

2020 Third Quarter Report

Financial and Operating Highlights

(\$000, except as otherwise indicated)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Financial Statement Highlights				
Sales including realized derivatives	\$ 55,763	\$ 56,927	\$ 170,128	\$ 198,316
Net loss and comprehensive loss	\$ (21,606)	\$ (26,863)	\$ (308,213)	\$ (22,810)
per basic share ⁽²⁾	\$ (0.11)	\$ (0.14)	\$ (1.64)	\$ (0.12)
Basic weighted average shares (000)	188,113	186,911	187,643	186,574
Cash provided by operating activities	\$ 25,271	\$ 27,323	\$ 70,454	\$ 116,098
Cash provided by financing activities	\$ (15,436)	\$ 5,010	\$ 43,016	\$ 4,202
Cash used in investing activities	\$ 11,220	\$ 36,258	\$ 121,296	\$ 123,275
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾	\$ 23,571	\$ 27,928	\$ 72,923	\$ 110,728
per boe ⁽¹⁾	\$ 5.76	\$ 7.21	\$ 5.86	\$ 9.37
per basic share ⁽¹⁾⁽²⁾	\$ 0.13	\$ 0.15	\$ 0.39	\$ 0.59
Net capital expenditures ⁽¹⁾	\$ 21,252	\$ 48,313	\$ 125,545	\$ 125,313
Working capital deficit ⁽¹⁾	\$ 9,093	\$ 13,322	\$ 9,093	\$ 13,322
Bank indebtedness	\$ 241,161	\$ 275,594	\$ 241,161	\$ 275,594
Net debt ⁽¹⁾	\$ 250,254	\$ 288,916	\$ 250,254	\$ 288,916
Operating Highlights				
Production				
Crude oil and condensate (bbls/d)	2,417	1,388	2,404	1,110
NGLs (bbls/d)	2,312	1,754	1,960	1,478
Total Liquids (bbls/d)	4,729	3,142	4,364	2,588
Natural gas (mcf/d)	238,315	233,625	246,147	244,331
Total production (boe/d)	44,448	42,080	45,389	43,310
Average realized prices (including realized derivatives)				
Natural gas (\$/mcf)	\$ 1.81	\$ 2.04	\$ 1.88	\$ 2.45
Crude oil and condensate (\$/bbl)	\$ 49.19	\$ 66.52	\$ 46.48	\$ 66.79
NGLs (\$/bbl)	\$ 24.45	\$ 28.54	\$ 23.32	\$ 35.95
Operating Netback (\$/boe)				
Petroleum and natural gas sales from production	\$ 14.69	\$ 11.98	\$ 13.82	\$ 14.73
Net sales of natural gas purchased from third parties ⁽¹⁾	0.00	(0.03)	0.00	(0.13)
Realized gains (losses) on derivatives	(1.03)	2.72	(0.14)	2.04
Royalty expense	(0.63)	(0.06)	(0.60)	(0.21)
Operating expense	(2.35)	(2.12)	(2.35)	(2.01)
Transportation expense	(3.12)	(3.58)	(3.32)	(3.51)
Operating netback ⁽¹⁾	\$ 7.56	\$ 8.91	\$ 7.41	\$ 10.91

⁽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.

MESSAGE TO SHAREHOLDERS

Advantage Announces Third Quarter 2020 Financial and Operating Results and 2021 Budget

Advantage Oil & Gas Ltd. (“Advantage” or the “Corporation”) is pleased to report solid third quarter 2020 financial and operating results and announce its 2021 capital program.

Production, operating costs and adjusted funds flow met or exceeded expectations, despite the volatile macroeconomic environment. Advantage’s strong foundations have supported the Corporation through the pandemic, with a fortified balance sheet (net debt to adjusted funds flow ratio of 2.1x), low base decline (23%), low operating cost (\$2.35/boe) and low sustaining capital (under \$80 million per year required to sustain production for minimum of three years).

Advantage’s 2021 capital program will target modest production growth (5-10%), with spending aimed at approximately 75% of projected adjusted funds flow. By focusing on highest rate-of-return, gas-weighted locations, adjusted funds flow growth will be maximized. Modest spending (~20% of total budget) will continue on future development initiatives, including infrastructure optimization, completion piloting in oil plays and expiry drilling.

Highlights for the quarter include:

- Cash provided by operating activities of \$25.3 million
- Adjusted funds flow^(a) of \$23.6 million (\$0.13 per share), with net capital expenditures^(a) of \$21.3 million (\$2.3 million or 10% free cash flow^(a))
- Total production of 44,448 boe/d (89% natural gas), an increase of 6% over third quarter 2019
- Liquids production achieved a record of 4,729 bbls/d (2,417 bbls/d crude oil and condensate, 2,312 bbls/d NGLs), up 51% from the third quarter 2019
- Gas production of 238 mmcf/d (up 2% from third quarter 2019), demonstrating the low decline rates of our natural gas assets, with only one Glacier well brought on-production in 2020
- Net loss was \$21.6 million during the third quarter of 2020 due to lower realized gains on derivatives and \$22.9 million unrealized losses on derivatives, partially offset by increased sales
- Reduced net debt from the second quarter of 2020 by \$107.2 million, or 30%, as a result of proceeds from the sale of a 12.5% interest in the Glacier Gas Plant, together with free cash flow^(a)
- Revolving credit facility of \$350 million was renewed unchanged following completion of the fall semi-annual review

With a focus on delivering free cash flow and modest production growth, Advantage will continue to allocate capital primarily to high-return, short payout projects throughout our assets, and apply free cash flow to debt reduction.

a. Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.

Key Objectives For 2021 Budget:

- Grow 2021 production between 5% and 10% with exceptional growth anticipated in adjusted funds flow (“AFF”) based on current natural gas futures pricing
- 2021 net capital expenditures will target approximately 75% of AFF (2021 capital expected to be 10% to 15% below 2020 spending)
- Retain financial flexibility and discipline by targeting a net debt to AFF ratio approaching 1x by year-end 2021

2021 Budget Summary ⁽¹⁾ ⁽³⁾

Cash Used in Investing Activities ⁽²⁾ (millions)	\$125 to \$150
Average Production (boe/day)	47,000 to 49,000
Liquids Production (% of total)	8 to 9
Royalty Rate (%)	3 to 5
Operating Expense (\$/boe)	\$2.55
Transportation Expense (\$/boe)	\$4.15
G&A/Finance Expense (\$/boe)	\$2.00

Notes:

- (1) Forward-looking statements and information. Refer to Advisory for cautionary statements regarding Advantage's budget including material assumptions and risk factors.*
- (2) Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed between years and other differences are immaterial.*
- (3) Management estimate.*

Based on our current commodity price outlook for 2021, Advantage anticipates spending roughly three-quarters of its 2021 capital on Glacier gas-weighted development with 20% directed towards future development initiatives, including oil and liquids developments at Valhalla, Progress and Pipestone/Wembley. Advantage has maintained the flexibility to reallocate capital between assets should prices swing in favor of liquids development.

Operational Update

Advantage invested \$21.3 million on property, plant, and equipment during the three months ended September 30, 2020. Advantage's capital activity was focused primarily on drilling operations at Glacier.

With increasing gas prices, additional capital has been allocated to our foundational Glacier gas property for the balance of 2020. A ten well program has been planned for the second half of 2020, with five of the wells drilled and rig released in the third quarter. The remaining five wells will be drilled in the fourth quarter, along with completions of the first six wells. The remaining four wells will be completed in the first quarter of 2021.

At Valhalla, production remained partially restricted thanks to the continued outperformance of area wells, and with the introduction of production piped in from the Progress asset through the Valhalla 40 mmcf/d compressor and liquids hub. With the addition of gas from Progress and one remaining well shut-in awaiting capacity at Valhalla, the facility is anticipated to be full for the balance of 2020.

Advantage's current standing well inventory consists of one well that is tied-in and five wells that are drilled and cased.

Hedging Update

Advantage has hedged approximately 49% of its natural gas production for the fourth quarter of 2020. The Corporation continues to increase its hedging position in 2021 and currently has 33% of forecast natural gas production hedged between AECO, Henry Hub, Chicago and Dawn at an average equivalent price of US\$2.56/Mmbtu, assuming adjustment for foreign exchange at \$0.76. Advantage has 44% of its crude oil and condensate production hedged for the fourth quarter of 2020 with WTI swaps at an average price of US\$55.44/bbl and 27% of its crude oil and condensate production hedged for 2021 at US\$43.00/bbl.

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 "guidance", "anticipate", "target", "objectives", "estimates", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's focus, strategy and development plans; timing for wells to come on-stream at Glacier; number of wells planned for the second half of 2020 and the first quarter of 2021; anticipation that for 2021, net capital expenditures will be approximately 75% of adjusted funds flow; 2021 capital spending and allocation thereof; anticipated net debt to AFF by end of 2021; average production for gas and liquids; royalty rate; operating expense; transportation expense and G&A/Finance expense for 2021; Advantage's ability to grow 2021 adjusted funds flow based on current natural gas futures pricing; the expected amount of adjusted funds flow; Advantage's estimates of base decline rate and sustaining capital for the period of 2021 to 2023; Advantage's ability to reduce its net debt to adjusted funds flow in 2021; production growth for 2021; the anticipation that the compressor and liquids hub will be full for the remainder of 2020; and the Corporation's hedging activities and the benefits to be derived therefrom. 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.

Advisory (continued)

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, including as a result of demand and supply effects resulting from the COVID-19 pandemic; 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, net 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 and processing facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; delays in anticipated timing of drilling and completion of wells; individual well productivity; competition from other producers; the lack of availability of qualified personnel or management; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; stock market volatility and market valuations; liabilities inherent in oil and natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; ability to obtain required approvals of regulatory authorities; and ability to access sufficient capital from internal and external sources. Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form which is available at www.sedar.com ("SEDAR") and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this press release, Advantage has made assumptions regarding, but not limited to: conditions in general economic and financial markets; the impact and duration thereof that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs and natural gas; effects of regulation by governmental agencies; current and future commodity prices and royalty regimes; the Corporation's current and future hedging program; future exchange rates; royalty rates; future operating costs; future transportation costs and availability of product transportation capacity; availability of skilled labor; availability of drilling and related equipment; timing and amount of net capital expenditures; the number of new wells required to achieve the budget objectives; that the Corporation will have sufficient adjusted funds flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's properties in the manner currently contemplated; current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated; and the estimates of the Corporation's production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

Management has included the above summary of assumptions and risks related to forward-looking information 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 therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

Advisory (continued)

This press release contains a number of oil and gas and finance metrics, including base decline rate and sustaining capital, 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. Base decline rate is Management's estimated annual reduction in corporate production from currently producing wells that is expected to occur in the subsequent year. Sustaining capital is Management's estimate of the capital required to drill, complete, equip and tie-in new wells to existing infrastructure thereby offsetting the corporate base decline rate and maintain production at existing levels. Management uses these oil and gas and finance metrics for its own performance measurements and to provide securityholders with measures to compare Advantage's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

Non-GAAP Measures

The Corporation discloses several financial and performance measures in this press release that do not have any standardized meaning prescribed under GAAP. These financial and performance measures include "net capital expenditures", "adjusted funds flow", "free cash flow", "net debt", "operating netback", "working capital deficit" and "net debt to adjusted funds flow", 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. Please see the Corporation's most recent Management's Discussion and Analysis, which is available at www.sedar.com and www.advantageog.com, for additional information about these financial measures, including a reconciliation to the nearest GAAP measures.

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.

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

For the three and nine months ended September 30, 2020 and 2019

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of October 29, 2020, 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, 2020 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2020 and the audited consolidated financial statements for the year ended December 31, 2019 (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.

Financial Highlights	Three months ended		Nine months ended	
(\$000, except as otherwise indicated)	September 30		September 30	
	2020	2019	2020	2019
Financial Statement Highlights				
Sales including realized derivatives	\$ 55,763	\$ 56,927	\$ 170,128	\$ 198,316
Net loss and comprehensive income loss	\$ (21,606)	\$ (26,863)	\$ (308,213)	\$ (22,810)
per basic share ⁽²⁾	\$ (0.11)	\$ (0.14)	\$ (1.64)	\$ (0.12)
Basic weighted average shares (000)	188,113	186,911	187,643	186,574
Cash provided by operating activities	\$ 25,271	\$ 27,323	\$ 70,454	\$ 116,098
Cash provided by (used in) financing activities	\$ (15,436)	\$ 5,010	\$ 43,016	\$ 4,202
Cash used in investing activities	\$ 11,220	\$ 36,258	\$ 121,296	\$ 123,275
Other Financial Highlights				
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per boe ⁽¹⁾	\$ 5.76	\$ 7.21	\$ 5.86	\$ 9.37
per basic share ⁽¹⁾⁽²⁾	\$ 0.13	\$ 0.15	\$ 0.39	\$ 0.59
Net capital expenditures ⁽¹⁾	\$ 21,252	\$ 48,313	\$ 125,545	\$ 125,313
Working capital deficit ⁽¹⁾	\$ 9,093	\$ 13,322	\$ 9,093	\$ 13,322
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Net debt ⁽¹⁾	\$ 250,254	\$ 288,916	\$ 250,254	\$ 288,916

⁽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.

Operating Highlights

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Operating				
Production				
Crude oil and condensate (bbls/d)	2,417	1,388	2,404	1,110
NGLs (bbls/d)	2,312	1,754	1,960	1,478
Total liquids production (bbls/d)	4,729	3,142	4,364	2,588
Natural gas (mcf/d)	238,315	233,625	246,147	244,331
Total production (boe/d)	44,448	42,080	45,389	43,310
Average realized prices (including realized derivatives)				
Natural gas (\$/mcf)	\$ 1.81	\$ 2.04	\$ 1.88	\$ 2.45
Crude oil and condensate (\$/bbl)	\$ 49.19	\$ 66.52	\$ 46.48	\$ 66.79
NGLs (\$/bbl)	\$ 24.45	\$ 28.54	\$ 23.32	\$ 35.95
Operating Netback (\$/boe)				
Petroleum and natural gas sales from production	\$ 14.69	\$ 11.98	\$ 13.82	\$ 14.73
Net sales of natural gas purchased from third parties ⁽¹⁾	0.00	(0.03)	0.00	(0.13)
Realized gains (losses) on derivatives	(1.03)	2.72	(0.14)	2.04
Royalty expense	(0.63)	(0.06)	(0.60)	(0.21)
Operating expense	(2.35)	(2.12)	(2.35)	(2.01)
Transportation expense	(3.12)	(3.58)	(3.32)	(3.51)
Operating netback ⁽¹⁾	\$ 7.56	\$ 8.91	\$ 7.41	\$ 10.91

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

Quarterly Update

Guidance

Spending for 2020 is now projected to be between \$147 million and \$162 million, an increase of approximately \$17 million versus the previous range of \$130 million to \$145 million. The increase is primarily to accelerate a four-well pad into the fourth quarter of 2020 and augment natural gas production through the winter season. There are no other changes to the Corporation's previous 2020 guidance (see News Release dated October 8, 2020).

Closing of Glacier Gas Plant Transaction for \$100 Million

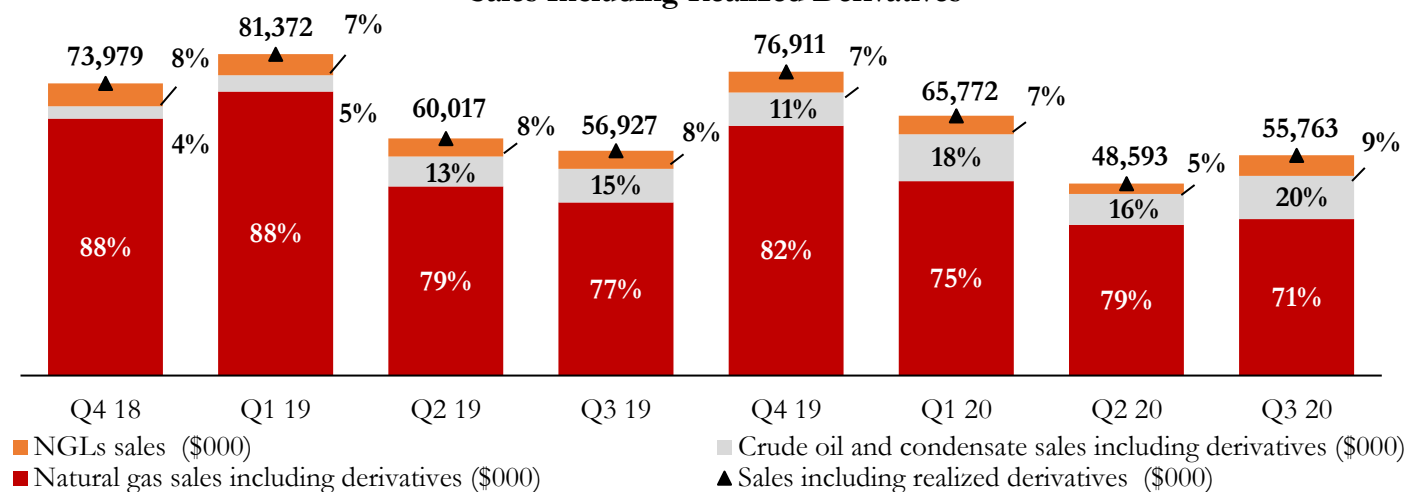
On July 2, 2020, Advantage successfully closed the previously announced sale of a 12.5% interest in the Glacier Gas Plant to Topaz Energy Corp. and received \$100 million cash proceeds (see News Release dated July 2, 2020). Advantage also entered into a 15-year take-or-pay volume commitment agreement with the purchaser for 50 mmcf/d capacity at a fee of \$0.66/mcf. Advantage has accounted for the transaction by recording a financial liability at amortized cost measured for the same amount of the net proceeds received from the sale associated with the 15-year volume commitment agreement.

Subsequent to closing the transaction, Advantage utilized the cash proceeds from the sale, net of transaction costs, to reduce bank indebtedness. Under the terms of the Credit Facility renewal, the borrowing base was adjusted on closing of the sale to \$350 million, comprised of a \$30 million extendible revolving operating loan facility and a \$320 million extendible revolving loan facility (see "Bank Indebtedness, Credit Facilities and Other Obligations").

Petroleum and Natural Gas Sales

(\$000)	Three months ended			Nine months ended		
	September 30 2020	September 30 2019	% change	September 30 2020	September 30 2019	% change
Natural gas						
Sales from production	\$ 45,012	\$ 33,290	35 %	\$ 134,333	\$ 139,439	(4) %
Realized gains (losses) on derivatives	(5,388)	10,538	(151) %	(7,343)	24,139	(130) %
	\$ 39,624	\$ 43,828	(10) %	\$ 126,990	\$ 163,578	(22) %
Crude oil and condensate						
Sales from production	\$ 9,850	\$ 8,494	16 %	\$ 25,027	\$ 20,229	24 %
Realized gains on derivatives	1,088	-	nm	5,589	-	nm
	\$ 10,938	\$ 8,494	29 %	\$ 30,616	\$ 20,229	51 %
NGLs						
Sales from production	\$ 5,201	\$ 4,605	13 %	\$ 12,522	\$ 14,509	(14) %
Sales including realized derivatives	\$ 55,763	\$ 56,927	(2) %	\$ 170,128	\$ 198,316	(14) %

Sales Including Realized Derivatives



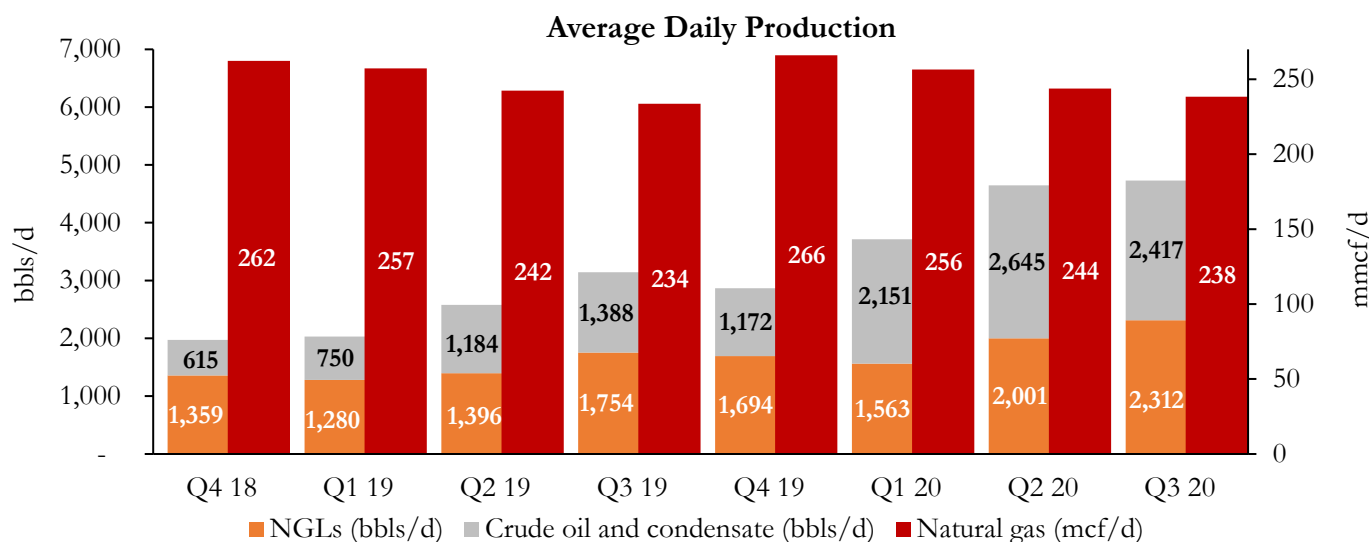
Advantage's natural gas sales excluding derivatives was \$45.0 million and \$134.3 million for the three and nine months ended September 30, 2020, a 35% increase and a 4% decrease compared to the same periods of 2019, respectively. The increase for the three months ended September 30, 2020 is mainly attributed to significantly stronger prices at AECO when compared to the extremely weak prices in 2019. The decrease in natural gas sales for the nine months ended September 30, 2020 has been primarily due to the reduction in prices received for the Corporation's natural gas attributed to lower benchmark prices in the Dawn, Chicago and Ventura markets, partially offset by the increased AECO prices (see "Commodity Prices and Marketing").

Crude oil and condensate sales excluding derivatives for the three and nine months ended September 30, 2020 increased by \$1.4 million or 16% and \$4.8 million or 24%, respectively, as compared to the same periods of 2019. NGLs sales increased by 13% and decreased by 14% for the three and nine months ended September 30, 2020, respectively. Although sales have been positively impacted by Advantage's increased production due to our continued successful liquids development from both our Pipestone/Wembley and Progress areas, this growth has been offset by the weaker realized liquids prices in the second and third quarters of 2020 attributable to the COVID-19 pandemic (see "Commodity Prices and Marketing"). Crude oil and condensate sales and NGLs sales contributed 18% and 7%, respectively, of total sales for the nine months ended September 30, 2020, including realized gains on derivatives.

Net realized losses on commodity derivatives during the three and nine months ended September 30, 2020 were \$4.3 million and \$1.8 million, respectively. Realized gains and losses on commodity derivatives and changes from prior periods are the result of differences in natural gas and crude oil prices, and contracts in place during the three and nine months ended September 30, 2020 and 2019 (see "Market Diversification and Commodity Risk Management").

Production

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2020	2019	change	2020	2019	change
Crude oil and condensate (bbls/d)	2,417	1,388	74 %	2,404	1,110	117 %
NGLs (bbls/d)	2,312	1,754	32 %	1,960	1,478	33 %
Total liquids production (bbls/d)	4,729	3,142	51 %	4,364	2,588	69 %
Natural gas (mcf/d)	238,315	233,625	2 %	246,147	244,331	1 %
Total production (boe/d)	44,448	42,080	6 %	45,389	43,310	5 %
Crude oil and condensate (%)	6 %	3 %		5 %	3 %	
NGLs (%)	5 %	4 %		4 %	3 %	
Natural gas (%)	89 %	93 %		91 %	94 %	



Total production for the three and nine months ended September 30, 2020 averaged 44,448 boe/d and 45,389 boe/d, respectively, an increase of 6% and 5% compared to the same periods of the prior year. Advantage's production has increased due to our continued successful liquids development from both our Pipestone/Wembley and Progress areas, with a 117% growth in crude oil and condensate production and a 33% growth in NGLs production for the nine months ended September 30, 2020. At Pipestone/Wembley our average production increased to 2,750 boe/d (1,101 bbls/d oil, 857 bbls/d NGLs and 4.7 mmcf/d natural gas) for the three months ended September 30, 2020. At Progress our average production for the third quarter of 2020 increased to 2,554 boe/d (696 bbls/d oil, 181 bbls/d NGLs and 10.1 mmcf/d natural gas) with liquids extraction at a third-party producer facility, and the natural gas processed at our Glacier Gas Plant.

Advantage's natural gas production for the three and nine months ended September 30, 2020 was comparable to the same periods of 2019. Our natural gas production peaked in the fourth quarter of 2019 and the first quarter of 2020 in conjunction with higher commodity prices but has been allowed to decrease modestly this summer with softening prices. Advantage's capital program for the second half of 2020 is entirely focused on natural gas at Glacier with six wells drilled and expected to be onstream prior to year-end and an additional four well pad being drilled and expected to be onstream in the first quarter of 2021. With our continued strengthening outlook, this capital activity positions us well to achieve expected production growth for 2021 between 5% and 10%.

Commodity Prices and Marketing

Average Realized Prices	Three months ended September 30			Nine months ended September 30		
	2020	2019	% change	2020	2019	% change
Natural gas						
Excluding derivatives (\$/mcf)	\$ 2.05	\$ 1.55	32 %	\$ 1.99	\$ 2.09	(5) %
Including derivatives (\$/mcf)	\$ 1.81	\$ 2.04	(11) %	\$ 1.88	\$ 2.45	(23) %
Crude oil and condensate						
Excluding derivatives (\$/bbl)	\$ 44.30	\$ 66.52	(33) %	\$ 37.99	\$ 66.79	(43) %
Including derivatives (\$/bbl)	\$ 49.19	\$ 66.52	(26) %	\$ 46.48	\$ 66.79	(30) %
NGLs						
Including and excluding derivatives (\$/bbl) ⁽¹⁾	\$ 24.45	\$ 28.54	(14) %	\$ 23.32	\$ 35.95	(35) %
Average Benchmark Prices						
Natural Gas						
AECO daily (\$/mcf)	\$ 2.24	\$ 0.91	146 %	\$ 2.09	\$ 1.51	38 %
AECO monthly (\$/mcf)	\$ 2.14	\$ 1.04	106 %	\$ 2.04	\$ 1.36	50 %
Henry Hub (\$US/mmbtu)	\$ 1.95	\$ 2.32	(16) %	\$ 1.83	\$ 2.57	(29) %
Dawn daily (\$US/mmbtu)	\$ 1.82	\$ 2.12	(14) %	\$ 1.74	\$ 2.46	(29) %
Chicago Citygate (\$US/mmbtu)	\$ 1.87	\$ 1.85	1 %	\$ 1.81	\$ 2.54	(29) %
Ventura (\$US/mmbtu)	\$ 1.77	\$ 2.00	(12) %	\$ 1.67	\$ 2.44	(32) %
Crude Oil						
WTI (\$US/bbl)	\$ 40.94	\$ 56.36	(27) %	\$ 38.30	\$ 57.00	(33) %
MSW Edmonton (\$/bbl)	\$ 44.55	\$ 69.21	(36) %	\$ 49.32	\$ 70.00	(30) %
Average Exchange rate (\$US/\$CDN)	0.7557	0.7572	- %	0.7405	0.7523	(2) %

⁽¹⁾ The Corporation has no NGL derivative contracts in place.

Advantage's realized natural gas price excluding derivatives for the three and nine months ended September 30, 2020 was \$2.05/mcf and \$1.99/mcf, respectively, which was a 32% increase and a 5% decrease compared to the same periods of the prior year. AECO natural gas prices have significantly strengthened during 2020 as compared to an extremely weak 2019, while other physical gas markets experienced considerable price declines in the first three quarters of 2020.

Advantage's physical natural gas sales portfolio has exposure to AECO, Dawn, Chicago and Ventura markets. Advantage's firm transportation service to Dawn of 52,700 mcf/d represents approximately 21% of our current natural gas production. Advantage began 2019 with sales of 20,000 mcf/d at Chicago Citygate prices that increased to 40,000 mcf/d in April 2019 and 55,000 mcf/d in April 2020. Chicago sales represent approximately 23% of our current natural gas production. Commencing April 2020, Advantage began sales arrangements for 15,000 mcf/d at Ventura prices. Ventura sales represents approximately 6% of our current natural gas production. Both the prices received for sales to Chicago and Ventura are reduced by a fixed differential, that averaged approximately US\$1.15/mmbtu during the third quarter of 2020.

Realized crude oil and condensate prices excluding derivatives decreased by 33% and 43% for the three and nine months ended September 30, 2020, respectively, compared to the same periods of the prior year. Realized NGL prices decreased by 14% and 35% for the three and nine months ended September 30, 2020, respectively. The primary cause for the lower realized liquids prices has been the impact of the COVID-19 pandemic on crude oil demand which negatively increased price volatility, with WTI prices for the three and nine months ended September 30, 2020 being 27% and 33% lower, respectively, as compared to 2019. Approximately 73% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attracts higher market prices than other NGLs.

Market Diversification and Commodity Risk Management

The Corporation's financial results and condition are impacted primarily by the prices received for natural gas, crude oil, condensate and NGLs production. Natural gas, crude oil, condensate and NGLs 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 and political factors. Additionally, certain commodity prices are transacted and denominated in US dollars. Advantage has been proactive in commodity risk management for the purposes of reducing the volatility of cash provided by operating activities that supports our Montney development by diversifying sales to different physical markets and entering into commodity and foreign exchange derivative contracts. Advantage's Credit Facilities (as defined herein) allow us to enter into fixed price derivative contracts on up to 75% of total estimated 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 natural gas derivative contracts are expected to result in the realization of the following fixed market prices and variable market exposures for 2020:

	January 1 to December 31, 2020		
	Volumes Contracted (mmcf/d) ⁽¹⁾	Average Minimum Price	% of Estimated Production
Fixed Price			
AECO fixed price swaps	49.0	\$1.67/mcf	20 %
Dawn fixed price swaps	25.0	US\$2.07/mcf ⁽²⁾	10 %
Chicago fixed price swaps	4.2	US\$2.72/mcf	2 %
Henry Hub fixed price swaps	38.3	US\$2.30/mcf	16 %
	116.5		48 %
Variable Price			
AECO physical	44.1	AECO	18 %
Dawn physical	27.7	Dawn ⁽²⁾	11 %
Empress physical	4.7	Empress ⁽³⁾	2 %
Emerson physical	4.5	Emerson ⁽⁴⁾	2 %
Midwest physical	47.5	Chicago, Ventura and Henry Hub less differentials ⁽⁵⁾	19 %
	128.5		52 %
Total Natural Gas ⁽⁶⁾	245.0		100 %

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

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

⁽³⁾ Transportation under our firm commitment from AECO to Empress is approximately \$0.18/mcf.

⁽⁴⁾ Transportation under our firm commitment from Empress to Emerson is approximately \$0.63/mcf.

⁽⁵⁾ Refer to the Corporation's website for details on differentials: <http://www.advantageog.com/investors/hedging>.

⁽⁶⁾ Represents the midpoint of our revised guidance for 2020 natural gas volumes (see New Release dated May 6, 2020).

Market Diversification and Commodity Risk Management (continued)

A summary of realized and unrealized commodity and foreign exchange derivative gains and losses for the three and nine months ended September 30, 2020 and 2019 are as follows:

(\$000)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Realized gains (losses) on derivatives				
Natural gas	\$ (5,388)	\$ 10,538	\$ (7,343)	\$ 24,139
Crude oil	1,088	-	5,589	-
Foreign exchange	231	-	221	-
	\$ (4,069)	\$ 10,538	\$ (1,533)	\$ 24,139
Unrealized gains (losses) on derivatives				
Natural gas	\$ (22,827)	\$ (30,966)	\$ (25,669)	\$ (57,037)
Crude oil	(1,557)	-	3,321	-
Foreign exchange	1,465	-	1,073	-
	\$ (22,919)	\$ (30,966)	\$ (21,275)	\$ (57,037)
Gains (losses) on derivatives				
Natural gas	\$ (28,215)	\$ (20,428)	\$ (33,012)	\$ (32,898)
Crude oil	(469)	-	8,910	-
Foreign exchange	1,696	-	1,294	-
	\$ (26,988)	\$ (20,428)	\$ (22,808)	\$ (32,898)

For the three and nine months ended September 30, 2020, Advantage realized net losses on commodity and foreign exchange derivatives of \$4.1 million and \$1.5 million, respectively, due to the settlement of contracts with average derivative contract prices that were below average market prices. For the three and nine months ended September 30, 2020, Advantage recognized a net unrealized loss on commodity and foreign exchange derivatives of \$22.9 million and \$21.3 million, respectively, resulting from changes in the fair value of the Corporation's outstanding commodity and foreign exchange derivative contracts. The change in the fair value of our outstanding derivative contracts during the nine months ended September 30, 2020 was mainly attributable to the decreased valuation of our natural gas derivative contracts due to tightening of the AECO/Henry Hub basis, offset by the increased valuation of our crude oil derivative contracts due to weakening WTI prices.

The fair value of derivative assets and liabilities 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 and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices and foreign exchange rates as compared to the valuation assumptions. Remaining derivative contracts will settle between October 1, 2020 and December 31, 2024.

Sales of Natural Gas Purchased from Third Parties

	Three months ended			% change	Nine months ended		
	September 30				September 30		
	2020	2019		2020	2019	change	
Sales of natural gas purchased from third parties (\$000)	\$ -	\$ 220	nm	\$ -	\$ 857	nm	
Natural gas purchased from third parties (\$000)	-	(325)	nm	-	(2,362)	nm	
Net sales of natural gas purchased from third parties (\$000)	\$ -	\$ (105)	nm	\$ -	\$ (1,505)	nm	
per boe	\$ -	\$ (0.03)	nm	\$ -	\$ (0.13)	nm	

Advantage may infrequently purchase natural gas volumes from third parties to satisfy physical delivery commitments during brief outages at our Glacier Gas Plant. The Corporation did not incur purchases and sales of natural gas from third parties during the nine months ended September 30, 2020. 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.

Royalty Expense

	Three months ended			% change	Nine months ended		
	September 30				September 30		
	2020	2019		2020	2019	change	
Royalty expense (\$000)	\$ 2,566	\$ 232	nm	\$ 7,407	\$ 2,459	201 %	
per boe	\$ 0.63	\$ 0.06	nm	\$ 0.60	\$ 0.21	186 %	
Royalty rate (%) ⁽¹⁾	4.3 %	0.5 %	3.8 %	4.3 %	1.4 %	2.9 %	

⁽¹⁾ Percentage of petroleum and natural gas sales from production.

Royalty expense for the three and nine months ended September 30, 2020 increased primarily due to the 2019 periods having low royalty expense as a result of extremely low AECO natural gas prices, accompanied with larger gas cost allowance deductions. The increase in royalty rates was primarily due to increased liquids production and AECO natural gas prices, combined with lower revenue enhancements from market diversification outside of Alberta when compared to 2019.

Operating Expense

	Three months ended			% change	Nine months ended		
	September 30				September 30		
	2020	2019		2020	2019	change	
Operating expense (\$000)	\$ 9,615	\$ 8,204	17 %	\$ 29,255	\$ 23,742	23 %	
per boe	\$ 2.35	\$ 2.12	11 %	\$ 2.35	\$ 2.01	17 %	

Operating expense for the three and nine months ended September 30, 2020 increased to \$9.6 million and \$29.3 million compared to the respective periods of 2019. The increase in operating expense has been attributable to our continued liquids development, including costs associated with operation of our oil battery at Pipestone/Wembley and additional third-party processing and liquids handling expenses associated with both Pipestone/Wembley and Progress (see "Production").

Transportation Expense

	Three months ended			Nine months ended		
	September 30		% change	September 30		% change
	2020	2019		2020	2019	
Natural gas (\$000)	\$ 11,422	\$ 11,927	(4) %	\$ 36,148	\$ 36,842	(2) %
Liquids (\$000)	1,332	1,950	(32) %	5,181	4,693	10 %
Total transportation expense (\$000)	\$ 12,754	\$ 13,877	(8) %	\$ 41,329	\$ 41,535	- %
per boe	\$ 3.12	\$ 3.58	(13) %	\$ 3.32	\$ 3.51	(5) %

Transportation expense represents the cost of transporting our natural gas and liquids (crude oil, condensate and NGLs) to the sales points, including associated fuel costs. Total transportation expense for the three and nine months ended September 30, 2020 was comparable to the same periods of 2019.

Operating Netback

	Three months ended			
	September 30			
	2020		2019	
	\$000	per boe	\$000	per boe
Petroleum and natural gas sales from production	\$ 60,063	\$ 14.69	\$ 46,389	\$ 11.98
Net sales of natural gas purchased from third parties ⁽¹⁾	-	0.00	(105)	(0.03)
Realized gains (losses) on derivatives	(4,209)	(1.03)	10,538	2.72
Royalty expense	(2,566)	(0.63)	(232)	(0.06)
Operating expense	(9,615)	(2.35)	(8,204)	(2.12)
Transportation expense	(12,754)	(3.12)	(13,877)	(3.58)
Operating netback ⁽¹⁾	\$ 30,919	\$ 7.56	\$ 34,509	\$ 8.91

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

	Nine months ended			
	September 30			
	2020		2019	
	\$000	per boe	\$000	per boe
Petroleum and natural gas sales from production	\$ 171,882	\$ 13.82	\$ 174,177	\$ 14.73
Net sales of natural gas purchased from third parties ⁽¹⁾	-	0.00	(1,505)	(0.13)
Realized gains (losses) on derivatives	(1,691)	(0.14)	24,139	2.04
Royalty expense	(7,407)	(0.60)	(2,459)	(0.21)
Operating expense	(29,255)	(2.35)	(23,742)	(2.01)
Transportation expense	(41,329)	(3.32)	(41,535)	(3.51)
Operating netback ⁽¹⁾	\$ 92,200	\$ 7.41	\$ 129,075	\$ 10.91

⁽¹⁾ 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, 2020 was \$30.9 million or \$7.56/boe, a decrease of 15% or \$1.35/boe compared to the same period of 2019. For the nine months ended September 30, 2020, Advantage's operating netback was \$92.2 million or \$7.41/boe, a decrease of 32% or \$3.50/boe compared to the same period of 2019. The decrease in the Corporation's operating netback was primarily due to the decrease in realized gains (losses) on derivatives (see "Market Diversification and Commodity Risk Management").

General and Administrative Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2020	2019	change	2020	2019	change
General and administrative expense (\$000)	\$ 2,135	\$ 3,309	(35) %	\$ 6,899	\$ 8,346	(17) %
per boe	\$ 0.52	\$ 0.85	(39) %	\$ 0.55	\$ 0.71	(23) %
Employees at September 30				38	38	- %

General and administrative (“G&A”) expense for the three and nine months ended September 30, 2020 decreased primarily due to the reduction in value of the outstanding deferred share units (issued pursuant the Corporation’s deferred share unit plan) resulting from the lower share price, accompanied with cost saving measures enacted during the year.

Share-based Compensation

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2020	2019	change	2020	2019	change
Share-based compensation (\$000)	\$ 1,741	\$ 2,092	(17) %	\$ 6,135	\$ 6,122	- %
Capitalized (\$000)	(607)	(772)	(21) %	(2,141)	(2,259)	(5) %
Share-based compensation expense (\$000)	\$ 1,134	\$ 1,320	(14) %	\$ 3,994	\$ 3,863	3 %
per boe	\$ 0.28	\$ 0.34	(18) %	\$ 0.32	\$ 0.33	(3) %

Under the Corporation’s restricted and performance award incentive plan, performance share units 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 \$1.1 million and \$4.0 million of share-based compensation expense during the three and nine months ended September 30, 2020, respectively, and capitalized \$0.6 million and \$2.1 million. Share-based compensation expense for the three and nine months ended was similar when compared to the same periods of 2019.

Finance Expense and Interest Rate Risk Management

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2020	2019	change	2020	2019	change
Cash finance expense (\$000)	\$ 5,213	\$ 3,272	59 %	\$ 12,378	\$ 10,009	24 %
per boe	\$ 1.27	\$ 0.85	49 %	\$ 1.00	\$ 0.85	18 %
Accretion expense (\$000)	\$ 208	\$ 248	(16) %	\$ 572	\$ 771	(26) %
Total finance expense (\$000)	\$ 5,421	\$ 3,520	54 %	\$ 12,950	\$ 10,780	20 %
per boe	\$ 1.33	\$ 0.91	46 %	\$ 1.04	\$ 0.91	14 %

Advantage realized higher cash finance expense during the three and nine months ended September 30, 2020, due to the 15-year volume commitment agreement, which is treated as a financing transaction, accompanied with higher average outstanding bank indebtedness. Payments relating to the financing liability began in the third quarter of 2020, and the Corporation incurred \$2.3 million in interest associated with these payments. Advantage's bank indebtedness interest rates are primarily based on short-term bankers' acceptance rates plus a stamping fee and determined by net debt to the trailing four quarters Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio as calculated pursuant to our Credit Facilities.

The Corporation's Credit Facilities are exposed to interest rate risk. Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Management has been proactive in entering into interest rate derivative contracts for the purposes of reducing the volatility of interest rates posted by lenders. The Corporation has a \$175 million notional amount of fixed interest rate swaps covering April 2020 to March 2022 at a weighted average fixed rate of 0.81%. A summary of realized and unrealized interest rate derivative gains (losses) for the three and nine months ended September 30, 2020 and 2019 are as follows:

(\$000)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Realized losses on interest rate derivatives	\$ (140)	\$ -	\$ (158)	\$ -
Unrealized gains (losses) on interest rate derivatives	29	-	(841)	-
Losses on interest rate derivatives	\$ (111)	\$ -	\$ (999)	\$ -

Depreciation and Impairment Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2020	2019	change	2020	2019	change
Depreciation expense (\$000)	\$ 27,941	\$ 30,626	(9) %	\$ 85,672	\$ 93,609	(8) %
per boe	\$ 6.83	\$ 7.91	(14) %	\$ 6.89	\$ 7.92	(13) %
Impairment expense (\$000)	\$ -	\$ -	nm	\$ 361,000	\$ -	nm

The decrease in depreciation expense during 2020 was attributable to a lower net book value associated with the Corporation's petroleum and natural gas properties subsequent to booking an impairment in the first quarter of 2020.

For the quarter ended March 31, 2020, the Corporation identified an indicator of impairment following the decrease in demand for crude oil as a result of the COVID-19 pandemic, and the adequacy of supply management efforts by OPEC and non-OPEC partners to address such dramatic changes. The Corporation performed an impairment test on the Corporation's CGUs using after-tax discounted future cash flows of proved and probable reserves, utilizing a discount rate of 10%, which resulted in an impairment charge of \$361 million to the Greater Glacier Area CGU (\$277 million net of tax).

Taxes

	Three months ended			Nine months ended		
	September 30 2020	September 30 2019	% change	September 30 2020	September 30 2019	% change
Income tax recovery (\$000)	\$ 6,996	\$ 8,369	(16) %	\$ 92,408	\$ 21,742	325 %

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the nine months ended September 30, 2020, the Corporation recognized a deferred income tax recovery of \$92.4 million. The recovery for the nine months ended September 30, 2020 is as a result of a \$400.6 million loss before taxes for the nine months ended September 30, 2020, primarily due to the \$361 million impairment recognized during the first quarter of 2020. As at September 30, 2020, the Corporation had a deferred income tax asset of \$33.9 million. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax losses can be utilized.

Net Loss and Comprehensive Loss

	Three months ended			Nine months ended		
	September 30 2020	September 30 2019	% change	September 30 2020	September 30 2019	% change
Net loss and comprehensive loss (\$000)	\$ (21,606)	\$ (26,863)	(20) %	\$ (308,213)	\$ (22,810)	nm
per share - basic	\$ (0.11)	\$ (0.14)	(21) %	\$ (1.64)	\$ (0.12)	nm
per share - diluted	\$ (0.11)	\$ (0.14)	(21) %	\$ (1.64)	\$ (0.12)	nm

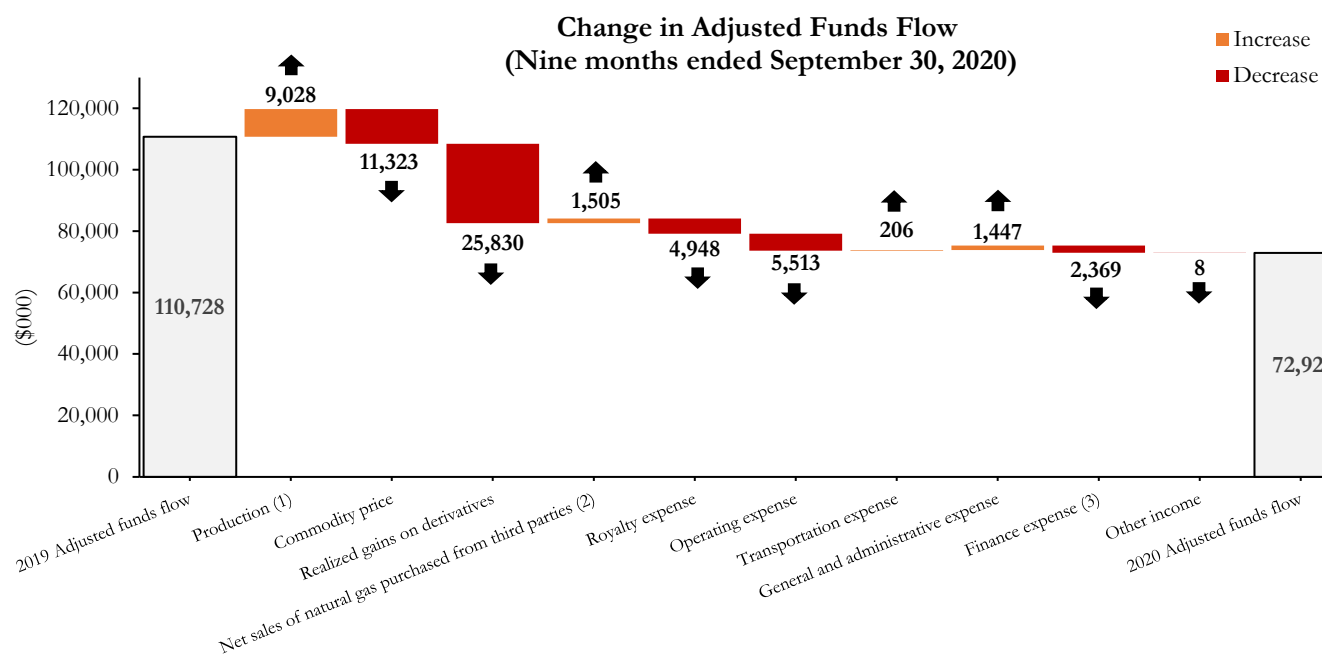
Advantage recognized a net loss of \$21.6 million and \$308.2 million for the three and nine months ended September 30, 2020, respectively. For the three months ended September 30, 2020, the net loss and comprehensive loss were lower as compared to 2019 due to significantly higher sales from production, particularly associated with increased liquids production and stronger natural gas prices, partially offset by increased losses on derivatives (see “Petroleum and Natural Gas Sales”). For the nine months ended September 30, 2020, the net loss and comprehensive loss were largely due to the non-cash impairment expense of \$361 million offset by a deferred tax recovery of \$92.4 million.

Cash Provided by Operating Activities and Adjusted Funds Flow

(\$000, except as otherwise indicated)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Cash provided by operating activities	\$ 25,271	\$ 27,323	\$ 70,454	\$ 116,098
Expenditures on decommissioning liability	267	271	470	1,826
Changes in non-cash working capital	(1,967)	334	1,999	(7,196)
Adjusted funds flow ⁽¹⁾	\$ 23,571	\$ 27,928	\$ 72,923	\$ 110,728
Adjusted funds flow per boe ⁽¹⁾	\$ 5.76	\$ 7.21	\$ 5.86	\$ 9.37
Adjusted funds flow per share ⁽¹⁾	\$ 0.13	\$ 0.15	\$ 0.39	\$ 0.59

⁽¹⁾ 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, 2020, Advantage realized adjusted funds flow of \$23.6 million or \$0.13/share, and \$72.9 million or \$0.39/share, respectively. The decrease in adjusted funds flow for the three and nine months ended September 30, 2020 were largely due to lower realized gains on derivatives (see "Market Diversification and Commodity Risk Management") and increased cash cost. However, during the third quarter of 2020 this impact was partially offset by significantly higher sales from production, particularly associated with increased liquids production and stronger natural gas prices.



⁽¹⁾ The change in petroleum and natural gas sales from production related to the change in production is determined by multiplying the prior period realized price by current period production.

⁽²⁾ Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

⁽³⁾ Finance expense excludes accretion of decommissioning liability.

Contractual Obligations and Commitments

The Corporation has commitments and contractual obligations in the normal course of operations. Contractual obligations comprise those liabilities to third parties incurred for the purpose of financing Advantage's business and development, including our bank indebtedness. Commitments comprise those long-term obligations of a recurring and consistent nature that impact our Consolidated Statement of Comprehensive Loss and Consolidated Statement of Cash Flows in an ongoing manner. Such commitments include operating costs for our head office lease, processing costs associated with natural gas at third party facilities, and transportation costs for delivery of our natural gas and liquids (crude oil, condensate and NGLs) to sales points. Although such commitments are required to ensure our production is delivered to sales markets, Advantage actively manages our portfolio of commitments in conjunction with our future development plans and to ensure we are properly diversified to multiple markets.

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	3 months			2023	2024	Beyond
		2020	2021	2022			
Building operating cost ⁽¹⁾	\$ 2.8	\$ 0.1	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 1.1
Processing	63.3	0.7	3.0	5.9	7.9	10.0	35.8
Transportation	488.5	12.6	55.4	59.4	55.6	53.4	252.1
Total commitments	\$ 554.6	\$ 13.4	\$ 58.8	\$ 65.7	\$ 63.9	\$ 63.8	\$ 289.0
Financing liability	\$ 177.6	\$ 3.0	\$ 12.0	\$ 12.0	\$ 12.0	\$ 12.1	\$ 126.5
Lease liability	2.8	0.1	0.4	0.3	0.4	0.4	1.2
Bank indebtedness ⁽²⁾							
- principal	241.2	-	-	241.2	-	-	-
- interest	15.3	3.2	10.1	2.0	-	-	-
Total contractual obligations	\$ 436.9	\$ 6.3	\$ 22.5	\$ 255.5	\$ 12.4	\$ 12.5	\$ 127.7
Total future payments	\$ 991.5	\$ 19.7	\$ 81.3	\$ 321.2	\$ 76.3	\$ 76.3	\$ 416.7

⁽¹⁾ Excludes fixed lease payments which are included in the Corporation's lease liability.

⁽²⁾ As at September 30, 2020 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 2021. 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.

Liquidity and Capital Resources

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

(\$000, except as otherwise indicated)	September 30 2020	December 31 2019
Bank indebtedness (non-current)	\$ 241,161	\$ 295,624
Working capital deficit ⁽¹⁾	9,093	7,996
Net debt ⁽¹⁾	\$ 250,254	\$ 303,620
Shares outstanding	188,112,797	186,910,848
Shares closing market price (\$/share)	\$ 1.75	\$ 2.75
Market capitalization	\$ 329,197	\$ 514,005
Total capitalization	\$ 579,451	\$ 817,625
Net debt to adjusted funds flow ⁽¹⁾	2.1	2.0

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

As at September 30, 2020, Advantage had a \$350 million Credit Facility of which \$87.1 million or 25% was available after deducting letters of credit of US\$15 million outstanding (see "Bank Indebtedness, Credit Facilities and Other Obligations"). The Corporation's adjusted funds flow accompanied with \$100 million cash proceeds received from the sale of the 12.5% interest in the Glacier Gas Plant, were utilized to fund our capital expenditure program of \$125.5 million, and decrease bank indebtedness, resulting in a net debt to adjusted funds flow ratio of 2.1 times. 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 its 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, 2020, Advantage had bank indebtedness outstanding of \$241.2 million, a decrease of \$54.5 million since December 31, 2019. Advantage's Credit Facilities had a borrowing base of \$350 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"). Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating as determined by the Alberta Energy Regulator is not less than 2.0. 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. On October 20, 2020, the semi-annual redetermination of the Credit Facilities borrowing base was completed with no changes to the borrowing base of \$350 million, comprised of a \$30 million extendible revolving operating loan facility from one financial institution and a \$320 million extendible revolving loan facility from a syndicate of financial institutions. The next annual review is scheduled to occur in April 2021. 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 \$9.1 million as at September 30, 2020, an increase of \$1.1 million compared to December 31, 2019 due to differences in the timing of capital expenditures and related payments. Our working capital includes cash and cash equivalents, trade receivables, prepaid expenses and 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.

On July 2, 2020, Advantage closed the sale of a 12.5% interest in the Corporation's 100% owned 400 mmcf/d Glacier Gas Plant for proceeds of \$100 million (before transaction costs), and entered into a 15-year take-or-pay volume commitment agreement with the purchaser for 50 mmcf/d capacity at a fee of \$0.66/mcf. The volume commitment agreement is treated as a financing transaction where Advantage is obligated to pay the purchaser \$180.8 million over the course of the 15-year term. The effective interest rate associated with the financing transaction is 9.1%.

Shareholders' Equity

As at September 30, 2020, a total of 5.2 million performance share units were outstanding under the Restricted and Performance Award Incentive Plan, which represents 2.8% of Advantage's total outstanding common shares. No stock options under the Corporation's stock option plan were exercised during the nine months ended September 30, 2020 and all outstanding stock options have expired. As at October 29, 2020, Advantage had 188.1 million common shares outstanding.

Cash Used in Investing Activities and Net Capital Expenditures

(\$000)	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Drilling, completion and workovers	\$ 14,933	\$ 30,833	\$ 48,184	\$ 76,648
Well equipping and facilities	6,269	17,266	76,215	45,024
Other	50	(70)	193	350
Expenditures on property, plant and equipment	21,252	48,029	124,592	122,022
Expenditures on exploration and evaluation assets	-	284	953	3,291
Net capital expenditures ⁽¹⁾	\$ 21,252	\$ 48,313	\$ 125,545	\$ 125,313
Changes in non-cash working capital	(10,032)	(12,055)	(4,249)	(2,038)
Cash used in investing activities	\$ 11,220	\$ 36,258	\$ 121,296	\$ 123,275

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

Advantage invested \$21.3 million and \$125.5 million on property, plant, and equipment and exploration and evaluation assets during the three and nine months ended September 30, 2020, respectively. During the third quarter of 2020, Advantage's capital activity was focused primarily on drilling operations at Glacier.

Glacier

With increasing gas prices, additional capital has been allocated to our foundational Glacier gas property for the balance of 2020. A ten well program has been planned for the second half of 2020, with five of the wells drilled and rig released in the third quarter. The remaining five wells will be drilled in the fourth quarter, along with completion operations on the first six wells with expectations to be onstream prior to year-end 2020. Completions on the remaining four wells will occur in the first quarter of 2021.

Progress

During the first half of 2020, Advantage completed two wells that were drilled in the fourth quarter of 2019 and tied-in 5 wells that have targeted multiple layers. This activity has moved the 100% owned 50 net section land block from the appraisal stage to production with Progress now connected to our Glacier Gas Plant and Valhalla liquid hub. The start of production from the land block represents another milestone in demonstrating high-quality resources with attractive economics on each of Advantage's land blocks.

Due to the recent decline in crude oil prices, the start of construction on our new 25 mmcf/d compressor and 5,000 bbl/d oil battery located in Progress has been delayed until oil prices support continued growth from the area.

Pipestone/Wembley

During the first half of 2020, activity focused on finishing completions and flowback of the 7 gross (7.0 net) Montney wells and one water disposal well that were drilled in the second half of 2019. In addition, construction and commissioning activity was completed on our 36 mmcf/d compressor and 5,000 bbl/d oil battery. The property has transitioned from our first well being completed in the first quarter of 2018 to production from 8 wells connected to a 100% owned battery.

Valhalla

Year-to-date activity has centered around continued production of the Valhalla wells and initial production from the Progress property through our 40 mmcf/d compressor and liquids hub. With the addition of gas from Progress and one remaining well shut-in awaiting capacity at Valhalla, the facility is anticipated to be full for the balance of 2020.

Corporate

Advantage's current standing well inventory consists of one well that is tied-in and five wells that are drilled and cased.

Quarterly Performance

	2020			2019			2018	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(\$000, except as otherwise indicated)								
Financial Statement Highlights								
Sales including realized derivatives	\$ 55,763	\$ 48,593	\$ 65,772	\$ 76,921	\$ 56,927	\$ 60,017	\$ 81,372	\$ 73,979
Net income (loss) and comprehensive income (loss)	\$ (21,606)	\$ (20,088)	\$ (266,519)	\$ (1,844)	\$ (26,863)	\$ 3,372	\$ 681	\$ 25,162
per basic share ⁽²⁾	\$ (0.11)	\$ (0.11)	\$ (1.43)	\$ (0.01)	\$ (0.14)	\$ 0.02	\$ 0.00	\$ 0.14
Basic weighted average shares (000)	188,113	187,901	186,911	186,911	186,911	186,858	185,942	185,942
Cash provided by operating activities	\$ 25,271	\$ 24,357	\$ 20,826	\$ 39,965	\$ 27,323	\$ 44,292	\$ 44,483	\$ 41,627
Cash provided by (used in) financing activities	\$ (15,436)	\$ 23,492	\$ 34,960	\$ 20,115	\$ 5,010	\$ (20,309)	\$ 19,501	\$ 11,739
Cash used in investing activities	\$ 11,220	\$ 44,855	\$ 65,221	\$ 50,365	\$ 36,258	\$ 27,303	\$ 59,714	\$ 50,723
Other Financial Highlights								
Adjusted funds flow ⁽¹⁾	\$ 23,571	\$ 17,259	\$ 32,093	\$ 44,452	\$ 27,928	\$ 32,777	\$ 50,023	\$ 46,301
per boe ⁽¹⁾	\$ 5.76	\$ 4.19	\$ 7.59	\$ 10.20	\$ 7.21	\$ 8.38	\$ 12.38	\$ 11.02
per basic share ⁽¹⁾⁽²⁾	\$ 0.13	\$ 0.09	\$ 0.17	\$ 0.23	\$ 0.15	\$ 0.18	\$ 0.27	\$ 0.25
Net capital expenditures ⁽¹⁾	\$ 21,252	\$ 10,663	\$ 93,630	\$ 59,609	\$ 48,313	\$ 19,578	\$ 57,422	\$ 51,187
Working capital (surplus) deficit ⁽¹⁾	\$ 9,093	\$ 3,295	\$ 34,284	\$ 7,996	\$ 13,322	\$ (1,891)	\$ (9,325)	\$ 1,912
Bank indebtedness	\$ 241,161	\$ 354,199	\$ 330,644	\$ 295,624	\$ 275,594	\$ 270,495	\$ 290,612	\$ 270,918
Net debt ⁽¹⁾	\$ 250,254	\$ 357,494	\$ 364,928	\$ 303,620	\$ 288,916	\$ 268,604	\$ 281,287	\$ 272,830
Operating Highlights								
Production								
Crude oil and condensate (bbls/d)	2,417	2,645	2,151	1,337	1,388	1,184	750	615
NGLs (bbls/d)	2,312	2,001	1,563	1,694	1,754	1,396	1,280	1,359
Total liquids production (bbls/d)	4,729	4,646	3,714	3,031	3,142	2,580	2,030	1,974
Natural gas (mcf/d)	238,315	243,749	256,463	266,035	233,625	242,409	257,219	262,269
Total production (boe/d)	44,448	45,271	46,458	47,370	42,080	42,982	44,900	45,686
Average prices (including realized derivatives)								
Natural gas (\$/mcf)	\$ 1.81	\$ 1.72	\$ 2.11	\$ 2.58	\$ 2.04	\$ 2.17	\$ 3.11	\$ 2.70
Crude oil and condensate (\$/bbl)	\$ 49.19	\$ 32.44	\$ 60.64	\$ 78.18	\$ 66.52	\$ 70.33	\$ 61.59	\$ 55.32
NGLs (\$/bbl)	\$ 24.45	\$ 14.44	\$ 32.98	\$ 33.68	\$ 28.54	\$ 35.99	\$ 46.28	\$ 46.48
Operating Netback (\$/boe)								
Petroleum and natural gas sales from production	\$ 14.69	\$ 11.56	\$ 15.18	\$ 17.69	\$ 11.98	\$ 13.14	\$ 18.90	\$ 16.86
Net sales of natural gas purchased from third parties ⁽¹⁾	\$ -	\$ -	\$ -	\$ -	\$ (0.03)	\$ -	\$ (0.35)	\$ -
Realized gains (losses) on derivatives	\$ (1.03)	\$ 0.23	\$ 0.38	\$ (0.04)	\$ 2.72	\$ 2.20	\$ 1.23	\$ 0.74
Royalty (expense) recovery	\$ (0.63)	\$ (0.26)	\$ (0.89)	\$ (0.51)	\$ (0.06)	\$ 0.02	\$ (0.57)	\$ (0.39)
Operating expense	\$ (2.35)	\$ (2.43)	\$ (2.28)	\$ (1.89)	\$ (2.12)	\$ (1.89)	\$ (2.02)	\$ (1.73)
Transportation expense	\$ (3.12)	\$ (3.34)	\$ (3.50)	\$ (3.46)	\$ (3.58)	\$ (3.56)	\$ (3.40)	\$ (3.18)
Operating netback ⁽¹⁾	\$ 7.56	\$ 5.76	\$ 8.89	\$ 11.79	\$ 8.91	\$ 9.91	\$ 13.79	\$ 12.30

(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.

The table above highlights the Corporation's performance for the third quarter of 2020 and for the preceding seven quarters. 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. Advantage ramped up natural gas production in the fourth quarter of 2019 and the first quarter in 2020 in response to an increase in AECO pricing. Liquids production has continued to increase through the periods due to our continued successful liquids development, particularly from both our Pipestone/Wembley and Progress areas. Sales and adjusted funds flow both 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.

Quarterly Performance (continued)

Sales and adjusted funds flow that were weaker in the second and third quarters of 2019 due to decreased production and lower realized natural gas prices, benefited significantly from a continued increase in liquids production and our market diversification portfolio, including derivatives. Sales and adjusted funds flow increased in the fourth quarter of 2019 as a result of increased production and stronger natural gas prices. However, the COVID-19 pandemic which escalated at the end of the first quarter of 2020 and has continued through this year, has generally led to weaker commodity prices thereby reducing sales and adjusted funds flow as well as the exercise of capital restraint with a modest reduction in production. Additionally, the Corporation incurred a large net loss in the first quarter of 2020 due to an impairment charge which was triggered by the COVID-19 pandemic impact on anticipated future commodity prices due to supply and demand outlooks. From 2018 to 2020, 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.

The Coronavirus pandemic ("COVID-19") has led to significant ongoing uncertainty surrounding demand for commodities, leading to volatile prices and currency exchange rates. The Corporation's operations and business are particularly sensitive to a reduction in the demand for, and prices of crude oil, NGLs and natural gas. The full effects of COVID-19 are uncertain at this time. The potential direct and indirect impacts of the economic downturn as a result of COVID-19 have been considered in management's estimates and assumptions at period end and have been reflected in the Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2020.

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 (loss) and comprehensive income (loss) through depreciation and impairment of natural gas and liquids properties. After tax discounted cashflows are used to ensure the carrying amount of the Corporation's natural gas and liquids properties are recoverable. The discount rate used is subject to judgement and may impact the carrying value of the Corporation's 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 (loss), comprehensive income (loss) and the borrowing base of the Corporation.

The Corporation's assets are required to be aggregated into CGUs for the purpose of calculating impairment based on their ability to generate largely independent cash inflows. Factors considered in the classification include the integration between assets, shared infrastructures, the existence of common sales points, geography, geologic structure, and the manner in which Management monitors and makes decisions about its operations. The classification of assets and allocation of corporate assets into CGUs requires significant judgment and may impact the carrying value of the Corporation's assets in future periods.

Critical Accounting Estimates (continued)

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 (loss) and comprehensive income (loss).

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 (loss) 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

There have been no changes in accounting policies during the three months ended September 30, 2020.

Accounting Pronouncements not yet Adopted

There have been no changes to accounting pronouncements not yet adopted during the three months ended September 30, 2020.

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, 2020 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”, “net debt”, “adjusted funds flow”, “free cash flow”, “net 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 (loss)”, “comprehensive income (loss)”, “cash provided by operating activities”, “cash used in investing activities”, or individual expenses presented within the consolidated statement of comprehensive income (loss) 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. Working capital provides Management and users with a measure of the Corporation’s operating liquidity. Please see “Liquidity and Capital Resources”.

Net Debt

Net debt is comprised of bank indebtedness and working capital. Net debt provides Management and users with a measure of the Corporation’s 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 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 and paying payables. Expenditures on decommissioning liabilities are excluded from the calculation as the amount and timing of these expenditures are unrelated to current production and are partially discretionary due to the nature of our low liability. 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.

Free Cash Flow

Free cash flow is calculated as adjusted funds flow less net capital expenditures. Free cash flow is a useful measure of Advantage’s ability to settle outstanding debt and obligations.

Non-GAAP Measures (continued)

Net Debt to Adjusted Funds Flow

Net debt to adjusted funds flow is calculated by dividing net debt by adjusted fund flow for the previous four quarters. Net debt to adjusted funds flow is a coverage ratio that provides Management and users the ability to determine how long it would take the Corporation to repay its bank indebtedness if it devoted all its adjusted funds flow to debt repayment. Please see “Liquidity and Capital Resources”.

Operating Netback

Advantage calculates operating netback on a total and per boe basis. Operating netback is comprised of sales revenue, realized gains (losses) on derivatives and net sales of natural gas purchased from third parties, net of expenses resulting from field operations, including royalty expense, operating expense and transportation expense. Operating netback provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells. 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
Crude oil and condensate "Liquids" or "NGLs"	- Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101 - Natural Gas Liquids as defined in National Instrument 51-101
Natural gas	- Conventional Natural Gas as defined in National Instrument 51-101
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
NGTL	- NOVA Gas Transmission Ltd.
WTI	- West Texas Intermediate, price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
nm	- not meaningful information

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 capital spending for 2020 and reasons for the increase; number of wells to be brought onstream prior to year-end and in the first quarter of 2021; expected production growth for 2021; the benefits to be derived from Advantage's liquids composition; the Corporation's hedging activities and the benefits to be derived therefrom; estimated tax pools; terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the expected realization of fixed market prices and variable market exposures for 2020; future commitments and contractual obligations; the Corporation's strategy for managing its capital structure, including 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 Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they become due; 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; timing of construction of the land block at Progress; the anticipation that the compressor and liquids hub will be full for the balance of 2020; the statements under "critical accounting estimates" in this MD&A; and other matters.

Forward-Looking Information and Other Advisories (continued)

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 conditions (including as a result of demand and supply effects resulting from the COVID-19 pandemic and the actions of OPEC and non-OPEC countries) which will, among other things, impact demand for and market prices of the Corporation's products, 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; potential disruption of the Corporation's operations as a result of the COVID-19 pandemic through potential loss of manpower and labour pools resulting from quarantines in the Corporation's operating areas, risk on the financial capacity of the Corporation's contract counterparties and potentially their ability to perform contractual obligations, delays in obtaining stakeholder and regulatory approvals; performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information; 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 and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this 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; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain, including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs 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 drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; 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.

Forward-Looking Information and Other Advisories (continued)

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.

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".

References to natural gas, crude oil and condensate and NGLs production in the MD&A refer to conventional natural gas, light crude oil and medium crude oil and natural gas liquids, respectively, product types as defined in National Instrument 51-101.

Additional Information

Additional information relating to Advantage can be found on SEDAR at www.sedar.com and the Corporation's website at 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 29, 2020

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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

	Notes	September 30 2020	December 31 2019
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 5,273	\$ 13,099
Trade and other receivables		22,538	29,318
Prepaid expenses and deposits		3,729	1,487
Derivative asset	7	4,151	2,025
Total current assets		35,691	45,929
Non-current assets			
Derivative asset	7	309	-
Exploration and evaluation assets	4	21,466	20,703
Right-of-use assets	5	2,115	2,354
Property, plant and equipment	6	1,443,879	1,749,468
Deferred income tax asset		33,946	-
Total non-current assets		1,501,715	1,772,525
Total assets		\$ 1,537,406	\$ 1,818,454
LIABILITIES			
Current liabilities			
Trade and other accrued liabilities		\$ 40,633	\$ 51,900
Derivative liability	7	23,948	11,173
Current portion of provisions and other liabilities	9	5,352	1,550
Total current liabilities		69,933	64,623
Non-current liabilities			
Derivative liability	7	34,912	23,136
Bank indebtedness	8	241,161	295,624
Provisions and other liabilities	9	177,381	60,512
Deferred income tax liability		-	58,462
Total non-current liabilities		453,454	437,734
Total liabilities		523,387	502,357
SHAREHOLDERS' EQUITY			
Share capital	11	2,360,647	2,349,703
Contributed surplus		112,307	117,116
Deficit		(1,458,935)	(1,150,722)
Total shareholders' equity		1,014,019	1,316,097
Total liabilities and shareholders' equity		\$ 1,537,406	\$ 1,818,454

Commitments (note 16)

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	
		2020	2019	2020	2019
Revenues					
Petroleum and natural gas sales from production	14	\$ 60,063	\$ 46,389	\$ 171,882	\$ 174,177
Sales of natural gas purchased from third parties	14	-	220	-	857
Royalty expense		(2,566)	(232)	(7,407)	(2,459)
Petroleum and natural gas revenue		57,497	46,377	164,475	172,575
Losses on derivatives	7	(27,099)	(20,428)	(23,807)	(32,898)
Other income		-	-	-	8
Total revenues and other income		30,398	25,949	140,668	139,685
Expenses					
Operating expense		9,615	8,204	29,255	23,742
Transportation expense		12,754	13,877	41,329	41,535
Natural gas purchased from third parties	14	-	325	-	2,362
General and administrative expense		2,135	3,309	6,899	8,346
Share-based compensation expense	12	1,134	1,320	3,994	3,863
Depreciation expense	5,6	27,941	30,626	85,672	93,609
Impairment expense	6	-	-	361,000	-
Exploration and evaluation expense	4	-	-	190	-
Finance expense		5,421	3,520	12,950	10,780
Total expenses		59,000	61,181	541,289	184,237
Loss before taxes		(28,602)	(35,232)	(400,621)	(44,552)
Income tax recovery	10	6,996	8,369	92,408	21,742
Net loss and comprehensive loss		\$ (21,606)	\$ (26,863)	\$ (308,213)	\$ (22,810)
Net loss per share					
	13				
Basic		\$ (0.11)	\$ (0.14)	\$ (1.64)	\$ (0.12)
Diluted		\$ (0.11)	\$ (0.14)	\$ (1.64)	\$ (0.12)

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, 2019		\$ 2,349,703	\$ 117,116	\$ (1,150,722)	\$ 1,316,097
Net loss and comprehensive loss		-	-	(308,213)	(308,213)
Share-based compensation	12	-	6,135	-	6,135
Settlement of Performance Share Units	11	10,944	(10,944)	-	-
Balance, September 30, 2020		\$ 2,360,647	\$ 112,307	\$ (1,458,935)	\$ 1,014,019

	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	12	-	6,122	-	6,122
Settlement of Performance Share Units	11	7,014	(7,014)	-	-
Balance, September 30, 2019		\$ 2,349,703	\$ 114,682	\$ (1,148,878)	\$ 1,315,507

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	
		2020	2019	2020	2019
Operating Activities					
Loss before taxes		\$ (28,602)	\$ (35,232)	\$ (400,621)	\$ (44,552)
Add (deduct) items not requiring cash:					
Unrealized losses on derivatives	7	22,890	30,966	22,116	57,037
Share-based compensation expense	12	1,134	1,320	3,994	3,863
Depreciation expense	5,6	27,941	30,626	85,672	93,609
Impairment expense	6	-	-	361,000	-
Exploration and evaluation expense	4	-	-	190	-
Accretion of decommissioning liability	9	208	248	572	771
Expenditures on decommissioning liability	9	(267)	(271)	(470)	(1,826)
Changes in non-cash working capital	15	1,967	(334)	(1,999)	7,196
Cash provided by operating activities		25,271	27,323	70,454	116,098
Financing Activities					
Increase (decrease) in bank indebtedness	8	(113,038)	5,099	(54,463)	4,676
Principal repayment of lease liability	9	(65)	(89)	(188)	(474)
Principal repayment of financing liability	9	(786)	-	(786)	-
Net proceeds from plant disposition	9	98,453	-	98,453	-
Cash provided by (used in) financing activities		(15,436)	5,010	43,016	4,202
Investing Activities					
Payments on property, plant and equipment	6,15	(11,220)	(35,974)	(120,343)	(119,984)
Payments on exploration and evaluation assets	4	-	(284)	(953)	(3,291)
Cash used in investing activities		(11,220)	(36,258)	(121,296)	(123,275)
Decrease in cash and cash equivalents		(1,385)	(3,925)	(7,826)	(2,975)
Cash and cash equivalents, beginning of period		6,658	7,309	13,099	6,359
Cash and cash equivalents, end of period		\$ 5,273	\$ 3,384	\$ 5,273	\$ 3,384

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Oil & Gas Ltd.

Notes to the Condensed Consolidated Financial Statements

September 30, 2020 (unaudited)

All tabular amounts expressed 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 petroleum and natural gas 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 – 2nd 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, 2019, 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, 2019, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of October 29, 2020, 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, 2019.

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.

2. Basis of preparation (continued)

(d) Significant accounting judgements, estimates and assumptions

COVID-19

The Coronavirus pandemic (“COVID-19”) has led to significant ongoing uncertainty surrounding demand for commodities, leading to volatile prices, currency exchange rates and interest rates. The Corporation’s operations and business are particularly sensitive to a reduction in the demand for, and prices of crude oil, NGLs and natural gas. The full effects of COVID-19 are uncertain at this time. The potential direct and indirect impacts of the economic downturn as a result of COVID-19 have been considered in management’s estimates and assumptions at period end and have been reflected in these Condensed Consolidated Financial Statements, with any significant changes described in the relevant financial statement note.

3. Cash and cash equivalents

	September 30 2020	December 31 2019
Cash at financial institutions	\$ 5,273	\$ 13,099

Cash at financial institutions earns interest at floating rates based on daily deposit rates. As at September 30, 2020 cash at financial institutions included US\$0.7 million (December 31, 2019 - US\$0.9 million). The Corporation only deposits cash with major financial institutions of high-quality credit ratings.

4. Exploration and evaluation assets

Balance at December 31, 2018	\$	22,613
Additions		3,517
Transferred to property, plant and equipment (note 6)		(5,427)
Balance at December 31, 2019	\$	20,703
Additions		953
Lease expiries		(190)
Balance at September 30, 2020	\$	21,466

5. Right-of-use assets

Cost	Buildings		Other		Total
Balance at January 1, 2019	\$	2,458	\$	186	\$ 2,644
Additions		282		-	282
Expired leases		(422)		-	(422)
Balance at December 31, 2019 and September 30, 2020	\$	2,318	\$	186	\$ 2,504

Accumulated depreciation	Buildings		Other		Total
Balance at January 1, 2019	\$	-	\$	-	\$ -
Depreciation		534		38	572
Expired leases		(422)		-	(422)
Balance at December 31, 2019	\$	112	\$	38	\$ 150
Depreciation		214		25	239
Balance at September 30, 2020	\$	326	\$	63	\$ 389

Net book value	Buildings		Other		Total
At December 31, 2019	\$	2,206	\$	148	\$ 2,354
At September 30, 2020	\$	1,992	\$	123	\$ 2,115

6. Property, plant and equipment

Cost	Petroleum & Natural Gas Properties	Furniture & Equipment	Total
Balance at December 31, 2018	\$ 2,449,272	\$ 5,925	\$ 2,455,197
Additions	180,888	517	181,405
Capitalized share-based compensation	3,157	-	3,157
Changes in decommissioning liability	9,220	-	9,220
Transferred from exploration and evaluation assets	5,427	-	5,427
Balance at December 31, 2019	\$ 2,647,964	\$ 6,442	\$ 2,654,406
Additions	124,399	193	124,592
Capitalized share-based compensation (note 12)	2,141	-	2,141
Changes in decommissioning liability (note 9)	14,111	-	14,111
Balance at September 30, 2020	\$ 2,788,615	\$ 6,635	\$ 2,795,250

Accumulated depreciation	Petroleum & Natural Gas Properties	Furniture & Equipment	Total
Balance at December 31, 2018	\$ 781,234	\$ 4,802	\$ 786,036
Depreciation	118,634	268	118,902
Balance at December 31, 2019	\$ 899,868	\$ 5,070	\$ 904,938
Depreciation	85,277	156	85,433
Impairment	361,000	-	361,000
Balance at September 30, 2020	\$ 1,346,145	\$ 5,226	\$ 1,351,371

Net book value	Petroleum & Natural Gas Properties	Furniture & Equipment	Total
At December 31, 2019	\$ 1,748,096	\$ 1,372	\$ 1,749,468
At September 30, 2020	\$ 1,442,470	\$ 1,409	\$ 1,443,879

During the nine months ended September 30, 2020, Advantage capitalized general and administrative expenditures directly related to development activities of \$5.7 million included in additions (year ended December 31, 2019 - \$5.0 million).

Advantage included future development costs of \$1.7 billion (December 31, 2019 - \$1.8 billion) in property, plant and equipment costs subject to depreciation.

6. Property, plant and equipment (continued)

Impairment assessment

For the three months ended September 30, 2020, the Corporation evaluated its petroleum & natural gas properties for indicators of any potential impairment or related reversal. As a result of this assessment, no indicators were identified, and no impairment or related reversal was recorded for the period ended September 30, 2020.

For the three months ended March 31, 2020, the Corporation identified an indicator of impairment following the decrease in demand for crude oil as a result of the COVID-19 pandemic, and the adequacy of supply management efforts by the Organization of Petroleum Exporting Countries (“OPEC”) and non-OPEC partners to address such dramatic changes. These factors lead to a decrease in the outlook of commodity prices in the North American market. The Corporation performed an impairment test using after-tax discounted future cash flows of proved and probable reserves, utilizing an inflation rate of 2% and a discount rate of 10%. The following table summarizes the price forecast used in the Corporation’s discounted cash flow estimates as of March 31, 2020:

Year	WTI (\$US/bbl)	Henry Hub (\$US/mmbtu)	AECO (\$Cdn/mmbtu)	Exchange Rate (\$US/\$Cdn)
2020 9 months	25.00	2.00	1.43	0.70
2021	37.00	2.50	2.05	0.73
2022	48.00	2.75	2.33	0.75
2023	48.96	2.81	2.41	0.75
2024	49.94	2.86	2.48	0.75
2025	50.94	2.92	2.56	0.75
2026	51.96	2.98	2.64	0.75
2027	53.00	3.04	2.71	0.75
2028	54.06	3.10	2.80	0.75
2029	55.14	3.16	2.88	0.75
2030	56.24	3.22	2.96	0.75
Thereafter	+2% per year	+2% per year	+2% per year	0.75

⁽¹⁾ Price forecast obtained from the Corporation’s independent qualified reserves evaluator effective April 1, 2020.

As a result of the impairment test performed during the three months ended March 31, 2020, the Corporation recorded an impairment charge to the Greater Glacier Area CGU of \$361 million (\$277 million net of deferred tax). Our Wembley Area CGU was not impaired at March 31, 2020.

As at March 31, 2020, a 1% increase in the assumed discount rate, or a 5% decrease in the future cash flows of proved and probable reserves while holding all other assumptions constant, would result in the following additional pre-tax impairment expense being recognized:

	1% increase in discount rate	5% decrease in cash flows
Greater Glacier Area CGU	\$ 136,000	\$ 72,000
Wembley Area CGU	-	-
Total	\$ 136,000	\$ 72,000

7. Financial risk management

As at September 30, 2020, there were no significant differences between the carrying amounts reported on the consolidated statement of financial position and the estimated fair values of the Corporation's financial instruments due to the short terms to maturity and the floating interest rate on a portion of the Corporation's 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, interest 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 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.

The Corporation enters into financial risk management derivative contracts to manage the Corporation's exposure to commodity price risk, foreign exchange risk and interest rate risks. The table below summarizes the realized gains (losses) and unrealized gains (losses) on derivatives recognized in net loss.

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Realized gains (losses) on derivatives				
Natural gas	\$ (5,388)	\$ 10,538	\$ (7,343)	\$ 24,139
Crude oil	1,088	-	5,589	-
Foreign exchange	231	-	221	-
Interest Rate	(140)	-	(158)	-
Total	\$ (4,209)	\$ 10,538	\$ (1,691)	\$ 24,139
Unrealized gains (losses) on derivatives				
Natural gas	\$ (22,827)	\$ (30,966)	\$ (25,669)	\$ (57,037)
Crude oil	(1,557)	-	3,321	-
Foreign exchange	1,465	-	1,073	-
Interest Rate	29	-	(841)	-
Total	\$ (22,890)	\$ (30,966)	\$ (22,116)	\$ (57,037)
Gains (losses) on derivatives				
Natural gas	\$ (28,215)	\$ (20,428)	\$ (33,012)	\$ (32,898)
Crude oil	(469)	-	8,910	-
Foreign exchange	1,696	-	1,294	-
Interest Rate	(111)	-	(999)	-
Total	\$ (27,099)	\$ (20,428)	\$ (23,807)	\$ (32,898)

7. Financial risk management (continued)

The fair value of financial risk management derivatives has been allocated to current and non-current assets and liabilities based on the expected timing of cash settlements. The following table summarizes the estimated fair market value of the Corporation's outstanding financial risk management derivative contracts.

	September 30 2020	December 31 2019
Derivative type		
Natural gas derivative liability ⁽¹⁾	\$ (56,675)	\$ (31,006)
Crude oil derivative asset (liability)	2,043	(1,278)
Foreign exchange derivative asset	1,073	-
Interest rate derivative liability	(841)	-
Net derivative liability	\$ (54,400)	\$ (32,284)
Consolidated statement of financial position classification		
Current derivative asset	\$ 4,151	\$ 2,025
Non-current derivative asset	309	-
Current derivative liability	(23,948)	(11,173)
Non-current derivative liability	(34,912)	(23,136)
Net derivative liability	\$ (54,400)	\$ (32,284)

⁽¹⁾ During the third quarter of 2020, Advantage entered into a long-term gas supply agreement under which Advantage will supply 25,000 MMBtu/d of natural gas for a 10-year period, commencing in early 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM power prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar.

7. Financial risk management (continued)

(a) Commodity price risk

The Corporation's commodity derivative contracts are classified as Level 2 within the fair value hierarchy. As at September 30, 2020, the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - AECO			
Fixed price swap	April 2020 to October 2020	47,391 mcf/d	Cdn \$1.36/mcf
Fixed price swap	April 2020 to October 2020	9,478 mcf/d	Cdn \$1.82/mcf
Fixed price swap	April 2020 to October 2020	9,478 mcf/d	Cdn \$1.84/mcf
Fixed price swap	November 2020 to March 2021	4,739 mcf/d	Cdn \$3.32/mcf
Natural gas - Dawn			
Fixed price swap	April 2020 to October 2020	10,000 mcf/d	US \$1.86/mcf
Fixed price swap	April 2020 to October 2020	10,000 mcf/d	US \$1.85/mcf
Fixed price swap	April 2020 to October 2020	5,000 mcf/d	US \$1.58/mcf
Fixed price swap	April 2020 to October 2020	5,000 mcf/d	US \$1.60/mcf
Fixed price swap	November 2020 to March 2021	20,000 mcf/d	US \$2.65/mcf
Fixed price swap	November 2020 to October 2021	10,000 mcf/d	US \$2.53/mcf
Fixed price swap	April 2021 to October 2021	25,000 mcf/d	US \$2.34/mcf
Natural gas - Henry Hub NYMEX			
Fixed price swap	January 2020 to December 2020	20,000 mcf/d	US \$2.31/mcf
Fixed price swap	February 2020 to December 2020	20,000 mcf/d	US \$2.28/mcf
Fixed price swap	January 2021 to March 2021	20,000 mcf/d	US \$2.57/mcf
Fixed price swap	January 2021 to March 2021	5,000 mcf/d	US \$3.28/mcf ⁽¹⁾
Fixed price swap	January 2021 to December 2021	25,000 mcf/d	US \$2.74/mcf
Fixed price swap	April 2021 to October 2021	5,000 mcf/d	US \$2.81/mcf
Fixed price swap	April 2021 to October 2021	5,000 mcf/d	US \$2.88/mcf ⁽¹⁾
Natural gas - Chicago Citygate			
Fixed price swap	November 2020 to March 2021	15,000 mcf/d	US \$2.51/mcf
Fixed price swap	November 2020 to March 2021	10,000 mcf/d	US \$3.03/mcf
Fixed price swap	April 2021 to October 2021	25,000 mcf/d	US \$2.24/mcf
Natural gas - AECO/Henry Hub Basis Differential			
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
Natural gas - Chicago Citygate/Henry Hub Basis Differential			
Basis swap	April 2020 to March 2021	20,000 mcf/d	Henry Hub less US \$0.13/mcf

⁽¹⁾ Contract entered into subsequent to September 30, 2020.

7. Financial risk management (continued)

(a) Commodity price risk (continued)

Description of Derivative	Term	Volume	Price
Crude oil - WTI NYMEX			
Fixed price swap	July 2020 to December 2020	1,000 bbls/d	US \$55.44/bbl
Fixed price swap	January 2021 to December 2021	500 bbls/d	US \$43.00/bbl

(b) Foreign exchange risk

The Corporation's foreign exchange derivative contracts are classified as Level 2 within the fair value hierarchy. As at September 30, 2020, the Corporation had the following foreign exchange derivative contracts in place:

Description of Derivative	Term	Notional Amount	Rate
Forward rate - CAD/USD			
Average rate currency swap ⁽¹⁾	June 2020 to May 2021	US \$ 1,000,000/month	1.3687
Average rate currency swap	June 2020 to May 2022	US \$ 2,000,000/month	1.3495

⁽¹⁾ The average rate currency swap includes a European option where the counterparty has the option to enter into a one year US \$1,000,000/month notional amount average rate forward for a term of June 2021 to May 2022 at a fixed rate of 1.3687 CAD/USD if called.

(c) Interest rate risk

The Corporation's interest rate derivative contracts are classified as Level 2 within the fair value hierarchy. As at September 30, 2020, the Corporation had the following interest rate derivative contracts in place:

Description of Derivative	Term	Notional Amount	Rate
One-month bankers' acceptance - CDOR			
Fixed interest rate swap	April 2020 to March 2022	\$ 100,000,000	0.83%
Fixed interest rate swap	April 2020 to March 2022	\$ 75,000,000	0.79%

7. Financial risk management (continued)

(d) Capital management

Advantage's capital structure as at September 30, 2020 and December 31, 2019 is as follows:

	September 30 2020	December 31 2019
Bank indebtedness (non-current) (note 8)	\$ 241,161	\$ 295,624
Working capital deficit ⁽¹⁾	9,093	7,996
Net debt ⁽²⁾	\$ 250,254	\$ 303,620
Shares outstanding (note 11)	188,112,797	186,910,848
Share closing market price (\$/share)	\$ 1.75	\$ 2.75
Market Capitalization	329,197	514,005
Total Capitalization	\$ 579,451	\$ 817,625

⁽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⁾ Net debt is a non-GAAP measure that includes bank indebtedness and working capital.

8. Bank indebtedness

	September 30 2020	December 31 2019
Revolving credit facility	\$ 243,000	\$ 298,000
Discount on bankers' acceptance and other fees	(1,839)	(2,376)
Balance, end of period	\$ 241,161	\$ 295,624

On May 22, 2020, the Credit Facilities were renewed with no changes to the borrowing base of \$400 million, comprised of a \$30 million extendible revolving operating loan facility from one financial institution and a \$370 million extendible revolving loan facility from a syndicate of financial institutions. On July 2, 2020, Advantage closed the sale of a 12.5% interest in the Corporation's Glacier Gas Plant for \$100 million. Advantage utilized the cash proceeds from the sale, net of transaction costs, to reduce bank indebtedness. Under the terms of the Credit Facility renewal, the borrowing base was adjusted on closing of the sale to \$350 million, comprised of a \$30 million extendible revolving operating loan facility and a \$320 million extendible revolving loan facility. On October 20, 2020, the Credit Facilities were renewed with no changes to the borrowing base of \$350 million. The revolving period for the Credit Facilities will end in April 2021 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\$15 million outstanding at September 30, 2020. The Corporation did not have any financial covenants at September 30, 2020 and December 31, 2019.

9. Provisions and other liabilities

	Nine months ended September 30, 2020		Year ended December 31, 2019	
Performance Awards (note 12)	\$	3,627	\$	1,252
Other liability (a)		6,604		-
Lease liability (b)		2,349		2,537
Financing liability (c)		97,667		-
Decommissioning liability (d)		72,486		58,273
Balance, end of period	\$	182,733	\$	62,062
Current portion of provisions and other liabilities	\$	5,352	\$	1,550
Provisions and other liabilities	\$	177,381	\$	60,512

(a) Other Liability

The other liability represents an advance payment received by Advantage in consideration for the future sales of natural gas. Advantage will recognize the payment as revenue when earned corresponding to the sale of natural gas to the counterparty.

(b) Lease liability

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%.

A reconciliation of the lease liability is provided below:

	Nine months ended September 30, 2020		Year ended December 31, 2019	
Balance, beginning of the year	\$	2,537	\$	2,644
Additions		-		282
Interest expense		78		104
Lease payments		(266)		(493)
Balance, end of period	\$	2,349	\$	2,537
Current lease liability	\$	266	\$	266
Non-current lease liability	\$	2,083	\$	2,271

9. Provisions and other liabilities (continued)

(c) Financing liability

On July 2, 2020, Advantage closed the sale of a 12.5% interest in the Corporation's 100% owned 400 mmcf/d Glacier Gas Plant for proceeds of \$100 million (before transaction costs), and entered into a 15-year take-or-pay volume commitment agreement with the purchaser for 50 mmcf/d capacity at a fee of \$0.66/mcf. The volume commitment agreement is treated as a financing transaction where Advantage is obligated to pay the purchaser \$180.8 million over the course of the 15-year term. The effective interest rate associated with the financing transaction is 9.1%.

A reconciliation of the financing liability is provided below:

	Nine months ended September 30, 2020	
Balance, beginning of the year	\$	-
Additions, net of transaction cost		98,453
Interest expense		2,250
Financing payments		(3,036)
Balance, end of period	\$	97,667
Current financing liability	\$	3,300
Non-current financing liability	\$	94,367

(d) Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids assets including well sites, gathering systems and facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2020 and 2079. A risk-free rate of 1.11% (December 31, 2019 - 1.67%) and an inflation factor of 2.0% (December 31, 2019 - 2.0%) were used to calculate the fair value of the decommissioning liability at September 30, 2020. As at September 30, 2020, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$52.0 million (December 31, 2019 - \$51.8 million).

A reconciliation of the decommissioning liability is provided below:

	Nine months ended September 30, 2020		Year ended December 31, 2019	
Balance, beginning of the year	\$	58,273	\$	50,028
Accretion expense		572		936
Liabilities incurred		873		1,773
Plant disposition (note 9(c))		(625)		-
Change in estimates		(377)		(668)
Effect of change in risk-free rate and inflation rate factor		14,240		8,115
Liabilities settled		(470)		(1,911)
Balance, end of period	\$	72,486	\$	58,273
Current decommissioning liability	\$	1,786	\$	1,284
Non-current decommissioning liability	\$	70,700	\$	56,989

9. Provisions and other liabilities (continued)

(e) Contractual maturities

The following table details the undiscounted cash flows and contractual maturities of the Corporation's lease liability and financing liability, as at September 30, 2020:

(\$ millions)	Payments due by period						
	Total	3 months			2023	2024	Beyond
		2020	2021	2022			
Financing liability	\$ 177.6	\$ 3.0	\$ 12.0	\$ 12.0	\$ 12.0	\$ 12.1	\$ 126.5
Lease liability	2.8	0.1	0.4	0.3	0.4	0.4	1.2
Total fixed payments	\$ 180.4	\$ 3.1	\$ 12.4	\$ 12.3	\$ 12.4	\$ 12.5	\$ 127.7

10. Income taxes

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Income tax recovery	\$ 6,996	\$ 8,369	\$ 92,408	\$ 21,742

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.

11. 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, 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
Balance at December 31, 2019	186,910,848	\$ 2,349,703
Shares issued on Performance Share Unit settlements (note 12 (b))	1,201,949	-
Contributed surplus transferred on Performance Share Unit settlements	-	10,944
Balance at September 30, 2020	188,112,797	\$ 2,360,647

12. Long-term compensation plans

(a) Stock Option Plan

The following tables summarize information about changes in Stock Options outstanding at September 30, 2020:

	Stock Options	Weighted-Average Exercise Price
Balance at December 31, 2018	1,989,149	\$ 6.29
Forfeited	(38,691)	6.82
Expired	(1,110,009)	5.87
Balance at December 31, 2019	840,449	\$ 6.82
Forfeited	(13,190)	6.82
Expired	(827,259)	6.82
Balance at September 30, 2020	-	\$ -

No Stock Options were exercised during the nine months ended September 30, 2020. All of the Corporation's outstanding Stock Options expired April 2020.

(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, 2020, no Restricted Share Units have been granted.

The following table is a continuity of Performance Share Units:

	Performance Share Units
Balance at December 31, 2018	2,939,251
Granted	1,670,929
Settled	(598,069)
Forfeited	(64,535)
Balance at December 31, 2019	3,947,576
Granted	2,100,289
Settled	(664,496)
Forfeited	(140,628)
Balance at September 30, 2020	5,242,741

During April 2020, 664,496 Performance Share Units matured and were settled with the issuance of 1,201,949 common shares.

12. Long-term compensation plans (continued)

(c) Share-based compensation expense

Share-based compensation recognized by each plan for the three and nine months ended September 30, 2020 and 2019 is as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Stock Options	\$ -	\$ -	\$ -	\$ -
Performance Share Units	1,741	2,092	6,135	6,122
Total share-based compensation	1,741	2,092	6,135	6,122
Capitalized	(607)	(772)	(2,141)	(2,259)
Share-based compensation expense	\$ 1,134	\$ 1,320	\$ 3,994	\$ 3,863

(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 non-current liability (note 9) until eventually settled in cash.

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

	Nine months ended September 30, 2020		Year ended December 31, 2019	
Balance, beginning of the year	\$	1,252	\$	-
Performance Award expense		2,356		1,247
Interest expense		19		5
Balance, end of period	\$	3,627	\$	1,252

12. Long-term compensation plans (continued)

(e) Deferred Share Units

Deferred Share Units are issued to Directors of the Corporation. Each Deferred Share Unit entitles participants to receive cash equal to the share market price of the equivalent number of shares of the Corporation. All Deferred Share Units vest immediately upon grant and become payable upon retirement of the Director from the Board.

The following table is a continuity of Deferred Share Units:

	Deferred Share Units
Balance at December 31, 2018	281,406
Granted	160,457
Balance at December 31, 2019	441,863
Granted	138,867
Balance at September 30, 2020	580,730

The expense related to Deferred Share Units is calculated using the fair value method based on the Corporation's share market price at the end of each reporting period and is charged to general and administrative expense. The following table is a continuity of the Corporation's liability related to outstanding Deferred Share Units included in trade and other accrued liabilities:

	Nine months ended		Year ended	
	September 30, 2020		December 31, 2019	
Balance, beginning of the year	\$	1,215	\$	557
Granted		205		320
Revaluation of outstanding Deferred Share Units		(404)		338
Balance, end of period	\$	1,016	\$	1,215

13. 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		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Net loss				
Basic and diluted	\$ (21,606)	\$ (26,863)	\$ (308,213)	\$ (22,810)
Weighted average shares outstanding				
Basic	188,112,797	186,910,848	187,643,423	186,573,752
Performance Share Units	-	-	-	-
Diluted	188,112,797	186,910,848	187,643,423	186,573,752
Net loss per share				
Basic	\$ (0.11)	\$ (0.14)	\$ (1.64)	\$ (0.12)
Diluted	\$ (0.11)	\$ (0.14)	\$ (1.64)	\$ (0.12)

14. Revenues

(a) Petroleum and natural gas sales from production

Advantage's revenue is comprised of natural gas, crude oil and condensate and NGLs sales to multiple customers. For the three and nine months ended September 30, 2020 and 2019, petroleum and natural gas sales from production was as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Natural gas	\$ 45,012	\$ 33,290	\$ 134,333	\$ 139,439
Crude oil and condensate	9,850	8,494	25,027	20,229
NGLs	5,201	4,605	12,522	14,509
Total	\$ 60,063	\$ 46,389	\$ 171,882	\$ 174,177

At September 30, 2020, receivables from contracts with customers, which are included in trade and other receivables, were \$20.2 million (September 30, 2019 - \$13.6 million), of which 95% are held with counterparties that are investment grade.

(b) Sales of natural gas purchased from third parties

The Corporation did not incur purchases and sales of natural gas from third parties during the nine months ended September 30, 2020. During the nine months ended September 30, 2019, 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		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Sales of natural gas purchased from third parties	\$ -	\$ 220	\$ -	\$ 857
Natural gas purchased from third parties	\$ -	\$ 325	\$ -	\$ 2,362

15. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended		Nine months ended	
	September 30		September 30	
	2020	2019	2020	2019
Source (use) of cash:				
Trade and other receivables	\$ (4,766)	\$ (1,955)	\$ 6,780	\$ 9,213
Prepaid expense and deposits	(396)	(87)	(2,242)	(484)
Trade and other accrued liabilities	9,575	13,330	(11,267)	(294)
Performance Awards	982	433	2,375	799
Other liability	6,604	-	6,604	-
	\$ 11,999	\$ 11,721	\$ 2,250	\$ 9,234
Related to operating activities	\$ 1,967	\$ (334)	\$ (1,999)	\$ 7,196
Related to financing activities	-	-	-	-
Related to investing activities	10,032	12,055	4,249	2,038
	\$ 11,999	\$ 11,721	\$ 2,250	\$ 9,234
Cash interest paid	\$ 3,250	\$ 3,198	\$ 11,841	\$ 10,411
Cash income taxes paid	\$ -	\$ -	\$ -	\$ -

16. Commitments

At September 30, 2020 Advantage had commitments relating to building operating cost of \$2.8 million, processing commitments of \$63.3 million and transportation commitments of \$488.5 million. The estimated remaining payments are as follows:

(\$ millions)	Payments due by period						
	Total	3 months			Beyond		
		2020	2021	2022	2023	2024	
Building operating cost ⁽¹⁾	\$ 2.8	\$ 0.1	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 1.1
Processing	63.3	0.7	3.0	5.9	7.9	10.0	35.8
Transportation	488.5	12.6	55.4	59.4	55.6	53.4	252.1
Total commitments	\$ 554.6	\$ 13.4	\$ 58.8	\$ 65.7	\$ 63.9	\$ 63.8	\$ 289.0

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

ABBREVIATIONS

Crude Oil and Natural Gas Liquids

bbl	barrel
bbls	barrels
Mbbls	thousand barrels
NGLs	natural gas liquids
BOE or boe	barrel of oil equivalent
Mboe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
boe/d	barrels of oil equivalent per day
bbls/d	barrels of oil per day

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
bcf/d	billion cubic feet per day
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
Mcfe	thousand cubic feet of natural gas equivalent, using the ratio of 6 Mcf of natural gas being equivalent to one bbl of oil
MMcfe/d	million cubic feet of natural gas equivalent per day
MMbtu	million British Thermal Units
MMbtu/d	million British Thermal Units per day
GJ/d	Gigajoules per day

Other

AECO	a notional market point on the NGTL system, located at the AECO 'C' hub in Southeastern Alberta, where the purchase and sale of natural gas is transacted
CDOR	means "Canadian Dollar Offered Rate"
Henry Hub	a central delivery location, located near Louisiana's Gulf Coast connecting several intrastate and interstate pipelines, that serves as the official delivery location for futures contracts on the NYMEX
MSW	means "Mixed Sweet Blend", the reference price paid for conventionally produced light sweet crude oil at Edmonton, Alberta
PJM	a regional transmission organization that coordinates the movement of wholesale electricity in the Mid Atlantic region of the US
WTI	means "West Texas Intermediate", the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade

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David Sterna, Vice President, Marketing and Commercial
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Royal Bank of Canada
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