CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and years ended December 31, 2020 and 2019

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The following Management's Discussion and Analysis ("MD&A"), dated as of February 25, 2021, 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 months and year ended December 31, 2020 and should be read in conjunction with the December 31, 2020 audited 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

($000, except as otherwise indicated)	Three months ended December 31 2020	Three months ended December 31 2019	Year ended December 31 2020	Year ended December 31 2019
Financial Statement Highlights				
Sales including realized derivatives	**$ 69,930**	$ 76,921	**$ 240,058**	$ 275,237
Net income (loss) and comprehensive income (loss)	**$ 24,168**	$ (1,844)	**$ (284,045)**	$ (24,654)
per basic share [2]	**$ 0.13**	$ (0.01)	**$ (1.51)**	$ (0.13)
Basic weighted average shares (000)	**188,113**	186,911	**187,761**	186,659
Cash provided by operating activities	**$ 30,260**	$ 39,965	**$ 100,714**	$ 156,063
Cash provided by financing activities	**$ 5,071**	$ 20,037	**$ 48,087**	$ 24,317
Cash used in investing activities	**$ 37,325**	$ 50,365	**$ 158,621**	$ 173,640
Other Financial Highlights				
Adjusted funds flow [1]	**$ 31,738**	$ 44,452	**$ 104,661**	$ 155,180
per boe [1]	**$ 7.92**	$ 10.20	**$ 6.37**	$ 9.59
per basic share [1][2]	**$ 0.17**	$ 0.23	**$ 0.56**	$ 0.83
Net capital expenditures [1]	**$ 32,390**	$ 59,609	**$ 157,935**	$ 184,922
Working capital deficit [1]	**$ 4,292**	$ 7,996	**$ 4,292**	$ 7,996
Bank indebtedness	**$ 247,105**	$ 295,624	**$ 247,105**	$ 295,624
Net debt [1]	**$ 251,397**	$ 303,620	**$ 251,397**	$ 303,620

(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 December 31		Year ended December 31	
	2020	2019	**2020**	2019
Operating				
Production				
Crude oil and condensate (bbls/d)	**2,306**	1,337	**2,379**	1,166
NGLs (bbls/d)	**2,234**	1,694	**2,029**	1,534
Total liquids production (bbls/d)	**4,540**	3,031	**4,408**	2,700
Natural gas (Mcf/d)	**233,949**	266,035	**243,081**	249,802
Total production (boe/d)	**43,532**	47,370	**44,922**	44,334
Average realized prices (including realized derivatives)				
Natural gas ($/Mcf)	**$ 2.45**	$ 2.58	**$ 2.02**	$ 2.49
Crude oil and condensate ($/bbl)	**$ 55.08**	$ 68.53	**$ 48.58**	$ 67.34
NGLs ($/bbl)	**$ 27.04**	$ 33.75	**$ 24.35**	$ 35.31
Operating Netback ($/boe)				
Petroleum and natural gas sales from production	**$ 18.28**	$ 17.69	**$ 14.91**	$ 15.53
Net sales of natural gas purchased from third parties (1)	**-**	-	**-**	(0.09)
Realized gains (losses) on derivatives	**(0.74)**	(0.04)	**(0.28)**	1.48
Royalty expense	**(0.77)**	(0.51)	**(0.64)**	(0.29)
Operating expense	**(2.68)**	(1.89)	**(2.43)**	(1.98)
Transportation expense	**(3.62)**	(3.46)	**(3.39)**	(3.50)
Operating netback (1)	**$ 10.47**	$ 11.79	**$ 8.17**	$ 11.15

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

Corporate Update

COVID-19

The extensive impact of the COVID-19 pandemic on the global economy escalated during the first quarter of 2020 whereby crude oil benchmark prices decreased substantially due to reduced global demand and the adequacy of supply management efforts by the Organization of Petroleum Exporting Countries ("OPEC") and non-OPEC partners to address such dramatic changes. Although OPEC and non-OPEC partners have implemented and extended production cuts through 2020, there remains uncertainty on the balance of reduced supply and continuation of such agreements versus the lower global demand, all of which that led to a suppressed crude oil price environment through much of 2020. This challenging pricing environment resulted in Advantage recognizing an impairment loss of $361 million in the first quarter of 2020 ($277 million after tax). Although the fourth quarter of 2020 marked an improvement for crude oil and natural gas prices following encouraging vaccine developments and increased economic activity, with WTI closing the year around $US 50/bbl, the global economy including supply and demand for crude oil remains fragile and uncertain.

The decreased crude oil prices caused a considerable reduction in industry spending and activity, however, with less associated gas being brought online because of reduced spending, natural gas prices have benefited. Advantage responded to the unprecedented market volatility during the second quarter of 2020 by deferring capital spending on planned liquids projects, restricting initial production from new oil wells, and revising our 2020 capital spending with heighted focus on short-cycle payout gas-weighted projects at our Glacier property (see News Release dated August 6, 2020). With the continued strengthening outlook of natural gas in the third quarter, Advantage cautiously increased its planned capital spending at Glacier to augment natural gas production through the winter season (see News Release dated October 8, 2020).

Advantage continues to maintain a strong balance sheet and has sufficient liquidity to meet all current obligations with cash provided by operating activities and our available Credit Facilities. In the third quarter of 2020, Advantage closed the sale of a 12.5% interest in the Glacier Gas Plant for cash proceeds of $100 million (before transaction cost), which was used 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 (see "Bank Indebtedness, Credit Facilities and Other Liabilities"). Advantage's robust balance sheet augments our ability to execute value-generating capital projects and strategic opportunities.

During 2020, the Federal and Provincial Governments implemented several programs to assist companies in response to the economic impacts of COVID-19. The Federal Government implemented the Canada Emergency Wage Subsidy ("CEWS") program to assist with maintaining employment by partially subsidizing employer paid wages. The amount received is determined based on eligibility, including the decrease in revenue, and magnitude of employee wages. As Advantage only has 39 employees, amounts received under CEWS has been nominal. In March 2020, the Government of Alberta announced that it would provide $113 million to cover the industry levy fees administered by the Alberta Energy Regulator ("AER") for six months (April 2020 to September 2020), which resulted in approximately $1 million in operating expense savings for Advantage.

Advantage's business operations to-date have not been disrupted by the COVID-19 pandemic with energy providers being declared as an essential service by the Government of Alberta. The Corporation has the appropriate controls in place to allow operations to run safely and efficiently in this environment. The Corporation implemented additional procedures in its field operations and head office to ensure the health and safety of employees, service providers, stakeholders, their families and the general public. These measures include maintaining appropriate social distancing, additional hygiene and sanitation measures, and self-isolation protocols aligned with or surpassing Government recommendations. The Corporation's head office maintained normal operations with our employees having the ability to work remotely with access to all corporate information and systems.

Corporate Update (continued)

2021 Guidance

On February 25, 2021, the Corporation updated its original budget outlook which was issued October 29, 2020 (see New Release dated October 29, 2020) due to the outperformance of Advantage's 2020 natural gas drilling program. Below is a summary of the revised 2021 budget parameters:

Forward Looking Information(1)(3)	Original 2021 Guidance(4)	Revised 2021 Guidance(5)
Cash Used in Investing Activities (2) (millions)	$125 to $150	$115 to $135
Average Production (boe/day)	47,000 to 49,000	48,000 to 51,000
Liquids Production (% of total production)	8 to 9	8 to 9
Royalty Rate (%)	3 to 5	3 to 5
Operating Expense ($/boe)	$2.55	$2.55
Transportation Expense ($/boe)	$4.15	$4.15
G&A/Finance Expense ($/boe)	$2.00	$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 estimates
(4) See News Release dated October 29, 2020 for original forward-looking information
(5) See News Release dated February 25, 2021 for revised forward looking information

Advantage's 2021 focus will remain on our Montney gas assets to utilize our approximately 130 mmcf/d of spare capacity at Glacier given a constructive natural gas price outlook. Additional oil infrastructure has been deferred into 2022. Significant flexibility remains in the capital spending plan, with optionality to throttle capital between oil-weighted and gas-weighted assets.

2020 Guidance Update

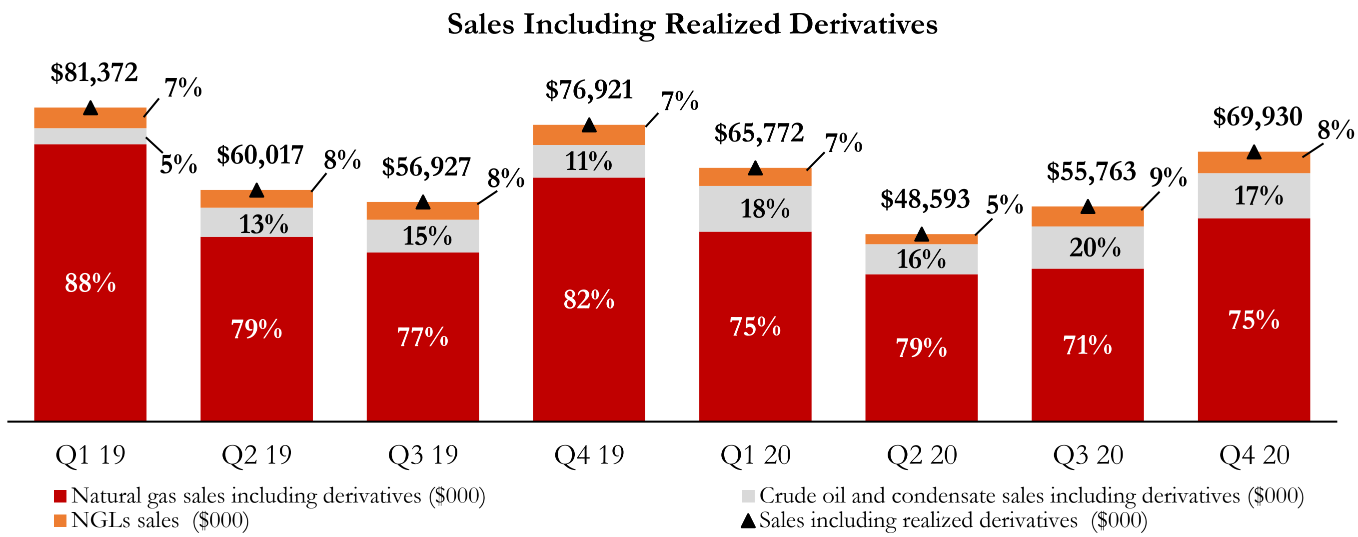
The Corporation's 2020 financial and operational results were within guidance expectations. Advantage's operating expense was slightly lower than guidance largely due to savings on AER industry levy fees in the year. Advantage's transportation expense was less than expected by approximately $0.30/boe due to lower pipeline tolls. The below table summarizes Advantage's 2020 guidance compared to actual 2020 financial and operational results:

	2020 Guidance	2020 Actual	% Variance from 2020 Guidance
Net capital expenditures (millions)(2)(4)	$147 to $162	$157.9	-
Average Production (boe/day)(1)	43,500 to 46,500	44,922	-
Gas Production (MMcf/d)(1)	235 to 250	243.1	-
Liquids Production (bbls/d)(1)	4,200 to 4,700	4,408	-
Royalty Rate (%)(1)	3 to 5	4.3	-
Operating Expense ($/boe)(1)	$2.50	$2.43	(3) %
Transportation Expense ($/boe)(1)	$3.70	$3.39	(8) %
G&A/Finance Expense ($/boe)(1)(3)	$1.80	$1.80	-

Notes:
(1) See News Release dated May 6, 2020 for revised forward looking information.
(2) See News Release dated October 9, 2020 for revised forward looking information.
(3) Finance expense excludes accretion of decommissioning liability.
(4) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

Petroleum and Natural Gas Sales

($000)	Three months ended December 31 2020	2019	% change	Year ended December 31 2020	2019	% change
Natural gas						
Sales from production	$ 57,491	$ 63,784	(10) %	$ 191,824	$ 203,223	(6) %
Realized gains (losses) on derivatives	(4,805)	(552)	nm	(12,148)	23,587	(152) %
	$ 52,686	$ 63,232	(17) %	$ 179,676	$ 226,810	(21) %
Crude oil and condensate						
Sales from production	$ 10,154	$ 8,058	26 %	$ 35,181	$ 28,287	24 %
Realized gains on derivatives	1,532	371	313 %	7,121	371	nm
	$ 11,686	$ 8,429	39 %	$ 42,302	$ 28,658	48 %
NGLs						
Sales from production	$ 5,558	$ 5,260	6 %	$ 18,080	$ 19,769	(9) %
Sales including realized derivatives	**$ 69,930**	**$ 76,921**	**(9) %**	**$ 240,058**	**$ 275,237**	**(13) %**



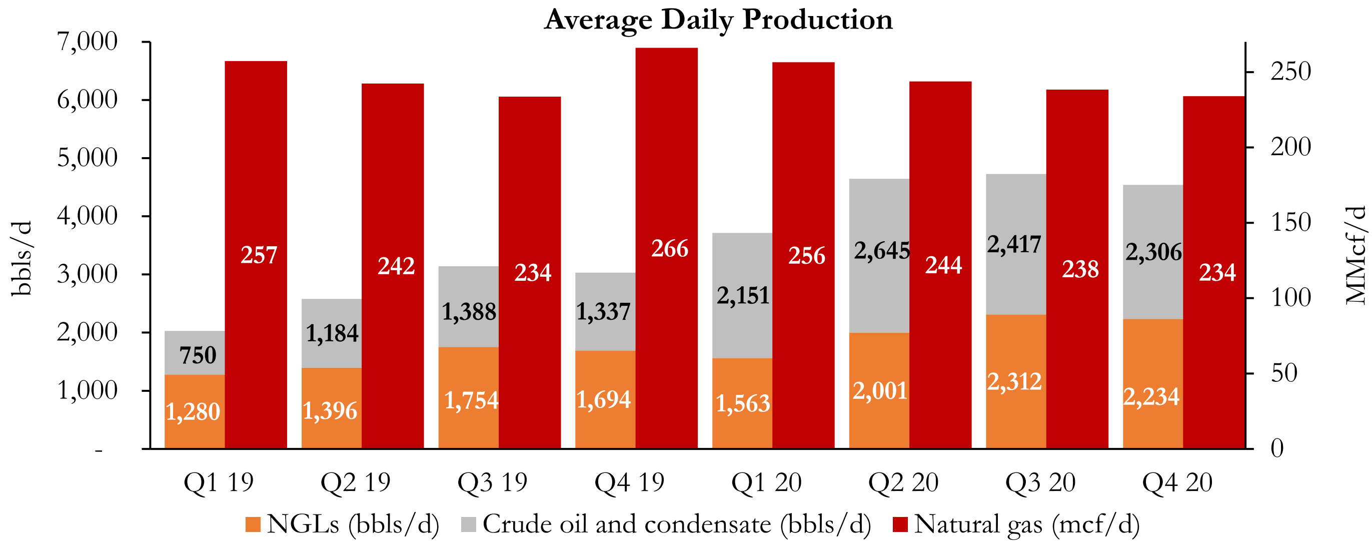
Advantage's natural gas sales excluding derivatives was $57.5 million and $191.8 million for the three months and year ended December 31, 2020, a decrease of 10% and 6%, respectively, compared to the same periods of 2019. The decrease in natural gas sales in 2020 was in line with the decrease in natural gas production when compared to the same periods of 2019 (see "Production"). The Corporation's realized natural gas price excluding derivatives for the three months and year ended December 31, 2020 was comparable to the same periods of 2019, with each period seeing stronger AECO prices, offset by weaker annual realized prices in the Dawn, Chicago and Ventura markets (see "Commodity Prices and Marketing").

Crude oil and condensate sales excluding derivatives for the three months and year ended December 31, 2020 increased by $2.1 million or 26% and $6.9 million or 24%, respectively, as compared to the same periods of 2019. NGLs sales increased by 6% and decreased by 9% for the three months and year ended December 31, 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 2020 attributable to the COVID-19 pandemic (see "Commodity Prices and Marketing"). Crude oil and condensate sales and NGLs sales contributed 17% and 8%, respectively, of total sales for the year ended December 31, 2020, including realized gains on derivatives.

Net realized losses on commodity derivatives during the three months and year ended December 31, 2020 were $3.3 million and $5.0 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 months and year ended December 31, 2020 and 2019 (see "Market Diversification and Commodity Risk Management").

Production

	Three months ended December 31		%	Year ended December 31		%
	2020	**2019**	**change**	**2020**	**2019**	**change**
Crude oil and condensate (bbls/d)	2,306	1,337	72 %	2,379	1,166	104 %
NGLs (bbls/d)	2,234	1,694	32 %	2,029	1,534	32 %
Total liquids production (bbls/d)	**4,540**	**3,031**	**50 %**	**4,408**	**2,700**	**63 %**
Natural gas (Mcf/d)	233,949	266,035	(12) %	243,081	249,802	(3) %
Total production (boe/d)	**43,532**	**47,370**	**(8) %**	**44,922**	**44,334**	**1 %**
Crude oil and condensate (%)	5 %	3 %		5 %	3 %	
NGLs (%)	5 %	4 %		5 %	3 %	
Natural gas (%)	90 %	93 %		90 %	94 %	



Advantage achieved record annual total production of 44,922 boe/d for the year ended December 31, 2020. The increase in production was a result of our continued successful liquids development from both our Pipestone/Wembley and Progress areas, with a 104% growth in crude oil and condensate production and a 32% growth in NGLs. Up to early 2020, Advantage was focused on increasing production from liquids and enhancing netbacks through development of Pipestone/Wembley and Progress. These initiatives resulted in our liquids production increasing to 10% of total production with a small decrease in natural gas due to normal declines. However, with the collapse in crude oil and liquids pricing in 2020 due to the COVID-19 pandemic, Advantage allocated capital for the remainder of 2020 and 2021 to natural gas development at our foundational Glacier property that has stronger economics.

For the three months ended December 31, 2020, production was 43,532 boe/d, a 2% decrease from the third quarter as a result of minor equipment delays impacting the completion of new wells and a third-party facility outage, although the facility on-time and capacity did improve during November and December. With the completion and tie-in of 6 wells in the quarter, production increased into year-end and December averaged over 45,850 boe/d (247 MMcf/d natural gas, 2,219 bbls/d crude oil and condensate, and 2,464 bbls/d NGLs). Advantage is well positioned for 2021 we exited 2020 with one well shut-in awaiting pipeline capacity and 8 new Glacier wells drilled with completion activities planned in the first quarter of 2021. Production during the fourth quarter of 2020 was 8% below the same quarter of 2019 due to delayed on-production timing of new wells compared to 2019 when production was managed during the year to peak during the winter to capitalize on a price recovery.

Commodity Prices and Marketing

Average Realized Prices	Three months ended December 31 2020	2019	% change	Year ended December 31 2020	2019	% change
Natural gas						
Excluding derivatives ($/Mcf)	$ 2.67	$ 2.61	2 %	$ 2.16	$ 2.23	(3) %
Including derivatives ($/Mcf)	$ 2.45	$ 2.58	(5) %	$ 2.02	$ 2.49	(19) %
Crude oil and condensate						
Excluding derivatives ($/bbl)	$ 47.86	$ 65.51	(27) %	$ 40.40	$ 66.47	(39) %
Including derivatives ($/bbl)	$ 55.08	$ 68.53	(20) %	$ 48.58	$ 67.34	(28) %
NGLs						
Including and excluding derivatives ($/bbl)(1)	$ 27.04	$ 33.75	(20) %	$ 24.35	$ 35.31	(31) %
Average Benchmark Prices						
Natural Gas						
AECO daily ($/Mcf)	$ 2.64	$ 2.47	7 %	$ 2.23	$ 1.75	27 %
AECO monthly ($/Mcf)	$ 2.76	$ 2.33	18 %	$ 2.22	$ 1.61	38 %
Empress daily ($/Mcf)	$ 2.62	$ 2.51	4 %	$ 2.25	$ 2.53	(11) %
Henry Hub ($US/MMbtu)	$ 2.47	$ 2.34	6 %	$ 1.99	$ 2.51	(21) %
Emerson 2 daily ($US/MMbtu)	$ 2.23	$ 2.17	3 %	$ 1.84	$ 2.28	(19) %
Dawn daily ($US/MMbtu)	$ 2.25	$ 2.23	1 %	$ 1.87	$ 2.40	(22) %
Chicago Citygate ($US/MMbtu)	$ 2.48	$ 2.51	(1) %	$ 1.98	$ 2.53	(22) %
Ventura ($US/MMbtu)	$ 2.45	$ 2.64	(7) %	$ 1.87	$ 2.47	(24) %
Crude Oil						
WTI ($US/bbl)	$ 42.66	$ 56.96	(25) %	$ 39.40	$ 56.99	(31) %
MSW Edmonton ($/bbl)	$ 50.64	$ 66.89	(24) %	$ 46.08	$ 69.22	(33) %
Average Exchange rate ($US/$CDN)	0.7695	0.7576	2 %	0.7478	0.7537	(1) %

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

Advantage's realized natural gas price excluding derivatives for the three months and year ended December 31, 2020 was $2.67/Mcf and $2.16/Mcf, respectively, which was a 2% increase and a 3% 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 2020.

Advantage's physical natural gas sales portfolio has exposure to AECO, Dawn, Empress, Emerson, Chicago and Ventura markets. Advantage began 2019 with netback sales arrangements 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. Additionally, beginning April 2020, Advantage had netback sales arrangements for 15,000 Mcf/d at Ventura prices. Commencing November 2020, Advantage began firm transportation service to Empress of 25,307 Mcf/d and Emerson of 26,823 Mcf/d. See "Market Diversification and Commodity Risk Management" for Advantage's total natural gas production portfolio for 2020 and 2021.

Realized crude oil and condensate prices excluding derivatives decreased by 27% and 39% for the three months and year ended December 31, 2020, respectively, compared to the same periods of the prior year. Realized NGL prices decreased by 20% and 31% for the three months and year ended December 31, 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 months and year ended December 31, 2020 being 25% and 31% lower, respectively, as compared to 2019. Approximately 72% 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 commodity and foreign exchange derivative contracts. Advantage's Credit Facilities (as defined herein) allow us to enter 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 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 resulted 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 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	42.7	AECO	18 %
Dawn physical	27.7	Dawn [2]	11 %
Empress physical	4.2	Empress [3]	2 %
Emerson physical	4.5	Emerson [4]	2 %
Midwest physical	47.5	Chicago, Ventura and Henry Hub less differentials	19 %
	126.6		52 %
Total Natural Gas	243.1		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.

Market Diversification and Commodity Risk Management (continued)

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 2021:

	January 1 to December 31, 2021		
	Volumes Contracted (MMcf/d)[1]	Average Minimum Price	% of Estimated Production
Fixed Price			
AECO fixed price swaps	3.9	$2.92/Mcf	1 %
Dawn fixed price swaps	27.9	US$2.45/Mcf [2]	11 %
Chicago fixed price swaps	20.8	US$2.38/Mcf	8 %
Henry Hub fixed price swaps	43.8	US$2.78/Mcf	17 %
	96.4		37 %
Variable Price			
AECO physical	47.4	AECO	18 %
Dawn physical	44.9	Dawn [2]	17 %
Empress physical	29.3	Empress [3]	11 %
Emerson physical	6.7	Emerson [4]	2 %
Midwest physical	38.8	Chicago, Ventura and Henry Hub less differentials [5]	15 %
	167.1		63 %
Total Natural Gas [6]	263.5		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) Fixed differentials under Chicago, Ventura and Henry Hub arrangements range between $US 1.05/Mcf and $US 1.20/Mcf
(6) Represents the midpoint of our guidance for 2021 natural gas volumes (see New Release dated October 29, 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 months and year ended December 31, 2020 and 2019 are as follows:

	Three months ended December 31		Year ended December 31	
($000)	**2020**	**2019**	**2020**	**2019**
Realized gains (losses) on derivatives				
Natural gas	$ (4,805)	$ (552)	$ (12,148)	$ 23,587
Crude oil	1,532	371	7,121	371
Foreign exchange	475	-	696	-
	$ (2,798)	**$ (181)**	**$ (4,331)**	**$ 23,958**
Unrealized gains (losses) on derivatives				
Natural gas	$ 27,023	$ (15,589)	$ 1,354	$ (72,626)
Crude oil	(4,097)	(1,278)	(776)	(1,278)
Natural gas embedded derivative	3,394	-	3,394	-
Foreign exchange	1,942	-	3,015	-
	$ 28,262	**$ (16,867)**	**$ 6,987**	**$ (73,904)**
Gains (losses) on derivatives				
Natural gas	$ 22,218	$ (16,141)	$ (10,794)	$ (49,039)
Crude oil	(2,565)	(907)	6,345	(907)
Natural gas embedded derivative	3,394	-	3,394	-
Foreign exchange	2,417	-	3,711	-
	$ 25,464	**$ (17,048)**	**$ 2,656**	**$ (49,946)**

For the three months and year ended December 31, 2020, Advantage realized net losses on commodity and foreign exchange derivatives of $2.8 million and $4.3 million, respectively, due to the settlement of contracts with average derivative contract prices that were below average market prices. For the three months and year ended December 31, 2020, Advantage recognized a net unrealized gain on commodity and foreign exchange derivatives of $28.3 million and $7.0 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 year ended December 31, 2020 was mainly attributable to the increased valuation of the Corporation's foreign exchange derivative as a result of the strengthening of the CAD/US foreign exchange rate. For the three months ended December 31, 2020, the change in the fair value of our outstanding derivative contracts was significantly impacted by the increased valuation of our natural gas derivative contracts due to narrowing of the AECO/Henry Hub basis, offset by the decreased valuation of our crude oil derivative contracts due to strengthening WTI prices.

During the year ended December 31, 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. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US $2.50/mmbtu. The Corporation will have unrealized gain (losses) on the embedded derivative based on movements in the forward curve for PJM power prices. The Corporation will not have realized gains (losses) on the embedded derivative until the Corporation begins delivering natural gas in 2023.

Market Diversification and Commodity Risk Management (continued)

For the three months and year ended December 31, 2020, the Corporation's embedded derivative resulted in an unrealized gain on the natural gas embedded derivative of $3.4 million as a result of strengthening PJM power 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 January 1, 2021 and December 31, 2024, apart from the Corporation's natural gas embedded derivative which is expected to be settled between the years 2023 and 2033.

Sales of Natural Gas Purchased from Third Parties

	Three months ended December 31		%	Year ended December 31		%
	2020	2019	change	2020	2019	change
Sales of natural gas purchased from third parties ($000)	$ -	$ -	nm	$ -	$ 857	nm
Natural gas purchased from third parties ($000)	-	-	nm	-	(2,362)	nm
Net sales of natural gas purchased from third parties ($000)	$ -	$ -	nm	$ -	$ (1,505)	nm
per boe	$ -	$ -	nm	$ -	$ (0.09)	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 year ended December 31, 2020. During the year ended December 31, 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 December 31		%	Year ended December 31		%
	2020	2019	change	2020	2019	change
Royalty expense ($000)	$ 3,067	$ 2,231	37 %	$ 10,474	$ 4,690	123 %
per boe	$ 0.77	$ 0.51	51 %	$ 0.64	$ 0.29	121 %
Royalty rate (%)[1]	4.2 %	2.9 %	1.3 %	4.3 %	1.9 %	2.4 %

[1] Percentage of petroleum and natural gas sales from production.

Advantage pays royalties to the owners of mineral rights from which we have mineral leases. The Corporation has mineral leases with provincial governments, individuals and other companies. Our current average royalty rates are determined by various royalty regimes that incorporate factors including well depths, completion data, well production rates, and commodity prices. Royalties also include the impact of Gas Cost Allowance ("GCA") which is a reduction of royalties payable to the Alberta Provincial Government (the "Crown") to recognize capital and operating expenditures incurred by Advantage in the gathering and processing of the Crown's share of our natural gas production.

Royalty expense for the three months and year ended December 31, 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 less revenue enhancements from market diversification outside of Alberta when compared to 2019.

Operating Expense

	Three months ended December 31 2020	2019	% change	Year ended December 31 2020	2019	% change
Operating expense ($000)	$ 10,750	$ 8,225	31 %	$ 40,005	$ 31,967	25 %
per boe	$ 2.68	$ 1.89	42 %	$ 2.43	$ 1.98	23 %

Operating expense for the three months and year ended December 31, 2020 increased to $10.8 million and $40.0 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 new oil battery at Pipestone/Wembley and additional third-party processing and liquids handling expenses associated with both Pipestone/Wembley and Progress (see "Production").

Operating expense per boe for the three months and year ended December 31, 2020 was $2.68 and $2.43, respectively. The operating costs per boe were in-line with Advantage's annual guidance expectations of cost associated with increased liquids production.

Transportation Expense

	Three months ended December 31 2020	2019	% change	Year ended December 31 2020	2019	% change
Natural gas ($000)	$ 13,266	$ 13,148	1 %	$ 49,414	$ 49,990	(1) %
Liquids ($000)	1,222	1,924	(36) %	6,403	6,617	(3) %
Total transportation expense ($000)	$ 14,488	$ 15,072	(4) %	$ 55,817	$ 56,607	(1) %
per boe	$ 3.62	$ 3.46	5 %	$ 3.39	$ 3.50	(3) %

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 months and year ended December 31, 2020 was comparable to the same periods of 2019. Natural gas transportation in 2020 benefited from decreased tolls when compared to 2019, resulting in transportation expense being 8% below our 2020 guidance (see "2020 Guidance Update). These savings where off set by additional Empress and Emerson firm service that began in November of 2020 with 2021 guidance of $4.15/boe reflective of current market diversification contracts (see "Market Diversification and Commodity Risk Management").

Operating Netback

	Three months ended December 31			
	2020		2019	
	$000	per boe	$000	per boe
Petroleum and natural gas sales from production	$ 73,203	$ 18.28	$ 77,102	$ 17.69
Realized losses on derivatives	(2,949)	(0.74)	(181)	(0.04)
Royalty expense	(3,067)	(0.77)	(2,231)	(0.51)
Operating expense	(10,750)	(2.68)	(8,225)	(1.89)
Transportation expense	(14,488)	(3.62)	(15,072)	(3.46)
Operating netback (1)	**$ 41,949**	**$ 10.47**	**$ 51,393**	**$ 11.79**

(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 December 31, 2020 was $41.9 million or $10.47/boe, a decrease of 11% or $1.32/boe compared to the same period of 2019. The decrease in the Corporation's operating netback per boe was primarily due to lower liquids prices, higher realized losses on derivatives (see "Market Diversification and Commodity Risk Management") and increased operating expense (see "Operating Expense").

	Year ended December 31			
	2020		2019	
	$000	per boe	$000	per boe
Petroleum and natural gas sales from production	$ 245,085	$ 14.91	$ 251,279	$ 15.53
Net sales of natural gas purchased from third parties (1)	-	-	(1,505)	(0.09)
Realized gains (losses) on derivatives	(4,640)	(0.28)	23,958	1.48
Royalty expense	(10,474)	(0.64)	(4,690)	(0.29)
Operating expense	(40,005)	(2.43)	(31,967)	(1.98)
Transportation expense	(55,817)	(3.39)	(56,607)	(3.50)
Operating netback (1)	**$ 134,149**	**$ 8.17**	**$ 180,468**	**$ 11.15**

(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 year ended December 31, 2020, Advantage's operating netback was $134.1 million or $8.17/boe, a decrease of 27% or $2.98/boe compared to the same period of 2019. The decrease in the Corporation's operating netback per boe for the year ended December 31, 2020 was primarily due to the decrease in petroleum and natural gas sales from production (see "Petroleum and Natural Gas Sales"), decreased realized gains (losses) on derivatives (see "Market Diversification and Commodity Risk Management") and increased operating expense (see "Operating Expense").

General and Administrative Expense

	Three months ended December 31 2020	Three months ended December 31 2019	% change	Year ended December 31 2020	Year ended December 31 2019	% change
General and administrative expense ($000)	$ 4,416	$ 3,456	28 %	$ 11,315	$ 11,802	(4) %
per boe	$ 1.10	$ 0.79	39 %	$ 0.69	$ 0.73	(5) %
Employees at December 31				39	38	3 %

General and administrative ("G&A") expense for the year ended December 31, 2020 was $11.3 million or $0.69/boe, 4% below 2019 and meeting 2020 guidance. G&A was higher for the three months ended December 31, 2020 and may vary throughout a calendar year due to the timing of incurring such expenditures and the impact from quarterly valuation of outstanding deferred share units at current share prices (issued pursuant the Corporation's deferred share unit plan).

Share-based Compensation

	Three months ended December 31 2020	Three months ended December 31 2019	% change	Year ended December 31 2020	Year ended December 31 2019	% change
Share-based compensation ($000)	$ 1,973	$ 2,434	(19) %	$ 8,108	$ 8,556	(5) %
Capitalized ($000)	(689)	(898)	(23) %	(2,830)	(3,157)	(10) %
Share-based compensation expense ($000)	$ 1,284	$ 1,536	(16) %	$ 5,278	$ 5,399	(2) %
per boe	$ 0.32	$ 0.35	(9) %	$ 0.32	$ 0.33	(3) %

The Corporation's current long-term compensation plan to employees consists of a balanced approach between a cash-based performance award incentive plan (see "General and Administrative Expense") and a share-based Restricted and Performance Award Incentive Plan. Under the Corporation's restricted and performance award incentive plan, performance share units are granted to service providers of Advantage which cliff vest after three years from grant date. Capitalized share-based compensation is attributable to personnel involved with the development of the Corporation's capital projects.

The Corporation recognized $1.3 million and $5.3 million of share-based compensation expense during the three months and year ended December 31, 2020, respectively, and capitalized $0.7 million and $2.8 million. Share-based compensation expense for the three months and year ended was similar when compared to the same periods of 2019.

Finance Expense and Interest Rate Risk Management

	Three months ended December 31			Year ended December 31		
	2020	2019	% change	2020	2019	% change
Cash finance expense ($000)	$ 5,795	$ 3,426	69 %	$ 18,173	$ 13,513	34 %
per boe	$ 1.45	$ 0.79	84 %	$ 1.11	$ 0.84	32 %
Accretion expense ($000)	$ 225	$ 243	(7) %	$ 797	$ 936	(15) %
Total finance expense ($000)	$ 6,020	$ 3,669	64 %	$ 18,970	$ 14,449	31 %
per boe	$ 1.50	$ 0.84	79 %	$ 1.15	$ 0.89	29 %

Advantage realized higher cash finance expense during the three months and year ended December 31, 2020, due to the 15-year volume commitment agreement associated with a 12.5% working interest sale in the Glacier Gas Plant which is treated as a financing transaction, higher average outstanding bank indebtedness and interest rates. Payments relating to the financing liability began July 1, 2020, and the Corporation incurred $4.5 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. 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 months and year ended December 31, 2020 and 2019 are as follows:

	Three months ended December 31		Year ended December 31	
($000)	**2020**	**2019**	**2020**	**2019**
Realized losses on interest rate derivatives	$ (151)	$ -	$ (309)	$ -
Unrealized gains (losses) on interest rate derivatives	39	-	(802)	-
Losses on interest rate derivatives	$ (112)	$ -	$ (1,111)	$ -

Depreciation and Impairment Expense

	Three months ended December 31			Year ended December 31		
	2020	2019	% change	2020	2019	% change
Depreciation expense ($000)	$ 25,224	$ 25,865	(2) %	$ 110,896	$ 119,474	(7) %
per boe	$ 6.30	$ 5.93	6 %	$ 6.74	$ 7.38	(9) %
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 December 31		%	Year ended December 31		%
	2020	2019	change	2020	2019	change
Income tax expense (recovery) ($000)	$ 9,138	$ 1,863	nm	$ (83,270)	$ (19,879)	nm

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the year ended December 31, 2020, the Corporation recognized a deferred income tax recovery of $83.3 million. The recovery for the year ended December 31, 2020 is a result of a $367.3 million loss before taxes due to the $361 million impairment recognized in the first quarter. As at December 31, 2020, the Corporation had a deferred income tax asset of $24.8 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.

On December 9, 2020, Bill 35 received Royal Assent accelerating the Alberta corporate income tax rate reduction. This reduces Alberta's general corporate income tax rate to 8% (from 10%), effective July 1, 2020. Previously, the general corporate income tax rate was not scheduled to decrease to 8% until January 1, 2022.

The estimated tax pools available at December 31, 2020 are as follows:

($ millions)	
Canadian development expenses	$ 185.5
Canadian exploration expenses	67.6
Canadian oil and gas property expenses	13.7
Non-capital losses	816.0
Undepreciated capital cost	193.1
Capital losses	157.9
Scientific research and experimental development expenditures	32.5
Other	6.4
	$ 1,472.7

Net Income (Loss) and Comprehensive Income (Loss)

	Three months ended December 31		%	Year ended December 31		%
	2020	2019	change	2020	2019	change
Net income (loss) and comprehensive income (loss) ($000)	$ 24,168	$ (1,844)	nm	$ (284,045)	$ (24,654)	nm
per share - basic	$ 0.13	$ (0.01)	nm	$ (1.51)	$ (0.13)	nm
per share - diluted	$ 0.12	$ (0.01)	nm	$ (1.51)	$ (0.13)	nm

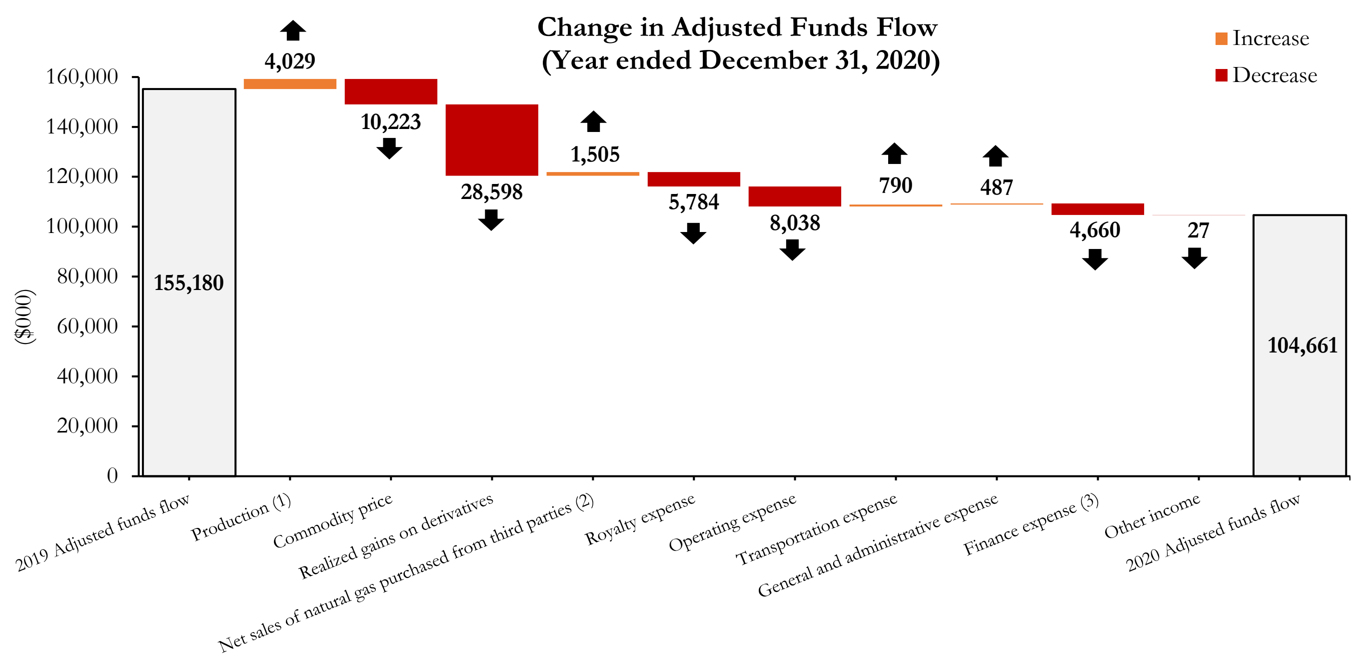
Advantage recognized net income of $24.2 million and a net loss of $284.0 million for the three months and year ended December 31, 2020, respectively. For the three months ended December 31, 2020, net income (loss) and comprehensive income (loss) was higher when compared to 2019, largely due to unrealized gains (losses) on derivatives recorded in their respective periods (see "Market Diversification and Commodity Risk Management"). For the year ended December 31, 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 $83.3 million.

Cash Provided by Operating Activities and Adjusted Funds Flow

($000, except as otherwise indicated)		Three months ended December 31 2020		2019		Year ended December 31 2020		2019
Cash provided by operating activities	**$**	**30,260**	**$**	**39,965**	**$**	**100,714**	**$**	**156,063**
Expenditures on decommissioning liability		610		85		1,080		1,911
Changes in non-cash working capital		868		4,402		2,867		(2,794)
Adjusted funds flow (1)	**$**	**31,738**	**$**	**44,452**	**$**	**104,661**	**$**	**155,180**
Adjusted funds flow per boe (1)	$	7.92	$	10.20	$	6.37	$	9.59
Adjusted funds flow per share (1)	$	0.17	$	0.23	$	0.56	$	0.83

(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 months and year ended December 31, 2020, Advantage realized adjusted funds flow of $31.7 million or $0.17/share, and $104.7 million or $0.56/share, respectively. The decrease in adjusted funds flow for the three months and year ended December 31, 2020 were largely due to lower liquids and U.S. Natural gas prices, lower realized gains on derivatives (see "Market Diversification and Commodity Risk Management") and increased cash expenses.



(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.

Commitments and Contractual Obligations

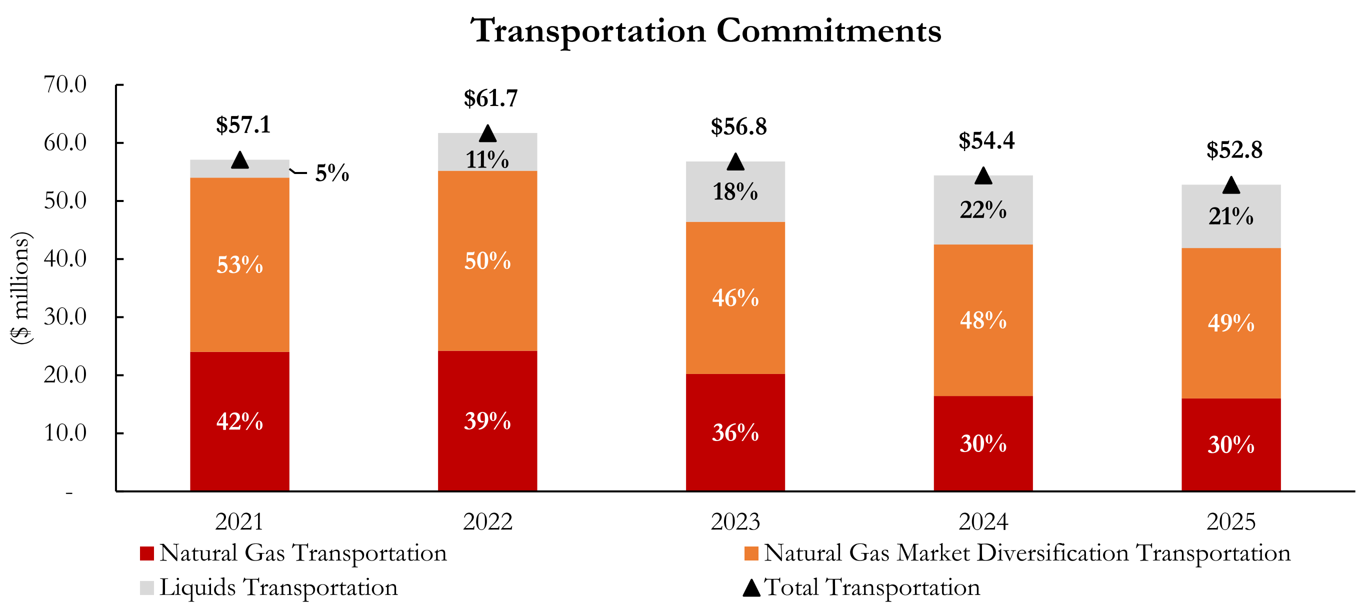
The Corporation has commitments and contractual obligations in the normal course of operations. Such commitments include operating costs for our head office lease, processing costs associated with natural gas at third party facilities, and transportation costs for delivery of our natural gas and liquids (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. Contractual obligations comprise those liabilities to third parties incurred for the purpose of financing Advantage's business and development, including our bank indebtedness.

The following table is a summary of the Corporation's remaining commitments and contractual obligations. Advantage has no guarantees or off-balance sheet arrangements other than as disclosed.

	Payments due by period						
($ millions)	**Total**	**2021**	**2022**	**2023**	**2024**	**2025**	**Beyond**
Building operating cost [1]	$ 2.7	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.7
Processing	62.6	3.0	5.9	7.9	10.0	9.5	26.3
Transportation	484.6	57.1	61.7	56.8	54.4	52.8	201.8
Total commitments	**$ 549.9**	**$ 60.5**	**$ 68.0**	**$ 65.1**	**$ 64.8**	**$ 62.7**	**$ 228.8**
Financing liability	$ 174.5	$ 12.0	$ 12.0	$ 12.0	$ 12.1	$ 12.0	$ 114.4
Lease liability	2.7	0.4	0.3	0.4	0.4	0.4	0.8
Bank indebtedness [2]							
- principal	247.1	-	247.1	-	-	-	-
- interest	17.0	13.1	3.9	-	-	-	-
Total contractual obligations	**$ 441.3**	**$ 25.5**	**$ 263.3**	**$ 12.4**	**$ 12.5**	**$ 12.4**	**$ 115.2**
Total future payments	**$ 991.2**	**$ 86.0**	**$ 331.3**	**$ 77.5**	**$ 77.3**	**$ 75.1**	**$ 344.0**

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

(2) As at December 31, 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)		December 31 2020		December 31 2019
Bank indebtedness (non-current)	$	247,105	$	295,624
Working capital deficit (1)		4,292		7,996
Net debt (1)	**$**	**251,397**	**$**	**303,620**
Shares outstanding		188,112,797		186,910,848
Shares closing market price ($/share)	$	1.71	$	2.75
Market capitalization	**$**	**321,673**	**$**	**514,005**
Total capitalization	**$**	**573,070**	**$**	**817,625**
Net debt to adjusted funds flow (1)		**2.4**		**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 December 31, 2020, Advantage had a $350 million Credit Facility of which $82.8 million or 24% was available after deducting letters of credit of US$15 million outstanding (see "Bank Indebtedness, Credit Facilities and Other Liabilities"). 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 $157.9 million and decrease bank indebtedness by 48.5 million with a net debt to adjusted funds flow ratio of 2.4 times. Advantage continues to be focused on strengthening the strong balance sheet, maintaining a disciplined commodity risk management program, and increasing 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 Liabilities

As at December 31, 2020, Advantage had bank indebtedness outstanding of $247.1 million, a decrease of $48.5 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 AER 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 $4.3 million as at December 31, 2020, a decrease of $3.7 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%.

As at December 31, 2020, Advantage had a decommissioning liability of $60.9 million (December 31, 2019 – $58.3 million) for the future abandonment and reclamation of the Corporation's petroleum and natural gas properties. The decommissioning liability includes assumptions in respect of actual costs to abandon and reclaim wells and facilities, the time frame in which such costs will be incurred, annual inflation factors and discount rates. The total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was $55.2 million (December 31, 2019 – $51.8 million), with 56% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the year ended December 31, 2020 was $1.1 million (December 31, 2019 – $1.9 million). Advantage continues to maintain an industry leading Liability Management Rating ("LMR") of 24.7, demonstrating that the Corporation has no issues addressing its abandonment, remediation, and reclamation obligations.

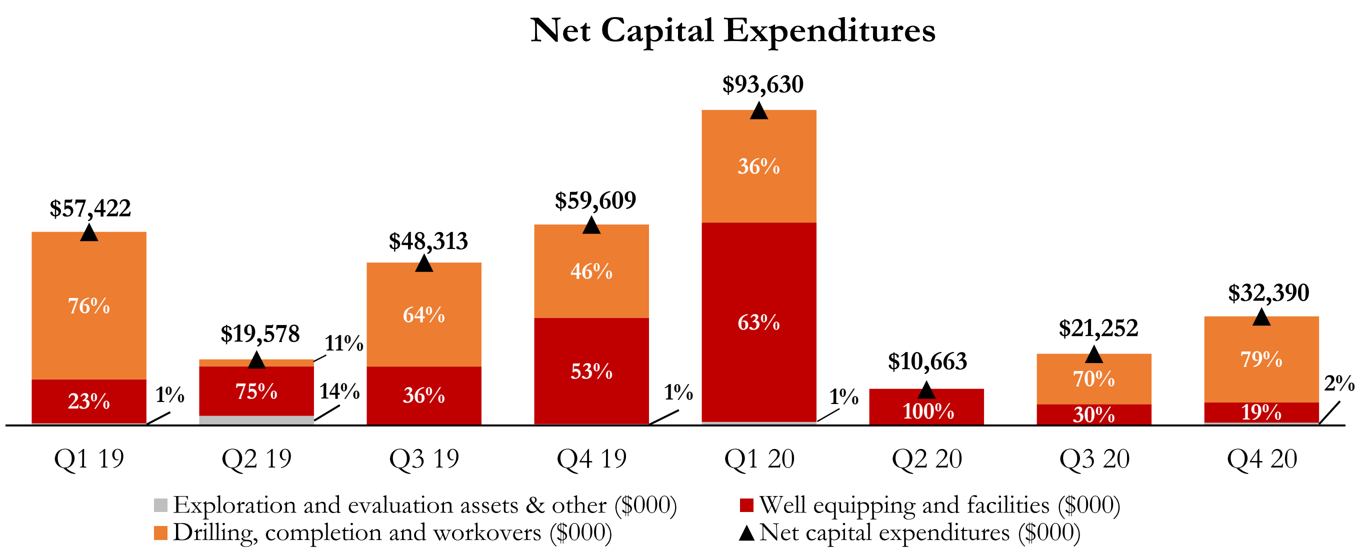
Shareholders' Equity

As at December 31, 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 year ended December 31, 2020, and all outstanding stock options have expired. As at February 25, 2021, Advantage had 188.1 million common shares outstanding.

Cash Used in Investing Activities and Net Capital Expenditures

($000)	Three months ended December 31 2020	2019	Year ended December 31 2020	2019
Drilling, completion and workovers	$ 25,584	$ 27,734	$ 73,768	$ 104,382
Well equipping and facilities	5,998	31,482	82,213	76,506
Other	778	167	971	517
Expenditures on property, plant and equipment	32,360	59,383	156,952	181,405
Expenditures on exploration and evaluation assets	30	226	983	3,517
Net capital expenditures [(1)]	**$ 32,390**	**$ 59,609**	**$ 157,935**	**$ 184,922**
Changes in non-cash working capital	4,935	(9,244)	686	(11,282)
Cash used in investing activities	**$ 37,325**	**$ 50,365**	**$ 158,621**	**$ 173,640**

(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 $32.4 million and $157.9 million on property, plant, and equipment and exploration and evaluation assets during the three months and year ended December 31, 2020, respectively. During 2020, Advantage was focused on natural gas drilling opportunities at Glacier while continuing to advance liquid rich production at both the Pipestone/Wembley and Progress properties. In October, Advantage announced that with the continued strengthening outlook of natural gas, it would cautiously increase planned capital spending at Glacier to augment natural gas production through the winter season.

Glacier

Advantage's foundational Glacier gas property was the focus of our second half 2020 capital program with 13 gross (13.0 net) wells drilled and 6 gross (6.0 net) wells completed. Production from all wells utilize existing infrastructure and Advantage owned surplus plant capacity.

Well performance of the 6 gross (6.0 net) wells completed prior to year-end has been exceptional with all wells achieving a post cleanup IP30 rate of greater than 10 MMcf/d despite being choked back significantly to minimize erosional risks and impacts on preexisting wells.

In the first quarter of 2021, an additional 6 gross (6.0 net) wells are expected to be drilled and 8 gross (8.0 net) wells completed and placed on production prior to spring breakup.

Cash Used in Investing Activities and Net Capital Expenditures (Continued)

Progress

During the first half of 2020, Advantage completed 2 wells and tied-in 5 wells that targeted multiple layers of the liquid rich Montney at Progress. This activity has moved the 100% owned 50 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 decline in crude oil prices during the first half of 2020, the start of construction on our new 25MMcf/d compressor and 5,000bbl/d oil battery at Progress was delayed until long term oil prices support continued growth from the area.

Pipestone/Wembley

Our Pipestone/Wembley land block is in a condensate fairway where significant industry drilling successes in multiple layers has occurred demonstrating liquids-rich gas accumulations in all layers to date.

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. In addition, construction and commissioning activity was completed on our 36mmcf/d compressor and 5,000bbl/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% Advantage owned battery.

Valhalla

Activity during 2020 centered around continued production of the Valhalla wells while incorporating production from the Progress property through our 40MMcf/d Valhalla compressor and liquids hub. With the addition of gas from Progress to Valhalla, the facility was at maximum throughput capacity during 2020. Drilling at Valhalla will resume in the second half of 2021.

Corporate

Advantage's current standing well inventory consists of 4 wells that are drilled and completed and an additional 4 wells that are drilled and cased.

Advantage holds a total of 216 net sections (138,240 net acres) of Doig/Montney rights that have multi-layer development potential for prolific gas and liquids-rich wells.

Annual Financial Information

The following is a summary of select financial information of the Corporation for the years indicated.

		Year ended December 31, 2020		Year ended December 31, 2019		Year ended December 31, 2018
Total sales ($000) (1)	$	245,085	$	251,279	$	222,335
Net income (loss) ($000)	$	(284,045)	$	(24,654)	$	11,119
Per share - basic	$	(1.51)	$	(0.13)	$	0.06
Per share - diluted	$	(1.51)	$	(0.13)	$	0.06
Total assets ($000)	$	1,533,709	$	1,818,454	$	1,771,197
Long-term financial liabilities ($000) (2)	$	343,969	$	295,624	$	270,918

(1) Before royalties and excludes sales of natural gas purchased from third parties.

(2) Long-term financial liabilities are comprised of bank indebtedness and financing liability.

Quarterly Performance

($000, except as otherwise indicated)	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Financial Statement Highlights								
Sales including realized derivatives	$ 69,930	$ 55,763	$ 48,593	$ 65,772	$ 76,921	$ 56,927	$ 60,017	$ 81,372
Net income (loss) and comprehensive income (loss)	$ 24,168	$ (21,606)	$ (20,088)	$ (266,519)	$ (1,844)	$ (26,863)	$ 3,372	$ 681
per basic share [(2)]	$ 0.13	$ (0.11)	$ (0.11)	$ (1.43)	$ (0.01)	$ (0.14)	$ 0.02	$ 0.00
Basic weighted average shares (000)	188,113	188,113	187,901	186,911	186,911	186,911	186,858	185,942
Cash provided by operating activities	$ 30,260	$ 25,271	$ 24,357	$ 20,826	$ 39,965	$ 27,323	$ 44,292	$ 44,483
Cash provided by (used in) financing activities	$ 5,071	$ (15,436)	$ 23,492	$ 34,960	$ 20,115	$ 5,010	$ (20,309)	$ 19,501
Cash used in investing activities	$ 37,325	$ 11,220	$ 44,855	$ 65,221	$ 50,365	$ 36,258	$ 27,303	$ 59,714
Other Financial Highlights								
Adjusted funds flow [(1)]	$ 31,738	$ 23,571	$ 17,259	$ 32,093	$ 44,452	$ 27,928	$ 32,777	$ 50,023
per boe [(1)]	$ 7.92	$ 5.76	$ 4.19	$ 7.59	$ 10.20	$ 7.21	$ 8.38	$ 12.38
per basic share [(1)(2)]	$ 0.17	$ 0.13	$ 0.09	$ 0.17	$ 0.23	$ 0.15	$ 0.18	$ 0.27
Net capital expenditures [(1)]	$ 32,390	$ 21,252	$ 10,663	$ 93,630	$ 59,609	$ 48,313	$ 19,578	$ 57,422
Working capital (surplus) deficit [(1)]	$ 4,292	$ 9,093	$ 3,295	$ 34,284	$ 7,996	$ 13,322	$ (1,891)	$ (9,325)
Bank indebtedness	$ 247,105	$ 241,161	$ 354,199	$ 330,644	$ 295,624	$ 275,594	$ 270,495	$ 290,612
Net debt [(1)]	$ 251,397	$ 250,254	$ 357,494	$ 364,928	$ 303,620	$ 288,916	$ 268,604	$ 281,287
Operating Highlights								
Production								
Crude oil and condensate (bbls/d)	2,306	2,417	2,645	2,151	1,337	1,388	1,184	750
NGLs (bbls/d)	2,234	2,312	2,001	1,563	1,694	1,754	1,396	1,280
Total liquids production (bbls/d)	4,540	4,729	4,646	3,714	3,031	3,142	2,580	2,030
Natural gas (mcf/d)	233,949	238,315	243,749	256,463	266,035	233,625	242,409	257,219
Total production (boe/d)	43,532	44,448	45,271	46,458	47,370	42,080	42,982	44,900
Average prices (including realized derivatives)								
Natural gas ($/mcf)	$ 2.45	$ 1.81	$ 1.72	$ 2.11	$ 2.58	$ 2.04	$ 2.17	$ 3.11
Crude oil and condensate ($/bbl)	$ 55.08	$ 49.19	$ 32.44	$ 60.64	$ 78.18	$ 66.52	$ 70.33	$ 61.59
NGLs ($/bbl)	$ 27.04	$ 24.45	$ 14.44	$ 32.98	$ 33.68	$ 28.54	$ 35.99	$ 46.28
Operating Netback ($/boe)								
Petroleum and natural gas sales from production	$ 18.28	$ 14.69	$ 11.56	$ 15.18	$ 17.69	$ 11.98	$ 13.14	$ 18.90
Net sales of natural gas purchased from third parties [(1)]	$ -	$ -	$ -	$ -	$ -	$ (0.03)	$ -	$ (0.35)
Realized gains (losses) on derivatives	$ (0.74)	$ (1.03)	$ 0.23	$ 0.38	$ (0.04)	$ 2.72	$ 2.20	$ 1.23
Royalty (expense) recovery	$ (0.77)	$ (0.63)	$ (0.26)	$ (0.89)	$ (0.51)	$ (0.06)	$ 0.02	$ (0.57)
Operating expense	$ (2.68)	$ (2.35)	$ (2.43)	$ (2.28)	$ (1.89)	$ (2.12)	$ (1.89)	$ (2.02)
Transportation expense	$ (3.62)	$ (3.12)	$ (3.34)	$ (3.50)	$ (3.46)	$ (3.58)	$ (3.56)	$ (3.40)
Operating netback [(1)]	$ 10.47	$ 7.56	$ 5.76	$ 8.89	$ 11.79	$ 8.91	$ 9.91	$ 13.79

(1) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".
(2) Based on basic weighted average shares outstanding.

The table above highlights the Corporation's performance for the fourth 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. Production decreased modestly through the second and third quarters of 2020 associated with prudent capital restraint given the uncertain commodity price environment and the COVID-19 pandemic. Advantage's second half 2020 capital program was focused on Glacier as natural gas prices continued to strengthen; however, new production began later in the year due to minor equipment delays impacting the completion of new wells and a third-party facility outage, with December production increasing to average 45,800 boe/d. 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.

Quarterly Performance (continued)

Sales and adjusted funds flow both improved in the first quarter of 2019, largely as a result of higher production, especially increased liquids production, and stronger realized prices. Sales and adjusted funds flow were weaker in the second and third quarters of 2019 due to decreased production and lower realized natural gas prices, 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 2020, has generally led to weaker commodity prices thereby reducing sales and adjusted funds flow. 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. 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.

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.

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 Consolidated Financial Statements for the year ended December 31, 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, impairment and impairment reversals of petroleum & natural gas 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. For embedded derivatives, Management assess and determines the definition of the host contract and the separate embedded derivative. The judgements made in determining the host contract can influence the fair value of the embedded derivative.

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 year ended December 31, 2020.

Accounting Pronouncements not yet Adopted

A description of additional accounting standards and interpretations that will be adopted in future periods can be found in the notes to the Consolidated Financial Statements for the year ended December 31, 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, has evaluated the effectiveness of the Corporation's DC&P as at December 31, 2020. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the DC&P are effective as of the end of the year, in all material respects.

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, has evaluated the effectiveness of the Corporation's ICFR as at December 31, 2020. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the ICFR are effective as of the end of the year, in all material respects.

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 year ended December 31, 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 bank 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.

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".

Non-GAAP Measures (continued)

Operating Netback

Advantage calculates operating netback on a total and per boe basis. Operating netback is comprised of sales revenue, realized gains (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 “Mcfe” or thousand cubic feet equivalent may be misleading, particularly if used in isolation. A boe or Mcfe 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	- Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
"Liquids" or "NGLs"	- 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; revised guidance for 2021 including the cash used in investing activities, average production, liquids production (% of total production), royalty rate, operating expense, transportation expense and G&A/finance expense; allocation of 2021 capital budget and ability to maintain flexibility to reallocate capital between assets; the Corporation's position for 2021; 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 2021; 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; do not anticipate any problems meeting future obligations as they become due and the means for satisfying such future obligations; the number of wells to be drilled in the first quarter of 2021 and the timing for such wells to be placed on production; timing of drilling to resume at Valhalla; the statements under "critical accounting estimates" in this MD&A; and other matters.

These forward-looking statements involve substantial known and unknown risks and uncertainties, many of which are beyond our control, including, but not limited to, risks related to changes in general economic 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

Forward-Looking Information and Other Advisories (continued)

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 product, 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.

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 in this MD&A to short-term production rates are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Advantage.

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.

February 25, 2021