares. No Stock Options were exercised during the nine months ended September 30, 2019. During April 2019, 598,069 Performance Share Units matured and were settled with the issuance of 968,707 common shares. As at October 31, 2019, Advantage had 186.9 million common shares outstanding.

## Cash Used in Investing Activities and Net Capital Expenditures

(\$000)	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
Drilling, completion and workovers	\$ 30,833	\$ 29,464	\$ 76,648	\$ 66,553
Well equipping and facilities	17,266	18,038	45,024	82,809
Other	(70)	-	350	-
Expenditures on property, plant and equipment	48,029	47,502	122,022	149,362
Expenditures on exploration and evaluation assets	284	-	3,291	537
<b>Net capital expenditures <sup>(1)</sup></b>	<b>\$ 48,313</b>	<b>\$ 47,502</b>	<b>\$ 125,313</b>	<b>\$ 149,899</b>
Changes in non-cash working capital	(12,055)	(8,417)	(2,038)	13,112
<b>Cash used in investing activities</b>	<b>\$ 36,258</b>	<b>\$ 39,085</b>	<b>\$ 123,275</b>	<b>\$ 163,011</b>

<sup>(1)</sup> Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

Advantage invested \$48.3 million and \$125.3 million on property, plant, equipment and exploration and evaluation assets during the three and nine months ended September 30, 2019, respectively. Year-to-date, Advantage has drilled 9.7 net wells focusing on liquid-rich Montney opportunities across our acreage position.

### Progress

During the quarter, Advantage announced a significant Montney light oil pool discovery and appraisal at Progress, Alberta, on our 100% owned 50 net section land block (see News Release dated September 3, 2019). Advantage has drilled four successful Montney wells to date at Progress over the last two years, with the most recent located at 16-36-76-10W6 being drilled and completed in the third quarter of 2019. This discovery including three previous wells elevates the Progress asset to be a significant element of the Corporation's liquids development program along with Pipestone/Wembley, Valhalla and east Glacier. The Progress lands were acquired over the last five years and appraisal began in 2017.

Progress will be tied-in to Advantage's 100% owned Glacier Gas Plant for gas processing and liquids extraction, making use of existing surplus plant capacity and an existing section of an unused Advantage pipeline. The tie-in and equipping of the wells are targeted for completion by year-end 2019.

The 16-36 well represents another milestone in demonstrating that each of Advantage's land blocks (Glacier, Pipestone/Wembley, Valhalla and Progress) features high-quality resource with attractive economics in the current commodity price environment. With this result at Progress, the asset has become a key element of the Corporation's liquids development plan and is viewed by Management as competitive with Pipestone/Wembley.

### Pipestone/Wembley

Our Pipestone/Wembley land block is in a condensate fairway where significant industry drilling successes in multiple layers has occurred. Industry drilling adjacent to our lands have targeted multiple Montney layers with results demonstrating liquids-rich gas accumulations in all layers to date. Our first Wembley well at 12-25 came on production in October and is expected to have more optimized and stable production as the quarter progresses. Commissioning of the Tidewater Pipestone sour, deep-cut gas plant was delayed into October and has had a slower ramp-up to continuous run time than expected. Construction of the gathering system for our southern Pipestone/Wembley land block was completed this quarter.

Front-end engineering and design work have been completed for a compressor/liquids handling hub. Regulatory approval for the facility has been obtained with construction planned to begin in late October and facility commissioning in the second quarter of 2020.

Drilling operations in Pipestone/Wembley began during the third quarter with our first four well pad rig released during the quarter. Completion operations on the pad are planned for the fourth quarter of 2019.

## **Cash Used in Investing Activities and Net Capital Expenditures (continued)**

### Valhalla

Valhalla completion operations concluded during the third quarter on a 5 gross (4.7 net) well pad that was previously drilled in the first quarter of 2019. Average well results have exceeded production expectations.

### Glacier

Glacier activity during the quarter was focused on placing the remaining wells from a ten well Middle Montney pad, located on the eastern side, on production. These wells helped drive corporate liquids production higher this quarter.

### Corporate

Advantage's current standing well inventory consists of thirteen wells, of which 4 are tied-in waiting on production, 3 are completed and waiting on tie-in and 6 are cased waiting to be completed.

Advantage holds a total of 210 net sections (134,400 net acres) of Doig/Montney rights with 121 of those net sections outside of Glacier in the Valhalla/Progress/Wembley areas that have potential for liquids-rich and multi-layer development.



## Quarterly Performance

	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>(\$000, except as otherwise indicated)</b>								
<b>Financial Statement Highlights</b>								
Sales including realized hedging <sup>(3)</sup>	\$ 56,927	\$ 60,017	\$ 81,372	\$ 73,979	\$ 57,928	\$ 45,319	\$ 73,378	\$ 65,779
Net income (loss) and comprehensive income (loss)	\$ (26,863)	\$ 3,372	\$ 681	\$ 25,162	\$ (8,852)	\$ (15,294)	\$ 10,103	\$ 21,425
per basic share <sup>(2)</sup>	\$ (0.14)	\$ 0.02	\$ 0.00	\$ 0.14	\$ (0.05)	\$ (0.08)	\$ 0.05	\$ 0.12
Cash provided by operating activities <sup>(4)</sup>	\$ 27,323	\$ 44,292	\$ 44,483	\$ 41,627	\$ 27,950	\$ 21,009	\$ 58,654	\$ 27,880
Cash provided by (used in) financing activities	\$ 5,010	\$ (20,309)	\$ 19,501	\$ 11,739	\$ 11,005	\$ 12,852	\$ 28,341	\$ 52,627
Cash used in investing activities	\$ 36,258	\$ 27,303	\$ 59,714	\$ 50,723	\$ 39,085	\$ 38,701	\$ 85,225	\$ 73,591
Basic weighted average shares (000)	186,911	186,858	185,942	185,942	186,065	186,190	185,963	185,963
<b>Other Financial Highlights</b>								
Adjusted funds flow <sup>(1)</sup>	\$ 27,928	\$ 32,777	\$ 50,023	\$ 46,301	\$ 32,035	\$ 23,160	\$ 48,882	\$ 43,883
per boe <sup>(1)</sup>	\$ 7.21	\$ 8.38	\$ 12.38	\$ 11.02	\$ 7.63	\$ 7.20	\$ 13.63	\$ 11.67
per basic share <sup>(2)</sup>	\$ 0.15	\$ 0.18	\$ 0.27	\$ 0.25	\$ 0.17	\$ 0.12	\$ 0.26	\$ 0.24
Net capital expenditures <sup>(1)</sup>	\$ 48,313	\$ 19,578	\$ 57,422	\$ 52,000	\$ 48,437	\$ 25,324	\$ 77,073	\$ 73,723
Working capital (surplus) deficit <sup>(1)</sup>	\$ 13,322	\$ (1,891)	\$ (9,325)	\$ 1,912	\$ 8,169	\$ 3,206	\$ 13,779	\$ 13,808
Bank indebtedness	\$ 275,594	\$ 270,495	\$ 290,612	\$ 270,918	\$ 259,179	\$ 250,189	\$ 237,319	\$ 208,978
Total debt <sup>(1)</sup>	\$ 288,916	\$ 268,604	\$ 281,287	\$ 272,830	\$ 267,348	\$ 253,395	\$ 251,098	\$ 222,786
<b>Operating Highlights</b>								
Daily Production								
Natural gas (mcf/d)	233,625	242,409	257,219	262,269	262,841	205,712	232,456	237,780
Liquids (bbls/d)	3,142	2,580	2,030	1,974	1,804	1,067	1,105	1,227
Total production (mcf/d)	252,477	257,889	269,401	274,113	273,665	212,114	239,086	245,142
Total production (boe/d)	42,080	42,982	44,900	45,686	45,611	35,352	39,848	40,857
Average prices (including realized hedging)								
Natural gas (\$/mcf) <sup>(3)</sup>	\$ 2.04	\$ 2.17	\$ 3.11	\$ 2.70	\$ 1.93	\$ 2.05	\$ 3.19	\$ 2.69
Liquids(\$/bbl)	\$ 45.32	\$ 51.76	\$ 51.93	\$ 49.23	\$ 67.90	\$ 72.32	\$ 66.11	\$ 60.48
<b>Operating Netback (\$/boe)</b>								
Sales of natural gas and liquids from production	\$ 11.98	\$ 13.14	\$ 18.90	\$ 16.86	\$ 13.33	\$ 11.65	\$ 16.19	\$ 14.31
Net sales of natural gas purchased from third parties <sup>(1)</sup>	\$ (0.03)	\$ -	\$ (0.35)	\$ -	\$ -	\$ 0.35	\$ -	\$ -
Realized gains on derivatives	\$ 2.72	\$ 2.20	\$ 1.23	\$ 0.74	\$ 0.47	\$ 2.43	\$ 4.27	\$ 3.19
Royalty (expense) recovery	\$ (0.06)	\$ 0.02	\$ (0.57)	\$ (0.39)	\$ (0.19)	\$ 0.33	\$ (0.34)	\$ (0.42)
Operating expense	\$ (2.12)	\$ (1.89)	\$ (2.02)	\$ (1.73)	\$ (1.64)	\$ (2.06)	\$ (1.94)	\$ (1.59)
Transportation expense	\$ (3.58)	\$ (3.56)	\$ (3.40)	\$ (3.18)	\$ (3.09)	\$ (3.75)	\$ (3.44)	\$ (3.02)
Operating netback <sup>(1)</sup>	\$ 8.91	\$ 9.91	\$ 13.79	\$ 12.30	\$ 8.91	\$ 8.95	\$ 14.74	\$ 12.47

(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.

(4) Cash provided by operating activities has been adjusted to conform to the presentation adopted for the period ended September 30, 2019.

The table above highlights the Corporation's performance for the third quarter of 2019 and also for the preceding seven quarters. Production increased during the fourth quarter of 2017, filling the Glacier Gas Plant capacity and achieving record production for Advantage at that time. Advantage's production volumes were reduced during the first and second quarters of 2018 as a result of Glacier Gas Plant expansion activities, with production increasing significantly afterwards following the completion of the 400 mmcf/d expansion. Production decreased in the second and third quarters of 2019 due to Advantage proactively shutting-in dry natural gas exposed to periods of extremely low AECO pricing.

## **Quarterly Performance (continued)**

Sales and adjusted funds flow that began to strengthen into the first quarter of 2018 due to improving commodity prices, subsequently deteriorated as natural gas prices weakened in the second and third quarters of 2018 associated with NGTL system maintenance. Both sales and adjusted funds flow improved from the third quarter of 2018 to the first quarter of 2019 largely as a result of higher production, especially increased liquids production, and stronger realized prices. Sales and adjusted funds flow were weaker in the second and third quarters of 2019 due to decreased production and lower realized natural gas prices, however benefited significantly from a continued increase in liquids production and our market diversification portfolio, including hedging. From early 2017 to 2019, cash provided by operating activities experienced greater fluctuations than adjusted funds flow due to changes in non-cash working capital, which primarily resulted from the amount and timing of trade payable settlements and accounts receivable collections.

## **Critical Accounting Estimates**

The preparation of financial statements in accordance with IFRS requires Management to make certain judgments and estimates. Changes in these judgments and estimates could have a material impact on the Corporation's financial results and financial condition.

Management relies on the estimate of reserves as prepared by the Corporation's independent qualified reserves evaluator. The process of estimating reserves is critical to several accounting estimates. The process of estimating reserves is complex and requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development and production activities becomes available and as economic conditions impact natural gas and liquids prices, operating expense, royalty burden changes, and future development costs. Reserve estimates impact net income and comprehensive income through depreciation and impairment of natural gas and liquids properties. The reserve estimates are also used to assess the borrowing base for the Credit Facilities. Revision or changes in the reserve estimates can have either a positive or a negative impact on asset values, net income, comprehensive income and the borrowing base of the Corporation.

Management has determined there to be a single cash-generating unit ("CGU"), the Glacier Area, on the basis of its ability to generate independent cash flows, similar reserve characteristics, geographical location, and shared infrastructure, namely a single processing plant owned by Advantage. For purposes of assessment of impairment, Management has allocated all exploration and evaluation assets to the Glacier Area CGU, on the basis of their geographic proximity.

Management's process of determining the provision for deferred income taxes and the provision for decommissioning liability costs and related accretion expense are based on estimates. Estimates used in the determination of deferred income taxes provisions are significant and can include expected future tax rates, expectations regarding the realization or settlement of the carrying amount of assets and liabilities and other relevant assumptions. Estimates used in the determination of decommissioning liability cost provisions and accretion expense are significant and can include proved and probable reserves, future production rates, future commodity prices, future costs, future interest rates and other relevant assumptions. Revisions or changes in any of these estimates can have either a positive or a negative impact on asset and liability values, net income and comprehensive income.

In accordance with IFRS, derivative assets and liabilities are recorded at their fair values at the reporting date, with gains and losses recognized directly into comprehensive income in the same period. The fair value of derivatives outstanding is an estimate based on pricing models, estimates, assumptions and market data available at that time. As such, the recognized amounts are non-cash items and the actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions.

In determining the lease term for leases, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

## **Changes in Accounting Policies**

On January 1, 2019, the Corporation adopted IFRS 16 - Leases. Additional information regarding the adoption of the standard and the impact can be found in the Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2019.

## **Accounting Pronouncements not yet Adopted**

A description of additional accounting standards and interpretations that will be adopted in future periods can be found in the notes to the Condensed Consolidated Interim Financial Statements for the three and nine months ended September 30, 2019.

## **Evaluation of Disclosure Controls and Procedures**

Advantage's Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures ("DC&P"), or caused it to be designed under their supervision, to provide reasonable assurance that material information relating to the Corporation is made known to them by others, particularly during the period in which the annual filings are being prepared, and information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Management of Advantage, including our Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of the Corporation's DC&P annually.

## **Evaluation of Internal Controls over Financial Reporting**

Advantage's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework Advantage's officers used to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations. Management of Advantage, including our Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of the Corporation's ICFR annually.

Advantage's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during our most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the interim period ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our ICFR.

It should be noted that while the Chief Executive Officer and Chief Financial Officer believe that the Corporation's design of DC&P and ICFR provide a reasonable level of assurance that they are effective, they do not expect that the control system will prevent all errors and fraud. A control system, no matter how well conceived or operated, does not provide absolute, but rather is designed to provide reasonable assurance that the objective of the control system is met. The Corporation's ICFR may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Corporation's policies and procedures.

## **Non-GAAP Measures**

The Corporation discloses several financial and performance measures in the MD&A that do not have any standardized meaning prescribed under GAAP. These financial and performance measures include “net capital expenditures”, “working capital”, “total debt”, “adjusted funds flow”, “total debt to adjusted funds flow”, “operating netback” 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 individual expenses presented within the consolidated statement of comprehensive income 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. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods. Please see “Cash Used in Investing Activities and Net Capital Expenditures” for a reconciliation to the nearest measure calculated in accordance with GAAP, cash used in investing activities.

### Working Capital

Working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued liabilities at the reporting date. Working capital provides Management and users with a measure of the Corporation’s operating liquidity. Please see “Liquidity and Capital Resources”.

### Total Debt

Total debt is comprised of bank indebtedness and working capital. Total debt provides Management and users with a measure of the Corporation’s indebtedness and expected settlement of net liabilities in the next year. Please see “Liquidity and Capital Resources”.

### 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. Please see “Cash Provided by Operating Activities and Adjusted Funds Flow” for a reconciliation to the nearest measure calculated in accordance with GAAP, cash provided by operating activities. 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.

### 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. Please see “Liquidity and Capital Resources”.

## Non-GAAP Measures (continued)

### Operating Netback

Advantage calculates operating netback on a total and per boe basis. Operating netback is comprised of sales revenue, realized gains 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. Please see “Operating Netback”.

### 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.

### **Conversion Ratio**

The term “boe” or barrels of oil equivalent and “mcf” or thousand cubic feet equivalent may be misleading, particularly if used in isolation. A boe or mcf conversion ratio of six thousand cubic feet of natural gas equivalent to one barrel of oil (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. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil 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.

### **Abbreviations**

Terms and abbreviations that are used in this MD&A that are not otherwise defined herein are provided below:

bbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
gj	- gigajoules
mcf	- thousand cubic feet
mcf/d	- thousand cubic feet per day
mcfe	- thousand cubic feet equivalent (1 bbl = 6 mcf)
mcfe/d	- thousand cubic feet equivalent per day
mmbtu	- million British thermal units
mmbtu/d	- million British thermal units per day
mmcf	- million cubic feet
mmcf/d	- million cubic feet per day
AECO	- a notional market point on TransCanada Pipeline Limited’s NGTL system where the purchase and sale of natural gas is transacted
MSW	- price for mixed sweet crude oil at Edmonton, Alberta
NGLs	- natural gas liquids
NGTL	- NOVA Gas Transmission Ltd.
nm	- not meaningful information
WTI	- West Texas Intermediate, price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade

## Forward-Looking Information and Other Advisories

This MD&A contains certain forward-looking statements and forward-looking information (collectively, "forward-looking statements"), which are based on our current internal expectations, estimates, projections, assumptions and beliefs. These forward-looking statements relate to future events or our future 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", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar or related expressions. These statements are not guarantees of future performance.

In particular, forward-looking statements in this MD&A include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; the Corporation's hedging activities; expectation that liquids production will continue to increase in the fourth quarter of 2019 and the reasons therefor; expectation that there will be stronger AECO prices; terms of the Corporation's derivative contracts, including their purposes and the timing of settlement of such contracts; expectation that the Corporation's operating expense will increase and the reasons therefor; estimated tax pools and liability; future commitments and contractual obligations; terms of the Corporation's Credit Facilities, including timing of the next review of the Credit Facilities, the Corporation's expectations regarding extension of Advantage's Credit Facilities at each annual review; the Corporation's strategy for managing its capital structure, including the use of equity financing arrangements, share repurchases, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend or adjusting capital spending; the Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they become due; timing for tie-in and equipping of wells at Progress; timing of wells to be on production in the Corporation's Pipestone/Wembley land block; expectation of more stable production in the fourth quarter of 2019 and the reasons therefor at Pipestone/Wembley; anticipated timing of infrastructure construction at Pipestone/Wembley; the statements under "critical accounting estimates" in this MD&A; and other matters.

These forward-looking statements involve substantial known and unknown risks and uncertainties, many of which are beyond our control, including, but not limited to, risks related to changes in general economic, market and business conditions; continued volatility in market prices for oil and natural gas; the impact of significant declines in market prices for oil and natural gas; stock market volatility; changes to legislation and regulations and how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; actions by governmental or regulatory authorities including increasing taxes, regulatory approvals, changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; the effect of acquisitions; our success at acquisition, exploitation and development of reserves; unexpected drilling results; failure to achieve production targets on timelines anticipated or at all; 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; 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; individual well productivity; delays in anticipated timing of drilling and completion of wells; lack of available capacity on pipelines; delays in timing of facility installation; delays in obtaining stakeholder and regulatory approvals; the failure to extend the credit facilities at each annual review; competition from other producers; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at [www.sedar.com](http://www.sedar.com) and [www.advantageog.com](http://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 MD&A, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of

## Forward-Looking Information and Other Advisories (continued)

drilling and related equipment; timing and amount of 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 crude oil and natural gas properties in the manner currently contemplated; availability of pipeline capacity; that current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and that the estimates of the Corporation's production, reserves and resources 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 provided in this MD&A 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 MD&A 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.

References in this MD&A to production test 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 for Advantage. A pressure-transient analysis or well-test interpretation has not been carried out in respect of all wells. Accordingly, the Corporation cautions that the test results should be considered preliminary.

This MD&A contains metrics commonly used in the oil and natural gas industry which have been prepared by management such as "operating netback". These terms do not have standard meaning and may not be comparable to similar measures presented by other companies and, therefore, should not be used to make such comparisons. Management uses these oil and natural gas metrics for its own performance measurements, and to provide shareholders with measures to compare Advantage's operations overtime. Readers are cautioned that the information provided by these metrics, or that can be derived from metrics presented in the MD&A, should not be relied upon for investment or other purposes. Refer above to "Non-GAAP Measures" section of this MD&A for additional disclosure on "operating netback".

Certain information contained herein may be considered "analogous information" as defined in National Instrument 51-101. In particular, this document discloses that the Montney formation are liquids-rich gas accumulations in all layers in adjacent lands to those of the Corporation. Such analogous information has not been prepared in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook and the Corporation is unable to confirm whether such information has been prepared by a qualified reserves evaluator. Such information is not intended to be a projection of future results. Such information is based on independent public data and public information received from other producers and the Corporation has no way of verifying the accuracy of such information. Such information has been presented to help demonstrate the basis for the Corporation's business plans and strategies. There is no certainty that such results will be achieved by the Corporation and such information should not be construed as an estimate of future reserves or future production levels.

## **Additional Information**

Additional information relating to Advantage can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Corporation's website at [www.advantageog.com](http://www.advantageog.com). Such other information includes the annual information form, the management information circular, press releases, material change reports, material contracts and agreements, and other financial reports. The annual information form will be of particular interest for current and potential shareholders as it discusses a variety of subject matter including the nature of the business, description of our operations, general and recent business developments, risk factors, reserves data and other oil and gas information.

October 31, 2019



# **CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2019 and 2018

**Advantage Oil & Gas Ltd.**  
**Consolidated Statements of Financial Position**  
(unaudited, expressed in thousands of Canadian dollars)

	Notes	September 30 2019	December 31 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	\$ 3,384	\$ 6,359
Trade and other receivables		19,137	28,350
Prepaid expenses and deposits		2,662	2,178
Derivative asset	7	4,719	29,593
<b>Total current assets</b>		<b>29,902</b>	<b>66,480</b>
<b>Non-current assets</b>			
Derivative asset	7	-	12,943
Exploration and evaluation assets	4	25,904	22,613
Right-of-use assets	5	2,153	-
Property, plant and equipment	6	1,709,582	1,669,161
<b>Total non-current assets</b>		<b>1,737,639</b>	<b>1,704,717</b>
<b>Total assets</b>		<b>\$ 1,767,541</b>	<b>\$ 1,771,197</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other accrued liabilities		\$ 38,505	\$ 38,799
Derivative liability	7	4,652	94
Lease liability	8	180	-
<b>Total current liabilities</b>		<b>43,337</b>	<b>38,893</b>
<b>Non-current liabilities</b>			
Derivative liability	7	15,485	822
Lease liability	8	2,068	-
Bank indebtedness	9	275,594	270,918
Decommissioning liability	10	58,152	50,028
Other long-term liabilities	13	799	-
Deferred income tax liability	11	56,599	78,341
<b>Total non-current liabilities</b>		<b>408,697</b>	<b>400,109</b>
<b>Total liabilities</b>		<b>452,034</b>	<b>439,002</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	2,349,703	2,342,689
Contributed surplus		114,682	115,574
Deficit		(1,148,878)	(1,126,068)
<b>Total shareholders' equity</b>		<b>1,315,507</b>	<b>1,332,195</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 1,767,541</b>	<b>\$ 1,771,197</b>

**Commitments** (note 17)

See accompanying Notes to the Condensed Consolidated Financial Statements

## Advantage Oil & Gas Ltd.

### Consolidated Statements of Comprehensive Loss

(unaudited, expressed in thousands of Canadian dollars, except per share amounts)

	Notes	Three months ended September 30		Nine months ended September 30	
		2019	2018	2019	2018
<b>Revenues</b>					
Sales of natural gas and liquids from production	15	\$ 46,389	\$ 55,935	\$ 174,177	\$ 151,477
Sales of natural gas purchased from third parties	15	220	-	857	5,078
Royalty expense		(232)	(787)	(2,459)	(929)
Natural gas and liquids revenue		46,377	55,148	172,575	155,626
Losses on derivatives	7	(20,428)	(6,735)	(32,898)	(6,713)
Other income		-	-	8	-
<b>Total revenues and other income</b>		<b>25,949</b>	<b>48,413</b>	<b>139,685</b>	<b>148,913</b>
<b>Expenses</b>					
Operating expense		8,204	6,755	23,742	20,331
Transportation expense		13,877	12,948	41,535	37,344
Natural gas purchased from third parties	15	325	-	2,362	3,967
General and administrative expense		3,309	2,567	8,346	6,790
Share-based compensation expense	13	1,320	1,585	3,863	3,785
Depreciation expense	5,6	30,626	32,791	93,609	85,977
Finance expense		3,520	3,119	10,780	8,553
<b>Total expenses</b>		<b>61,181</b>	<b>59,765</b>	<b>184,237</b>	<b>166,747</b>
<b>Loss before taxes</b>		<b>(35,232)</b>	<b>(11,352)</b>	<b>(44,552)</b>	<b>(17,834)</b>
Income tax recovery	11	8,369	2,500	21,742	3,791
<b>Net loss and comprehensive loss</b>		<b>\$ (26,863)</b>	<b>\$ (8,852)</b>	<b>\$ (22,810)</b>	<b>\$ (14,043)</b>
<b>Net loss per share</b>	14				
Basic		\$ (0.14)	\$ (0.05)	\$ (0.12)	\$ (0.08)
Diluted		\$ (0.14)	\$ (0.05)	\$ (0.12)	\$ (0.08)

See accompanying Notes to the Condensed Consolidated Financial Statements

**Advantage Oil & Gas Ltd.****Consolidated Statements of Changes in Shareholders' Equity**

(unaudited, expressed in thousands of Canadian dollars)

	Notes	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance, December 31, 2018		\$ 2,342,689	\$ 115,574	\$ (1,126,068)	\$ 1,332,195
Net loss and comprehensive loss		-	-	(22,810)	(22,810)
Share-based compensation	13	-	6,122	-	6,122
Settlement of Performance Share Units	13	7,014	(7,014)	-	-
<b>Balance, September 30, 2019</b>		<b>\$ 2,349,703</b>	<b>\$ 114,682</b>	<b>\$ (1,148,878)</b>	<b>\$ 1,315,507</b>

	Notes	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance, December 31, 2017		\$ 2,340,801	\$ 110,077	\$ (1,139,202)	\$ 1,311,676
Net loss and comprehensive loss		-	-	(14,043)	(14,043)
Share-based compensation	13	-	6,018	-	6,018
Settlement of Performance Share Units	13	1,906	(2,711)	-	(805)
Proceeds on share cancellations		-	-	2,015	2,015
Share repurchases		(18)	-	-	(18)
<b>Balance, September 30, 2018</b>		<b>\$ 2,342,689</b>	<b>\$ 113,384</b>	<b>\$ (1,151,230)</b>	<b>\$ 1,304,843</b>

See accompanying Notes to the Condensed Consolidated Financial Statements

**Advantage Oil & Gas Ltd.**  
**Consolidated Statements of Cash Flows**  
(unaudited, expressed in thousands of Canadian dollars)

	Notes	Three months ended September 30		Nine months ended September 30	
		2019	2018	2019	2018
<b>Operating Activities</b>					
Loss before taxes		\$ (35,232)	\$ (11,352)	\$ (44,552)	\$ (17,834)
Add (deduct) items not requiring cash:					
Unrealized losses on derivatives	7	30,966	8,728	57,037	31,861
Share-based compensation expense	13	1,320	1,585	3,863	3,785
Depreciation expense	5,6	30,626	32,791	93,609	85,977
Non-cash finance expense	8,10	248	283	771	794
Settlement of Performance Share Units		-	-	-	(506)
Increase in other long-term liabilities	13	433	-	799	-
Expenditures on decommissioning liability	10	(271)	(501)	(1,826)	(737)
Changes in non-cash working capital	16	(767)	(3,584)	6,397	4,273
<b>Cash provided by operating activities</b>		<b>27,323</b>	<b>27,950</b>	<b>116,098</b>	<b>107,613</b>
<b>Financing Activities</b>					
Increase in bank indebtedness	9	5,099	8,990	4,676	50,201
Payment of lease liabilities	8	(89)	-	(474)	-
Proceeds on share cancellations		-	2,015	-	2,015
Share repurchases		-	-	-	(18)
<b>Cash provided by financing activities</b>		<b>5,010</b>	<b>11,005</b>	<b>4,202</b>	<b>52,198</b>
<b>Investing Activities</b>					
Payments on property, plant and equipment	6,16	(35,974)	(39,085)	(119,984)	(162,474)
Payments on exploration and evaluation assets	4	(284)	-	(3,291)	(537)
<b>Cash used in investing activities</b>		<b>(36,258)</b>	<b>(39,085)</b>	<b>(123,275)</b>	<b>(163,011)</b>
Decrease in cash and cash equivalents		(3,925)	(130)	(2,975)	(3,200)
Cash and cash equivalents, beginning of period		7,309	3,846	6,359	6,916
<b>Cash and cash equivalents, end of period</b>		<b>\$ 3,384</b>	<b>\$ 3,716</b>	<b>\$ 3,384</b>	<b>\$ 3,716</b>

See accompanying Notes to the Condensed Consolidated Financial Statements

# Advantage Oil & Gas Ltd.

## Notes to the Condensed Consolidated Financial Statements

September 30, 2019 (unaudited)

All tabular amounts in thousands of Canadian dollars, except as otherwise indicated.

### 1. Business and structure of Advantage Oil & Gas Ltd.

Advantage Oil & Gas Ltd. and its subsidiaries (together “Advantage” or the “Corporation”) is an intermediate natural gas and liquids development and production Corporation with a significant position in the Montney resource play located in Western Canada.

Advantage is domiciled and incorporated in Canada under the *Business Corporations Act* (Alberta). Advantage’s head office address is 2200, 440 – 2<sup>nd</sup> Avenue SW, Calgary, Alberta, Canada. The Corporation’s common shares are listed on the Toronto Stock Exchange under the symbol “AAV”.

### 2. Basis of preparation

#### (a) Statement of compliance

The Corporation prepares its condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”) as defined in the Chartered Professional Accountants Canada Handbook (the “CPA Canada Handbook”). The CPA Canada Handbook incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including IAS 34, Interim Financial Reporting. The Corporation has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended December 31, 2018, except as noted below. Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB. Certain information provided for the prior period has been reclassified to conform to the presentation adopted for the period ended September 30, 2019.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of October 31, 2019, the date the Board of Directors approved the statements.

#### (b) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation’s accounting policies in the audited consolidated financial statements for the year ended December 31, 2018.

The methods used to measure fair values of derivative instruments are discussed in note 7.

#### (c) Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

#### (d) Changes to significant accounting policies

*IFRS 16 – Leases (“IFRS 16”)*

##### Adoption

The Corporation adopted IFRS 16 effective January 1, 2019, and the standard was applied using the modified retrospective method. The modified retrospective method does not require restatement of prior period financial information as it recognizes the cumulative effect, if any, as an adjustment to opening retained earnings and

## 2. Basis of preparation (continued)

applies the standard prospectively. Accordingly, comparative information in the Corporation's condensed consolidated financial statements are not restated and continues to be reported under IAS 17.

### Transition

On adoption of IFRS 16, the Corporation has recognized right-of-use ("ROU") assets and a corresponding lease liability in relation to all lease arrangements, excluding commitments in relation to arrangements not containing leases (service agreements), measured at the present value of the remaining lease payments as at January 1, 2019. ROU assets and a lease liability of \$2.6 million were recorded as of January 1, 2019, with no impact on the Corporation's deficit. When measuring the lease liability, the Corporation discounts lease payments using the interest rate implicit in the lease, or the Corporation's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The weighted-average incremental borrowing rate applied on adoption was 4.3%.

The following table reconciles the Corporation's commitments at December 31, 2018, as previously disclosed in the Corporation's consolidated financial statements, to the lease liability recognized on initial adoption of IFRS 16 at January 1, 2019:

Commitments, disclosed as at December 31, 2018	\$	377,271
Non-lease components		(3,580)
Contracts assessed as service agreements		(370,490)
<b>Net lease liability commitments</b>		<b>3,201</b>
Discounted effect		(557)
<b>Lease liability as at January 1, 2019</b>	<b>\$</b>	<b>2,644</b>

There was no impact to lessor accounting from the adoption of IFRS 16.

### Significant accounting policy

The Corporation assesses new contracts at inception to determine whether it contains a lease. This assessment involves the exercise of judgement about whether the asset is specified for the Corporation, whether the Corporation obtains substantially all the economic benefits from use of that asset, and whether the Corporation has the right to direct the use of the asset.

Leases are recognized as a ROU asset with a corresponding liability at the date of which the leased asset is available for use by the Corporation. Each lease payment is allocated between the lease liability and finance expense. The finance expense is charged to the statement of comprehensive loss over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability for each reporting period. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments, less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Corporation will exercise a purchase, extension or termination option that is within the control of the Corporation. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Corporation's incremental borrowing rate.

ROU assets are measured at cost comprising of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs and restoration costs.

## 2. Basis of preparation (continued)

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the statement of comprehensive loss. Short-term leases are leases with a lease term of 12 months or less. The Corporation applies a single discount rate to portfolios of leases with similar characteristics.

A lease modification will be accounted for as a separate lease if the modification increases the scope of the lease and if the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. For a modification that is not a separate lease or where the increase in consideration is not commensurate, at the effective date of the lease modification, the Corporation will remeasure the lease liability using the Corporation's incremental borrowing rate, when the rate implicit to the lease is not readily available, with a corresponding adjustment to the ROU asset. A modification that decreases the scope of the lease will be accounted for by decreasing the carrying amount of the ROU asset, and recognizing a gain or loss in net loss and comprehensive loss that reflects the proportionate decrease in scope.

### *Finance expense*

Finance expense comprises interest expense on bank indebtedness, accretion of the discount on the decommissioning liability and interest on the lease liability.

### *Long-term benefits*

Advantage's long-term incentive plan allows the Corporation to grant cash Performance Awards to service providers. The present value of payments to be made under Performance Awards are recognized as general and administrative expense as the corresponding service is provided by the service provider. A liability is recognized for the amount expected to be paid if the Corporation has a present legal or constructive obligation to pay this amount, as a result of past service provided by the service provider, and the obligation can be estimated reliably.

## **(e) Significant accounting judgements, estimates and assumptions**

### *Lease Term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

## **(f) Accounting pronouncements not yet adopted**

IFRS 3 – Business Combinations (“IFRS 3”), has been amended to revise the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment to IFRS 3 is effective for the years beginning on or after January 1, 2020. The Corporation is currently assessing the impact of this amendment.

IAS 1 – Presentation of financial statements (“IAS 1”) and IAS 8 – Accounting policies, changes in accounting estimates and errors (“IAS 8”), have been amended to (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; (ii) clarify the explanation of the definition of material; and (iii) incorporate guidance in IAS 1 regarding immaterial information. The amendments to IAS 1 and IAS 8 are effective for the years beginning on or after January 1, 2020. The Corporation is currently assessing the impact of this amendment.



### 3. Cash and cash equivalents

	September 30 2019	December 31 2018
Cash at financial institutions	\$ 3,384	\$ 6,359

Cash at financial institutions earns interest at floating rates based on daily deposit rates. As at September 30, 2019, cash at financial institutions included US\$0.1 million (December 31, 2018 - US\$1.9 million). The Corporation only deposits cash with major financial institutions of high-quality credit ratings.

### 4. Exploration and evaluation assets

Balance at December 31, 2017	\$	22,143
Additions		2,097
Transferred to property, plant and equipment (note 6)		(1,627)
Balance at December 31, 2018	\$	22,613
Additions		3,291
<b>Balance at September 30, 2019</b>	<b>\$</b>	<b>25,904</b>

### 5. Right-of-use assets

Cost	Buildings	Other	Total
Balance at January 1, 2019 (note 2)	\$ 2,458	\$ 186	\$ 2,644
Expired leases	(422)	-	(422)
<b>Balance at September 30, 2019</b>	<b>\$ 2,036</b>	<b>\$ 186</b>	<b>\$ 2,222</b>

Accumulated depreciation	Buildings	Other	Total
Balance at January 1, 2019	\$ -	\$ -	\$ -
Depreciation	463	28	491
Expired leases	(422)	-	(422)
<b>Balance at September 30, 2019</b>	<b>\$ 41</b>	<b>\$ 28</b>	<b>\$ 69</b>

Net book value	Buildings	Other	Total
At January 1, 2019	\$ 2,458	\$ 186	\$ 2,644
<b>At September 30, 2019</b>	<b>\$ 1,995</b>	<b>\$ 158</b>	<b>\$ 2,153</b>

## 6. Property, plant and equipment

<b>Cost</b>	<b>Natural gas and liquids properties</b>	<b>Furniture and equipment</b>	<b>Total</b>
Balance at December 31, 2017	\$ 2,242,201	\$ 5,766	\$ 2,247,967
Additions	198,529	159	198,688
Capitalized share-based compensation (note 13)	3,048	-	3,048
Changes in decommissioning liability (note 10)	3,867	-	3,867
Transferred from exploration and evaluation assets (note 4)	1,627	-	1,627
Balance at December 31, 2018	\$ 2,449,272	\$ 5,925	\$ 2,455,197
Additions	121,672	350	122,022
Capitalized share-based compensation (note 13)	2,259	-	2,259
Changes in decommissioning liability (note 10)	9,257	-	9,257
<b>Balance at September 30, 2019</b>	<b>\$ 2,582,460</b>	<b>\$ 6,275</b>	<b>\$ 2,588,735</b>

<b>Accumulated depreciation</b>	<b>Natural gas and liquids properties</b>	<b>Furniture and equipment</b>	<b>Total</b>
Balance at December 31, 2017	\$ 662,433	\$ 4,561	\$ 666,994
Depreciation	118,801	241	119,042
Balance at December 31, 2018	\$ 781,234	\$ 4,802	\$ 786,036
Depreciation	92,933	184	93,117
<b>Balance at September 30, 2019</b>	<b>\$ 874,167</b>	<b>\$ 4,986</b>	<b>\$ 879,153</b>

<b>Net book value</b>	<b>Natural gas and liquids properties</b>	<b>Furniture and equipment</b>	<b>Total</b>
At December 31, 2018	\$ 1,668,038	\$ 1,123	\$ 1,669,161
<b>At September 30, 2019</b>	<b>\$ 1,708,293</b>	<b>\$ 1,289</b>	<b>\$ 1,709,582</b>

During the nine months ended September 30, 2019, Advantage capitalized general and administrative expenditures directly related to development activities of \$3.7 million included in additions (year ended December 31, 2018 - \$4.2 million).

Advantage included future development costs of \$1.7 billion (December 31, 2018 - \$1.7 billion) in property, plant and equipment costs subject to depreciation.

## 7. Financial risk management

Financial instruments of the Corporation include cash and cash equivalents, trade and other receivables, prepaid expenses and deposits, trade and other accrued liabilities, bank indebtedness, derivative assets and liabilities, and other long-term liabilities.

Trade and other receivables, prepaid expenses and deposits, trade and other accrued liabilities, bank indebtedness and other long-term liabilities are classified as 'amortized cost'. As at September 30, 2019, there were no significant differences between the carrying amounts reported on the consolidated statement of financial position and the estimated fair values of these financial instruments due to the short terms to maturity and the floating interest rate on the bank indebtedness.

Fair value is determined following a three-level hierarchy:

Level 1: Quoted prices in active markets for identical assets and liabilities. The Corporation does not have any financial assets or liabilities that require level 1 inputs.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract. Derivative assets and liabilities are measured at fair value on a recurring basis. For derivative assets and liabilities, pricing inputs include quoted forward prices for commodities, foreign exchange rates, volatility and risk-free rate discounting, all of which can be observed or corroborated in the marketplace. The actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions.

Level 3: Fair value is determined using inputs that are not observable. Advantage has no assets or liabilities that use level 3 inputs.

## 7. Financial risk management (continued)

### (a) Price risk

The Corporation's derivative contracts are classified as Level 2 within the fair value hierarchy. As at September 30, 2019, the Corporation had the following derivative contracts in place:

Description of Derivative	Term	Volume	Price
<b>Natural Gas - AECO</b>			
Fixed price swap	October 2018 to December 2019	25,000 mcf/d	Cdn \$2.58/mcf
Fixed price swap	April 2019 to October 2019	61,608 mcf/d	Cdn \$1.77/mcf
Fixed price swap	April 2019 to October 2019	4,739 mcf/d	Cdn \$1.28/mcf
Fixed price swap	April 2019 to October 2019	18,956 mcf/d	Cdn \$1.27/mcf
Fixed price swap	November 2019 to March 2020	18,956 mcf/d	Cdn \$2.29/mcf
Fixed price swap	November 2019 to March 2020	9,478 mcf/d	Cdn \$2.21/mcf
Fixed price swap	January 2020 to March 2020	9,478 mcf/d	Cdn \$2.27/mcf
Fixed price swap	April 2020 to October 2020	18,956 mcf/d	Cdn \$1.21/mcf
Fixed price swap	April 2020 to October 2020	9,478 mcf/d	Cdn \$1.48/mcf
Fixed price swap	April 2020 to October 2020	9,478 mcf/d	Cdn \$1.45/mcf
Fixed price swap	April 2020 to October 2020	9,478 mcf/d	Cdn \$1.42/mcf
<b>Natural Gas - Dawn</b>			
Fixed price swap	November 2018 to October 2019	20,000 mcf/d	US \$2.87/mcf
Fixed price swap	November 2019 to March 2020	10,000 mcf/d	US \$3.16/mcf
<b>Natural Gas - AECO/Henry Hub Basis Differential</b>			
Basis swap	November 2019 to March 2020	20,000 mcf/d	Henry Hub less US \$0.975/mcf
Basis swap	November 2019 to March 2020	10,000 mcf/d	Henry Hub less US \$0.8875/mcf
Basis swap	January 2020 to December 2020	5,000 mcf/d	Henry Hub less US \$1.20/mcf
Basis swap	January 2020 to December 2024	15,000 mcf/d	Henry Hub less US \$1.20/mcf
Basis swap	January 2021 to December 2024	5,000 mcf/d	Henry Hub less US \$1.135/mcf
Basis swap	January 2021 to December 2024	2,500 mcf/d	Henry Hub less US \$1.185/mcf
Basis swap	January 2021 to December 2024	17,500 mcf/d	Henry Hub less US \$1.20/mcf
<b>Oil - WTI NYMEX</b>			
Fixed price swap	October 2019 to December 2019	1,000 bbls/d	US \$60.01/bbl
Fixed price swap	January 2020 to March 2020	500 bbls/d	US \$58.05/bbl

## 7. Financial risk management (continued)

### (a) Price risk

As at September 30, 2019, the fair value of the derivatives outstanding resulted in an aggregate asset of \$4.7 million (December 31, 2018 - \$42.5 million) and an aggregate liability of \$20.1 million (December 31, 2018 - \$0.9 million). The fair value of the commodity risk management derivatives has been allocated to current and non-current assets and liabilities based on the expected timing of cash settlements.

For the nine months ended September 30, 2019, \$32.9 million was recognized in net loss as a loss on derivatives (nine months ended September 30, 2018 - \$6.7 million). The table below summarizes the realized gains and unrealized losses on derivatives recognized in net loss.

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Realized gains on derivatives	\$ 10,538	\$ 1,993	\$ 24,139	\$ 25,148
Unrealized losses on derivatives	(30,966)	(8,728)	(57,037)	(31,861)
<b>Losses on derivatives</b>	<b>\$ (20,428)</b>	<b>\$ (6,735)</b>	<b>\$ (32,898)</b>	<b>\$ (6,713)</b>

### (b) Capital management

Advantage's capital structure as at September 30, 2019 and December 31, 2018 is as follows:

	September 30 2019	December 31 2018
Bank indebtedness (non-current) (note 9)	\$ 275,594	\$ 270,918
Working capital deficit <sup>(1)</sup>	13,322	1,912
<b>Total debt <sup>(2)</sup></b>	<b>\$ 288,916</b>	<b>\$ 272,830</b>
Shares outstanding (note 12)	186,910,848	185,942,141
Share closing market price (\$/share)	\$ 2.15	\$ 1.98
Market Capitalization	401,858	368,165
<b>Total Capitalization</b>	<b>\$ 690,774</b>	<b>\$ 640,955</b>

- (1) Working capital is a non-GAAP measure that includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued liabilities.
- (2) Total debt is a non-GAAP measure that includes bank indebtedness and working capital.

## 8. Lease liability

	Nine months ended September 30, 2019	
Balance at January 1, 2019 (note 2)	\$	2,644
Interest expense		78
Lease payments		(474)
<b>Balance, end of period</b>	<b>\$</b>	<b>2,248</b>
Current lease liability	\$	180
Non-current lease liability	\$	2,068

The Corporation incurs lease payments related to its head office and other miscellaneous equipment. The Corporation has recognized a lease liability in relation to all lease arrangements measured at the present value of the remaining lease payments using the Corporation's weighted-average incremental borrowing rate of 4.3%.

## 9. Bank indebtedness

	September 30		December 31	
	2019		2018	
Revolving credit facility	\$	278,000	\$	273,000
Discount on bankers' acceptance and other fees		(2,406)		(2,082)
<b>Balance, end of period</b>	<b>\$</b>	<b>275,594</b>	<b>\$</b>	<b>270,918</b>

On April 30, 2019, the Credit Facilities were renewed with no changes to the borrowing base of \$400 million, comprised of a \$20 million extendible revolving operating loan facility from one financial institution and a \$380 million extendible revolving loan facility from a syndicate of financial institutions. The revolving period for the Credit Facilities will end in June 2020 unless extended at the option of the syndicate for a further 364-day period. If not extended, the credit facility will be converted at that time into a one-year term facility, with the principal payable at the end of such one-year term. The Corporation had letters of credit of US\$5 million outstanding at September 30, 2019. The Corporation did not have any financial covenants at September 30, 2019 and December 31, 2018.

## 10. Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids assets including well sites, gathering systems and processing facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2019 and 2078. A risk-free rate of 1.57% (December 31, 2018 - 2.15%) and an inflation factor of 2.0% (December 31, 2018 - 2.0%) were used to calculate the fair value of the decommissioning liability at September 30, 2019. A reconciliation of the decommissioning liability is provided below:

	Nine months ended September 30, 2019		Year ended December 31, 2018	
Balance, beginning of the period	\$	50,028	\$	46,913
Accretion expense		693		1,030
Liabilities incurred		1,129		1,381
Change in estimates		126		(760)
Effect of change in risk-free rate and inflation rate factor		8,002		3,246
Liabilities settled		(1,826)		(1,782)
<b>Balance, end of period</b>	<b>\$</b>	<b>58,152</b>	<b>\$</b>	<b>50,028</b>

## 11. Income taxes

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Income tax recovery	\$ 8,369	\$ 2,500	\$ 21,742	\$ 3,791

Income tax recovery is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On May 28, 2019, the *Job Creation Tax Cut Act* ("Bill 3") was substantively enacted by the Alberta Government. Bill 3 will decrease the Corporation's provincial corporate tax rate to 11% (from 12%) on July 1, 2019, with a further 1% rate reductions every year on January 1 until the provincial corporate tax rate is 8% on January 1, 2022. As a result, at September 30, 2019, the Corporation recognized a \$11.0 million reduction in its deferred income tax liability related to the reduction in the Alberta corporate tax rate.

## 12. Share capital

### (a) Authorized

The Corporation is authorized to issue an unlimited number of shares without nominal or par value.

### (b) Issued

	Common Shares		Amount	
Balance at December 31, 2017	185,963,186	\$	2,340,801	
Shares issued on Performance Share Unit settlements	239,791		-	
Contributed surplus transferred on Performance Share Unit settlements	-		1,906	
Share cancellations	(256,387)		-	
Share repurchases	(4,449)		(18)	
Balance at December 31, 2018	185,942,141	\$	2,342,689	
Shares issued on Performance Share Unit settlements	968,707		-	
Contributed surplus transferred on Performance Share Unit settlements	-		7,014	
<b>Balance at September 30, 2019</b>	<b>186,910,848</b>	<b>\$</b>	<b>2,349,703</b>	

### 13. Long-term compensation plans

#### (a) Stock Option Plan

The following tables summarize information about changes in Stock Options outstanding at September 30, 2019:

	Stock Options	Weighted-Average Exercise Price
Balance at December 31, 2017	2,005,857	\$ 6.30
Forfeited	(16,708)	6.82
Balance at December 31, 2018	1,989,149	\$ 6.29
Forfeited	(36,932)	6.82
Expired	(1,110,009)	5.87
<b>Balance at September 30, 2019</b>	<b>842,208</b>	<b>\$ 6.82</b>

Range of Exercise Price	Stock Options Outstanding			Stock Options Exercisable	
	Number of Stock Options Outstanding	Weighted Average Remaining Contractual Life - Years	Weighted Average Exercise Price	Number of Stock Options Exercisable	Weighted Average Exercise Price
\$6.82	842,208	0.51	6.82	842,208	6.82

No Stock Options were exercised during the nine months ended September 30, 2019.

#### (b) Restricted and Performance Award Incentive Plan – Performance Share Units

Under the Restricted and Performance Award Incentive Plan, service providers can be granted two types of equity incentive awards: Restricted Share Units and Performance Share Units. Such grants vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. As at September 30, 2019, no Restricted Share Units have been granted.

The following table is a continuity of Performance Share Units:

	Performance Share Units
Balance at December 31, 2017	1,580,299
Granted	1,695,135
Settled	(248,688)
Forfeited	(87,495)
Balance at December 31, 2018	2,939,251
Granted	1,609,394
Settled	(598,069)
Forfeited	(64,535)
<b>Balance at September 30, 2019</b>	<b>3,886,041</b>

During April 2019, 598,069 Performance Share Units matured and were settled with the issuance of 968,707 common shares.



### 13. Long-term compensation plans (continued)

#### (c) Share-based compensation expense

Advantage's Stock Option Plan and Restricted and Performance Award Incentive Plans qualify as share-based compensation. Share-based compensation recognized by plan for the three and nine months ended September 30, 2019 and 2018 is as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Stock Options	\$ -	\$ -	\$ -	\$ 57
Performance Share Units	2,092	2,519	6,122	5,961
Total share-based compensation	2,092	2,519	6,122	6,018
Capitalized	(772)	(934)	(2,259)	(2,233)
<b>Share-based compensation expense</b>	<b>\$ 1,320</b>	<b>\$ 1,585</b>	<b>\$ 3,863</b>	<b>\$ 3,785</b>

#### (d) Performance Award Incentive Plan - Performance Awards

Under the Performance Award Incentive Plan, service providers can be granted cash Performance Awards. Such grants vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. Performance Awards are expensed to general and administrative expense with the recording of a long-term liability until eventually settled in cash.

The following table is a continuity of the Corporation's long-term liability related to outstanding Performance Awards:

	Nine months ended September 30, 2019
Balance, beginning of the period	\$ -
Performance Award expense	798
Accretion expense	1
<b>Balance, end of period</b>	<b>\$ 799</b>

## 14. Net loss per share

The calculations of basic and diluted net loss per share are derived from both net loss and weighted average shares outstanding, calculated as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Net loss				
Basic and diluted	\$ (26,863)	\$ (8,852)	\$ (22,810)	\$ (14,043)
Weighted average shares outstanding				
Basic	186,910,848	186,064,761	186,573,752	186,072,907
Performance Share Units	-	-	-	-
Diluted	186,910,848	186,064,761	186,573,752	186,072,907
Net loss per share				
Basic	\$ (0.14)	\$ (0.05)	\$ (0.12)	\$ (0.08)
Diluted	\$ (0.14)	\$ (0.05)	\$ (0.12)	\$ (0.08)

## 15. Revenues

### (a) Sales of natural gas and liquids from production

Advantage's revenue is comprised of natural gas and liquids sales to multiple customers. For the three and nine months ended September 30, 2019 and 2018, revenue realized from natural gas and liquids sales was as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Natural gas	\$ 33,290	\$ 44,666	\$ 139,439	\$ 126,611
Liquids	13,099	11,269	34,738	24,866
<b>Natural gas and liquids sales</b>	<b>\$ 46,389</b>	<b>\$ 55,935</b>	<b>\$ 174,177</b>	<b>\$ 151,477</b>

At September 30, 2019, receivables from contracts with customers, which are included in trade and other receivables, were \$13.6 million (September 30, 2018 - \$19.3 million).

### (b) Sales of natural gas purchased from third parties

During the three and nine months ended September 30, 2019 and 2018, the Corporation purchased natural gas volumes from third parties to satisfy physical sales commitments. Purchases and sales of natural gas from third parties was as follows:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Sales of natural gas purchased from third parties	\$ 220	\$ -	\$ 857	\$ 5,078
Natural gas purchased from third parties	\$ 325	\$ -	\$ 2,362	\$ 3,967

## 16. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Source (use) of cash:				
Trade and other receivables	\$ (1,955)	\$ (3,976)	\$ 9,213	\$ 7,147
Prepaid expense and deposits	(87)	(407)	(484)	(1,957)
Trade and other accrued liabilities	13,330	9,216	(294)	(14,029)
	\$ 11,288	\$ 4,833	\$ 8,435	\$ (8,839)
Related to operating activities	\$ (767)	\$ (3,584)	\$ 6,397	\$ 4,273
Related to financing activities	-	-	-	-
Related to investing activities	12,055	8,417	2,038	(13,112)
	\$ 11,288	\$ 4,833	\$ 8,435	\$ (8,839)
Cash interest paid	\$ 3,198	\$ 3,846	\$ 10,411	\$ 10,557
Cash income taxes paid	\$ -	\$ -	\$ -	\$ -

## 17. Commitments

At September 30, 2019, Advantage had commitments relating to building operating cost of \$3.2 million, and transportation and processing commitments of \$492.7 million. The estimated remaining payments are as follows:

(\$ millions)	Payments due by period						
	Total	2019	2020	2021	2022	2023	Beyond
Building operating cost <sup>(1)</sup>	\$ 3.2	\$ 0.1	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 1.5
Transportation and processing	492.7	12.2	47.5	50.6	58.8	53.9	269.7
<b>Total commitments</b>	<b>\$ 495.9</b>	<b>\$ 12.3</b>	<b>\$ 47.9</b>	<b>\$ 51.0</b>	<b>\$ 59.2</b>	<b>\$ 54.3</b>	<b>\$ 271.2</b>

<sup>(3)</sup> Excludes fixed lease payments which are included in the Corporation's lease liability.

On January 1, 2019, the Corporation adopted IFRS 16 which resulted in the recognition of a lease liability related to operating leases on the balance sheet. These liabilities were previously reported as commitments. For a reconciliation of our commitments as at December 31, 2018 to our lease liability as at January 1, 2019, see Note 2.

## Directors

Jill T. Angevine <sup>(1)(3)</sup>  
Stephen E. Balog <sup>(1)(2)(3)</sup>  
Grant B. Fagerheim <sup>(2)(3)</sup>  
Paul G. Haggis <sup>(1)(2)(3)</sup>  
Andy J. Mah  
Ronald A. McIntosh <sup>(2)(3)</sup>

<sup>(1)</sup> Member of Audit Committee

<sup>(2)</sup> Member of Reserve Evaluation Committee

<sup>(3)</sup> Member of Human Resources, Compensation & Corporate Governance Committee

## Officers

Andy J. Mah, President and CEO  
Mike Belenkie, COO  
Craig Blackwood, CFO  
Neil Bokenfohr, Senior Vice President  
John Quaife, Vice President, Finance  
David Sterna, Vice President, Marketing and Commercial

## Corporate Secretary

Jay P. Reid, Partner  
Burnet, Duckworth and Palmer LLP

## Auditors

PricewaterhouseCoopers LLP

## Bankers

The Bank of Nova Scotia  
National Bank of Canada  
Royal Bank of Canada  
Canadian Imperial Bank of Commerce  
The Bank of Tokyo-Mitsubishi UFJ, Ltd., Canada Branch  
Alberta Treasury Branches  
Wells Fargo Bank N.A., /Canada Branch

## Independent Reserve Evaluators

Sroule Associates Limited

## Legal Counsel

Burnet, Duckworth and Palmer LLP

## Transfer Agent

Computershare Trust Company of Canada

## Abbreviations

bbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
gj	- gigajoules
mcf	- thousand cubic feet
mcf/d	- thousand cubic feet per day
mcf <sub>e</sub>	- thousand cubic feet equivalent (1 bbl = 6 mcf)
mcf <sub>e</sub> /d	- thousand cubic feet equivalent per day
mmbtu	- million British thermal units
mmbtu/d	- million British thermal units per day
mmcf	- million cubic feet
mmcf/d	- million cubic feet per day
AECO	- A notional market point on TransCanada Pipeline Limited's NGTL system where the purchase and sale of natural gas is transacted
MSW	- price for mixed sweet crude oil at Edmonton, Alberta
NGLs	- natural gas liquids
NGTL	- NOVA Gas Transmission Ltd.
nm	- not meaningful information
WTI	- West Texas Intermediate, price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade

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## Toronto Stock Exchange Trading Symbol

AAV



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