CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019

Independent auditor's report

To the Shareholders of Advantage Oil & Gas Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Advantage Oil & Gas Ltd. and its subsidiaries (together, the "Corporation") as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matter	How our audit addressed the key audit matter
The impact of proved and probable reserves on net property, plant and equipment (“PP&E”) for the Corporation’s petroleum and natural gas properties *Refer to note 3 – Significant accounting policies, note 4 – Significant accounting judgements, estimates and assumptions and note 9 – Property, plant and equipment to the consolidated financial statements.* The Corporation has $1,440 million of net petroleum and natural gas properties as at December 31, 2020. Depreciation expense for these properties was $110 million for the year then ended. Petroleum and natural gas properties are depreciated using the units-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. At each reporting date, the Corporation assesses whether or not there are circumstances that indicate a possibility that the carrying values of PP&E are not recoverable, or impaired. When circumstances indicate potential impairment, PP&E assets are tested for impairment by comparing the carrying values to their recoverable amounts. For the purpose of impairment testing of PP&E, assets are grouped into cash generating units (“CGUs”) and recoverable amounts are determined based on the fair values less costs of disposition. Management estimated the fair value less costs of disposition using the after-tax discounted future cash flows of proved and probable reserves. The proved and probable reserves are reviewed by the Corporation’s independent qualified reserve engineers (management’s experts). As at March 31, 2020, the Corporation identified an indicator of impairment and performed an impairment test over the Corporation’s CGUs. As a result of the impairment tests performed, the Corporation	Our approach to addressing the matter included the following procedures, among others: • The work of management’s experts was used in performing the procedures to evaluate the reasonableness of the proved and probable reserves used to determine depreciation expense and the recoverable amounts of PP&E for the Corporation’s petroleum and natural gas properties. As a basis for using this work, management’s experts’ competence, capability and objectivity were evaluated, their work performed was understood and the appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions and methods. • Tested how management determined the recoverable amount of the Corporation’s CGUs and depreciation expense, which included the following: – Evaluated the appropriateness of the methods used by management in making these estimates. – Tested the data used in determining these estimates. – Evaluated the reasonableness of significant assumptions used in developing the underlying estimates: ○ Future commodity prices, expected production volumes, quantity of reserves, future development costs and operating costs by considering the past performance of the Corporation’s CGUs and whether these assumptions were consistent with evidence obtained in other areas of the audit. ○ Future commodity prices by comparing those forecasts with other reputable third party industry forecasts.

Key audit matter	How our audit addressed the key audit matter
recognized an impairment charge to the Greater Glacier Area CGU of $361 million. Significant assumptions developed by management used to determine the recoverable amount of the CGUs include future commodity prices, expected production volumes, quantities of reserves, discount rates, future development costs and operating costs. We determined that this is a key audit matter due to (i) the significant judgments made by management, including the use of management's experts, when developing the after-tax discounted future cash flows of proved and probable reserves; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the field of valuation.	○ The discount rate, through the assistance of professionals with specialized skill and knowledge in the field of valuation. • Recalculated the units-of-production rates used to calculate depreciation expense.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ryan Lundeen.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 25, 2021

Advantage Oil & Gas Ltd.
Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Notes		December 31 2020		December 31 2019
ASSETS					
Current assets					
Cash and cash equivalents	5	$	3,279	$	13,099
Trade and other receivables	6		28,491		29,318
Prepaid expenses and deposits			2,021		1,487
Derivative asset	10		6,862		2,025
Total current assets			**40,653**		**45,929**
Non-current assets					
Derivative asset	10		4,140		-
Exploration and evaluation assets	7		20,580		20,703
Right-of-use assets	8		2,036		2,354
Property, plant and equipment	9		1,441,492		1,749,468
Deferred income tax asset	13		24,808		-
Total non-current assets			**1,493,056**		**1,772,525**
Total assets		**$**	**1,533,709**	**$**	**1,818,454**
LIABILITIES					
Current liabilities					
Trade and other accrued liabilities		$	38,083	$	51,900
Derivative liability	10		13,303		11,173
Current portion of provisions and other liabilities	12		5,632		1,550
Total current liabilities			**57,018**		**64,623**
Non-current liabilities					
Derivative liability	10		23,798		23,136
Bank indebtedness	11		247,105		295,624
Provisions and other liabilities	12		165,628		60,512
Deferred income tax liability	13		-		58,462
Total non-current liabilities			**436,531**		**437,734**
Total liabilities			**493,549**		**502,357**
SHAREHOLDERS' EQUITY					
Share capital	14		2,360,647		2,349,703
Contributed surplus			114,280		117,116
Deficit			(1,434,767)		(1,150,722)
Total shareholders' equity			**1,040,160**		**1,316,097**
Total liabilities and shareholders' equity		**$**	**1,533,709**	**$**	**1,818,454**

Commitments (note 22)

See accompanying Notes to the Consolidated Financial Statements

On behalf of the Board of Directors of Advantage Oil & Gas Ltd.:

Paul G. Haggis, Director: Andy J. Mah, Director:

Advantage Oil & Gas Ltd.
Consolidated Statements of Comprehensive Loss
(Expressed in thousands of Canadian dollars, except per share amounts)

	Notes	Year ended December 31 2020	2019
Revenues			
Petroleum and natural gas sales from production	17(a)	$ 245,085	$ 251,279
Sales of natural gas purchased from third parties	17(b)	-	857
Royalty expense		(10,474)	(4,690)
Petroleum and natural gas revenue		234,611	247,446
Gains (losses) on derivatives	10	1,545	(49,946)
Other income		-	27
Total revenues and other income		**236,156**	**197,527**
Expenses			
Operating expense		40,005	31,967
Transportation expense		55,817	56,607
Natural gas purchased from third parties	17(b)	-	2,362
General and administrative expense	18	11,315	11,802
Share-based compensation expense	15(c)	5,278	5,399
Depreciation expense	8,9	110,896	119,474
Impairment expense	9	361,000	-
Exploration and evaluation expense	7	190	-
Finance expense	19	18,970	14,449
Total expenses		**603,471**	**242,060**
Loss before taxes		**(367,315)**	**(44,533)**
Income tax recovery	13	83,270	19,879
Net loss and comprehensive loss		**$ (284,045)**	**$ (24,654)**
Net loss per share	16		
Basic		$ (1.51)	$ (0.13)
Diluted		$ (1.51)	$ (0.13)

See accompanying Notes to the Consolidated Financial Statements

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

(Expressed in thousands of Canadian dollars)

	Notes	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance, December 31, 2019		$ 2,349,703	$ 117,116	$ (1,150,722)	**$ 1,316,097**
Net loss and comprehensive loss		-	-	(284,045)	**(284,045)**
Share-based compensation	15(c)	-	8,108	-	**8,108**
Settlement of Performance Share Units	14(b)	10,944	(10,944)	-	**-**
Balance, December 31, 2020		**$ 2,360,647**	**$ 114,280**	**$ (1,434,767)**	**$ 1,040,160**

	Notes	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance, December 31, 2018		$ 2,342,689	$ 115,574	$ (1,126,068)	**$ 1,332,195**
Net loss and comprehensive loss		-	-	(24,654)	**(24,654)**
Share-based compensation	15(c)	-	8,556	-	**8,556**
Settlement of Performance Share Units	14(b)	7,014	(7,014)	-	**-**
Balance, December 31, 2019		**$ 2,349,703**	**$ 117,116**	**$ (1,150,722)**	**$ 1,316,097**

See accompanying Notes to the Consolidated Financial Statements

Advantage Oil & Gas Ltd.
Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

	Notes	Year ended December 31 2020	2019
Operating Activities			
Loss before taxes		$ (367,315)	$ (44,533)
Add (deduct) items not requiring cash:			
Unrealized (gains) losses on derivatives	10	(6,185)	73,904
Share-based compensation expense	15(c)	5,278	5,399
Depreciation expense	8,9	110,896	119,474
Impairment expense	9	361,000	-
Exploration and evaluation expense	7	190	-
Accretion of decommissioning liability	12(d)	797	936
Expenditures on decommissioning liability	12(d)	(1,080)	(1,911)
Changes in non-cash working capital	21	(2,867)	2,794
Cash provided by operating activities		**100,714**	**156,063**
Financing Activities			
Increase (decrease) in bank indebtedness	11	(48,519)	24,706
Principal repayment of lease liability	12(b)	(258)	(389)
Principal repayment of financing liability	12(c)	(1,589)	-
Net proceeds from financing liability transaction	12(c)	98,453	-
Cash provided by financing activities		**48,087**	**24,317**
Investing Activities			
Payments on property, plant and equipment	9,21	(157,638)	(170,123)
Payments on exploration and evaluation assets	7	(983)	(3,517)
Cash used in investing activities		**(158,621)**	**(173,640)**
Increase (decrease) in cash and cash equivalents		(9,820)	6,740
Cash and cash equivalents, beginning of year		13,099	6,359
Cash and cash equivalents, end of year		**$ 3,279**	**$ 13,099**

See accompanying Notes to the Consolidated Financial Statements

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

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

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

2. Basis of preparation

(a) Statement of compliance

The Corporation prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of February 25, 2021, the date the Board of Directors approved the statements.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation's accounting policies in note 3.

The methods used to measure fair values of derivative instruments are discussed in note 10.

(c) Functional and presentation currency

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements and notes.

(a) Cash and cash equivalents

Cash consists of balances held with banks, and other short-term highly liquid investments with original maturities of three months or less from inception.

(b) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Corporation. Control exists when the Corporation has power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

(ii) Joint arrangements

A portion of the Corporation's petroleum and natural gas activities involve joint operations. The consolidated financial statements include the Corporation's share of these joint operations and a proportionate share of the relevant revenue and costs.

(c) Financial instruments

Financial instruments are classified as amortized cost, fair value through other comprehensive income (loss) or fair value through profit and loss. The Corporation's classification of each identified financial instrument is provided below:

Financial Instrument	Measurement Category
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Prepaid expenses and deposits	Amortized cost
Derivative assets and liabilities	Fair value through profit and loss
Trade and other accrued liabilities	Amortized cost
Bank indebtedness	Amortized cost
Performance Awards	Amortized cost
Deferred revenue	Amortized cost
Financing liability	Amortized cost

Derivative assets and liabilities

Derivative instruments executed by the Corporation to manage market risk are classified as fair value through profit and loss and are recorded on the Consolidated Statement of Financial Position as derivatives assets and liabilities measured at fair value. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics, risks of the host contract and the embedded derivative are not closely related; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value through profit and loss. Gains and losses on derivative instruments are recorded as gains and losses on derivatives in the Consolidated Statement of Comprehensive Loss in the period they occur. Gains and losses on derivative instruments are comprised of cash receipts and payments associated with periodic settlement that occurs over the life of the instrument, and non-cash gains and losses associated with changes in the fair values of the instruments, which are remeasured at each reporting date.

Impairment of Financial Assets

The Corporation applies an expected credit loss ("ECL") to financial assets measured at amortized cost and debt investments measured at fair value through other comprehensive income (loss). For the Corporation's financial assets measured at amortized cost, loss allowances are determined based on the ECL over the asset's lifetime. ECLs are a probability-weighted estimate of credit losses, considering possible default events over the expected life of a financial asset. ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Corporation in accordance with the contract and the cash flows that the Corporation expects to receive) over the life of the financial asset, discounted at the effective interest rate specific to the financial asset.

3. Significant accounting policies (continued)

(d) Property, plant and equipment and exploration and evaluation assets

(i) Recognition and measurement

Exploration and evaluation costs

Pre-license costs are recognized in the Consolidated Statement of Comprehensive Loss as incurred.

All exploratory costs incurred subsequent to acquiring the right to explore for petroleum and natural gas before technical feasibility and commercial viability of the area have been established are capitalized. Such costs can typically include costs to acquire land rights, geological and geophysical costs and exploration well costs.

Exploration and evaluation costs are not depreciated and are accumulated by well, field or exploration area and carried forward pending determination of technical feasibility and commercial viability.

The technical feasibility and commercial viability of extracting a mineral resource from exploration and evaluation assets is considered to be generally determinable when proved or probable reserves are determined to exist. Upon determination of proved or probable reserves, exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment, net of any impairment loss.

Management reviews and assesses exploration and evaluation assets to determine if technical feasibility and commercial viability exist. If Management decides not to continue the exploration and evaluation activity, the unrecoverable costs are charged to exploration and evaluation expense in the period in which the determination occurs.

Property, plant and equipment

Items of property, plant and equipment, which include petroleum & natural gas properties, are measured at cost less accumulated depreciation and accumulated impairment losses. Costs include lease acquisition, drilling and completion, production facilities, decommissioning costs, geological and geophysical costs and directly attributable general and administrative costs and share-based compensation related to development and production activities, net of any government incentive programs.

(ii) Subsequent costs

Costs incurred subsequent to development and production that are significant are recognized as petroleum & natural gas property only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in comprehensive loss as incurred. Such capitalized petroleum and natural gas costs generally represent costs incurred in developing proved and probable reserves and producing or enhancing production from such reserves, and are accumulated on a field or area basis. The carrying amount of any replaced or sold component is derecognized in accordance with our policies. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Consolidated Statement of Comprehensive Loss as incurred.

(iii) Depletion and depreciation

The net carrying value of petroleum & natural gas properties is depreciated using the units-of-production ("UOP") method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves.

3. Significant accounting policies (continued)

(d) Property, plant and equipment and exploration and evaluation assets (continued)

(iii) Depletion and depreciation (continued)

Significant natural gas processing plants included in petroleum & natural gas properties and furniture & equipment are depreciated using the straight-line method over the expected useful life. The estimated useful lives for depreciable assets are as follows:

Natural gas processing plants	50 years
Furniture & equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date by management.

(iv) Dispositions

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposition with the carrying amount of property, plant and equipment and are recognized net within other income (expenses) in the Consolidated Statement of Comprehensive Loss.

(v) Impairment and impairment reversal

The carrying amounts of the Corporation's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment or impairment reversal. If any such indication exists, the asset's recoverable amount is estimated. For the purpose of impairment and impairment reversal testing of property, plant and equipment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Exploration and evaluation assets are allocated to CGUs or groups of CGUs for the purposes of assessing such assets for impairment.

The recoverable amount of an asset or a CGU is the greater of its "value-in-use" and its "fair value less costs of disposition". In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value-in-use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. Fair value less costs of disposition is assessed utilizing market valuation based on an arm's length transaction between active participants. In the absence of any such transactions, fair value less costs of disposition is estimated by discounting the expected after-tax cash flows of the CGUs at an after-tax discount rate that reflects the risk of the properties in the CGUs. The discounted cash flow calculation is then increased by a tax-shield calculation, which is an estimate of the amount that a prospective buyer of the CGU would be entitled. The carrying value of the CGUs is reduced by the deferred tax liability associated with its property, plant and equipment.

Impairment losses and reversals of previous impairments on property, plant and equipment are recognized in the Consolidated Statement of Comprehensive Loss as impairment expense (recovery) and are separately disclosed. An impairment of exploration and evaluation assets is recognized as exploration and evaluation expense in the Consolidated Statement of Comprehensive Loss.

3. Significant accounting policies (continued)

(e) Decommissioning liability

A decommissioning liability is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Decommissioning liabilities are determined by discounting the expected future cash flows at a risk-free rate.

(f) Leases

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

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

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

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

3. Significant accounting policies (continued)

(g) Long-term compensation

(i) Share-based compensation

The Corporation accounts for share-based compensation expense based on the fair value of rights granted under its share-based compensation plans.

Advantage's Stock Option Plan ("Stock Option Plan") authorizes the Board of Directors to grant Stock Options to service providers, including directors, officers, employees and consultants of Advantage. Compensation costs related to the Stock Options are recognized as share-based compensation expense over the vesting period at fair value.

Advantage's Restricted and Performance Award Incentive Plan provides share-based compensation to service providers. Awards granted under this plan, Performance Share Units, may be settled in cash or in shares. As the Corporation generally intends to settle the Awards in shares, the plan is considered and accounted for as "equity-settled". Compensation costs related to Performance Share Units are recognized as share-based compensation expense over the vesting period at fair value.

As compensation expense is recognized, contributed surplus is recorded until the Performance Share Units vest or Stock Options are exercised, at which time the appropriate common shares are then issued to the service providers and the contributed surplus is transferred to share capital.

(ii) Performance Awards

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

(iii) Deferred Share Units ("DSU")

DSUs are issued to Directors of the Corporation. Each DSU entitles participants to receive cash equal to the price of the Corporation's common shares, multiplied by the number of DSUs held. All DSUs vest immediately upon grant and become payable upon retirement of the Director from the Board. A liability for the expected cash payments is accrued over the life of the DSU using the fair value method based on the Corporation's share market price at the end of each reporting period, with the associated expense charged to general and administrative expense.

(h) Revenue

The Corporation's revenue is comprised of petroleum and natural gas sales to customers under fixed and variable volume contracts. Revenue is recognized when the Corporation has satisfied its performance obligations which occurs upon the delivery of volumes to the customer. The transaction price used to determine revenue from petroleum and natural gas sales is the market price, net of any marketing and fractionation fees for sales as specified in the contract. For fixed basis physical delivery contracts, the Corporation records revenue net of the fixed basis differential. Payments are normally received from customers within 30 days following the end of the production month. The Corporation does not have any long-term contracts with unfulfilled performance obligations and does not disclose information about remaining performance obligations with an original expected duration of 12 months or less.

3. Significant accounting policies (continued)

(i) Income tax

Income tax expense or recovery comprises current and deferred income tax. Income tax expense or recovery is recognized in income or loss except to the extent that it relates to items recognized directly in shareholders' equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred income tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting income nor taxable income. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred income tax assets and liabilities are only offset when they are within the same legal entity and same tax jurisdiction. Deferred income tax assets and liabilities are presented as non-current.

(j) Net loss per share

Basic net loss per share is calculated by dividing the net loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted net loss per share is determined by adjusting the net loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as Performance Share Units and Stock Options using the treasury stock method.

(k) Government grants and investment tax credits

The Corporation may receive government grants which provide immediate financial assistance as compensation for capital expenditures or expenses to be incurred. Government grants are recognized when there is reasonable assurance that the Corporation will comply with conditions attached to them and the grants will be received. The Corporation recognizes government grants in the Consolidated Statement of Comprehensive Loss on a systematic basis and in line with recognition of the expenditure that the grants are intended to compensate. Investment tax credits relating to Scientific Research and Experimental Development claims are considered an income tax credit and are offset against our income tax expense when they become probable of realization.

(l) Accounting pronouncements not yet adopted

(i) Interest Rate Benchmark Reform

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2 which amended requirements in IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, and IFRS 16 Leases, relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities, and lease liabilities. The amendments are effective for annual periods beginning on or after January 1, 2021, with early application permitted. The Corporation has determined that the amendments will not have a significant impact on the Consolidated Financial Statements.

4. Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates, and differences could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Significant estimates and judgments made in the preparation of the consolidated financial statements are outlined below.

(a) Reserves base

The petroleum and natural gas properties are depreciated on a UOP basis at a rate calculated by reference to proved and probable reserves determined in accordance with National Instrument 51-101 "Standards of Disclosure for Oil and Gas Activities" and incorporating the estimated future cost of developing and extracting those reserves. Proved plus probable reserves are determined using estimates of natural gas and liquids in place, recovery factors and future natural gas and liquids prices. Future development costs are estimated using assumptions as to the number of wells required to produce the reserves, the cost of such wells and associated production facilities and other capital costs.

(b) Determination of cash generating unit

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 infrastructure, the existence of common sales points, geography and geologic structure. 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.

(c) Indicators of impairment or impairment reversal and calculation of impairment or impairment reversal

At each reporting date, Advantage assesses whether there are circumstances that indicate a possibility that the carrying values of exploration and evaluation assets and property, plant and equipment are not recoverable, or impaired. Such circumstances include, but are not limited to, incidents of physical damage, deterioration of commodity prices, changes in the regulatory environment, a reduction in estimates of proved and probable reserves, or significant increases to expected costs to produce and transport reserves. The Corporation also assesses whether there are circumstances that indicate that previously impaired assets are now recoverable and need to be increased to their original carrying values.

When management judges that circumstances indicate potential impairment or impairment reversal, property, plant, and equipment are tested for impairment or impairment reversal by comparing the carrying values to their recoverable amounts. The recoverable amounts of CGUs are determined based on the higher of value-in-use calculations and fair values less costs of disposition. These calculations require the use of estimates and assumptions, that are subject to change as new information becomes available including information on future commodity prices, expected production volumes, quantities of reserves, discount rates, future development costs and operating costs.

(d) Derivative assets and liabilities

Derivative assets and liabilities are recorded at their fair values at the reporting date, with gains and losses recognized directly into comprehensive 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 market prices as compared to the valuation assumptions. For embedded derivatives, Management 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.

4. Significant accounting judgments, estimates and assumptions (continued)

(e) Share-based compensation

The Corporation's share-based compensation expense is subject to measurement uncertainty as a result of estimates and assumptions related to the expected performance multiplier, forfeiture rates, expected life, market based vesting conditions and underlying volatility of the price of the Corporation's common shares.

(f) Decommissioning liability

Decommissioning costs will be incurred by the Corporation at the end of the operating life of the Corporation's facilities and properties. The ultimate decommissioning liability is uncertain and can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, or changes in the risk-free discount rate. The expected timing and amount of expenditure can also change in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

(g) Leases

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

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

Lease liabilities that are recognized have been estimated using a discount rate equal to the Corporation's incremental borrowing rate. This rate represents the rate the Corporation would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

(h) Income taxes

Income tax laws and regulations are subject to change. Deferred tax liabilities that arise from temporary differences between recorded amounts on the statement of financial position and their respective tax bases will be payable in future periods. Deferred tax assets that arise from temporary differences between recorded amounts on the statement of financial position and their respective tax bases 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. The amount of a deferred tax asset/liability is subject to Management's best estimate of when a temporary difference will reverse and expected changes in income tax rates. These estimates by nature involve significant measurement uncertainty.

5. Cash and cash equivalents

		December 31 2020		December 31 2019
Cash at financial institutions	**$**	**3,279**	**$**	**13,099**

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

6. Trade and other receivables

		December 31 2020		December 31 2019
Trade receivables	$	27,114	$	28,021
Receivables from joint venture partners		577		414
Other		800		883
	$	**28,491**	**$**	**29,318**

7. Exploration and evaluation assets

Balance at December 31, 2018	**$**	**22,613**
Additions		3,517
Transferred to property, plant and equipment (note 9)		(5,427)
Balance at December 31, 2019	**$**	**20,703**
Additions		983
Lease expiries		(190)
Transferred to property, plant and equipment (note 9)		(916)
Balance at December 31, 2020	**$**	**20,580**

8. Right-of-use assets

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

Accumulated depreciation		Buildings		Other		Total
Balance at January 1, 2019	$	-	$	-	$	-
Depreciation		534		38		572
Expired leases		(422)		-		(422)
Balance at December 31, 2019	$	**112**	$	**38**	$	**150**
Depreciation		284		34		318
Balance at December 31, 2020	**$**	**396**	**$**	**72**	**$**	**468**

Net book value		Buildings		Other		Total
At December 31, 2019	$	2,206	$	148	$	2,354
At December 31, 2020	**$**	**1,922**	**$**	**114**	**$**	**2,036**

9. Property, plant and equipment

Cost		Petroleum & Natural Gas Properties		Furniture & Equipment		Total
Balance at December 31, 2018	$	**2,449,272**	$	**5,925**	$	**2,455,197**
Additions		180,888		517		181,405
Capitalized share-based compensation (note 15(c))		3,157		-		3,157
Changes in decommissioning liability (note 12(d))		9,220		-		9,220
Transferred from exploration and evaluation assets (note 7)		5,427		-		5,427
Balance at December 31, 2019	$	**2,647,964**	$	**6,442**	$	**2,654,406**
Additions		156,702		250		156,952
Capitalized share-based compensation (note 15(c))		2,830		-		2,830
Changes in decommissioning liability (note 12(d))		2,904		-		2,904
Transferred from exploration and evaluation assets (note 7)		916		-		916
Balance at December 31, 2020	$	**2,811,316**	$	**6,692**	$	**2,818,008**

Accumulated depreciation		Petroleum & Natural Gas Properties		Furniture & Equipment		Total
Balance at December 31, 2018	$	**781,234**	$	**4,802**	$	**786,036**
Depreciation		118,634		268		118,902
Balance at December 31, 2019	$	**899,868**	$	**5,070**	$	**904,938**
Depreciation		110,370		208		110,578
Impairment		361,000		-		361,000
Balance at December 31, 2020	$	**1,371,238**	$	**5,278**	$	**1,376,516**

Net book value		Petroleum & Natural Gas Properties		Furniture & Equipment		Total
At December 31, 2019	$	1,748,096	$	1,372	$	1,749,468
At December 31, 2020	$	**1,440,078**	$	**1,414**	$	**1,441,492**

During the year ended December 31, 2020, Advantage capitalized general and administrative expenditures directly related to development activities of $5.4 million included in additions (year ended December 31, 2019 - $5.0 million).

Advantage included future development costs of $1.9 billion (December 31, 2019 - $1.8 billion) in property, plant and equipment costs subject to depreciation.

9. Property, plant and equipment (continued)

Impairment assessment

For the three months ended December 31, 2020, the Corporation evaluated its petroleum & natural gas properties for indicators of any potential impairment or impairment reversal. As a result of this assessment, no indicators were identified, and no impairment or impairment reversal was recorded for the three months ended December 31, 2020.

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

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

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

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

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

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

10. Financial risk management

As at December 31, 2020, there were no significant differences between the carrying amounts reported on the consolidated statement of financial position and the estimated fair values of the Corporation's financial instruments due to the short terms to maturity and the floating interest rate on a portion of the Corporation's bank indebtedness.

Fair value is determined following a three-level hierarchy:

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

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

Level 3: Fair value is determined using inputs that are not observable. The Corporation's natural gas embedded derivative is categorized as level 3 in the fair value hierarchy as the long-term portion of the PJM forward price is an unobservable input.

The Corporation's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- liquidity risk;
- commodity price risk;
- interest rate risk; and
- foreign exchange risk.

10. Financial risk management (continued)

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

	Year ended December 31			
		2020		**2019**
Realized gains (losses) on derivatives				
Natural gas	$	(12,148)	$	23,587
Crude oil		7,121		371
Foreign exchange		696		-
Interest rate		(309)		-
Total	**$**	**(4,640)**	**$**	**23,958**
Unrealized gains (losses) on derivatives				
Natural gas	$	1,354	$	(72,626)
Crude oil		(776)		(1,278)
Natural gas embedded derivative		3,394		-
Foreign exchange		3,015		-
Interest rate		(802)		-
Total	**$**	**6,185**	**$**	**(73,904)**
Gains (losses) on derivatives				
Natural gas	$	(10,794)	$	(49,039)
Crude oil		6,345		(907)
Natural gas embedded derivative		3,394		-
Foreign exchange		3,711		-
Interest rate		(1,111)		-
Total	**$**	**1,545**	**$**	**(49,946)**

10. Financial risk management (continued)

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

	December 31 2020	December 31 2019
Derivative type		
Natural gas derivative liability	$ (29,652)	$ (31,006)
Crude oil derivative liability	(2,054)	(1,278)
Natural gas embedded derivative asset	3,394	-
Foreign exchange derivative asset	3,015	-
Interest rate derivative liability	(802)	-
Net derivative liability	**$ (26,099)**	**$ (32,284)**
Consolidated statement of financial position classification		
Current derivative asset	$ 6,862	$ 2,025
Non-current derivative asset	4,140	-
Current derivative liability	(13,303)	(11,173)
Non-current derivative liability	(23,798)	(23,136)
Net derivative liability	**$ (26,099)**	**$ (32,284)**

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from natural gas and liquids marketers and companies with whom we enter into derivative contracts. The maximum exposure to credit risk is as follows:

	December 31 2020	December 31 2019
Trade and other receivables	$ 28,491	$ 29,318
Deposits	911	472
Derivative assets	11,002	2,025
	$ 40,404	**$ 31,815**

Trade and other receivables, deposits, and derivative assets are subject to credit risk exposure and the carrying values reflect Management's assessment of the associated maximum exposure to such credit risk. Advantage mitigates such credit risk by closely monitoring significant counterparties and dealing with a broad selection of counterparties that diversify risk within the sector. The Corporation's deposits are due from the Alberta Provincial government and are viewed by Management as having minimal associated credit risk. To the extent that Advantage enters derivatives to manage commodity price risk, it may be subject to credit risk associated with counterparties with which it contracts. Credit risk is mitigated by entering into contracts with only stable, creditworthy parties and through frequent reviews of exposures to individual entities. In addition, the Corporation only enters into derivative contracts with major banks and international energy firms to further mitigate associated credit risk.

10. Financial risk management (continued)

(a) Credit risk (continued)

Substantially all of the Corporation's trade and other receivables are due from customers concentrated in the North American oil and gas industry. As such, trade and other receivables are subject to normal industry credit risks. As at December 31, 2020, $0.3 million or 1.0% of trade and other receivables are outstanding for 90 days or more (December 31, 2019 – $0.2 million or 0.7% of trade and other receivables). The Corporation believes the entire balance is collectible, and in some instances has the ability to mitigate risk through withholding production or offsetting payables with the same parties. At December 31, 2020, the average expected credit loss for trade and other receivables was 0.58% (December 31, 2019 – 0.25%). At December 31, 2020, the Corporation did not record an expected credit loss against trade and other receivables (December 31, 2019 – nil).

The Corporation's most significant customer, a North American oil and natural gas marketer, accounts for $11.5 million of the trade and other receivables at December 31, 2020 (December 31, 2019 – $13.4 million).

(b) Liquidity risk

The Corporation is subject to liquidity risk attributed from trade and other accrued liabilities, derivative liabilities, lease liabilities, financing liabilities, performance awards and bank indebtedness. Trade and other accrued liabilities are all due within one year of the Consolidated Statement of Financial Position date. The Corporation's Performance Awards are all payable within one to three years of the Consolidated Statement of Financial Position date. The Corporation's lease liability and financing liability are settled in a systematic basis over their respective terms and will be settled over the next 7 and 14 years, respectively. Advantage does not anticipate any problems in satisfying these obligations from cash provided by operating activities and the existing credit facilities.

The Corporation's bank indebtedness is subject to $350 million credit facility agreements. Although the credit facilities are a source of liquidity risk, the facilities also mitigate liquidity risk by enabling Advantage to manage interim cash flow fluctuations. The terms of the credit facilities are such that they provide Advantage adequate flexibility to evaluate and assess liquidity issues if and when they arise. Additionally, the Corporation regularly monitors liquidity related to obligations by evaluating forecasted cash flows, optimal debt levels, capital spending activity, working capital requirements, and other potential cash expenditures. This continual financial assessment process further enables the Corporation to mitigate liquidity risk.

To the extent that Advantage enters derivatives to manage commodity price risk, it may be subject to liquidity risk as derivative liabilities become due. While the Corporation has elected not to follow hedge accounting, derivative instruments are not entered for speculative purposes and Management closely monitors existing commodity risk exposures. As such, liquidity risk is mitigated since any losses realized are offset by increased cash flows realized from the higher commodity price environment.

10. Financial risk management (continued)

(b) Liquidity risk (continued)

The timing of cash outflows relating to financial liabilities as at December 31, 2020 and 2019 are as follows:

December 31, 2020	Less than one year	One to three years	Beyond	Total
Trade and other accrued liabilities	$ 38,083	$ -	$ -	$ 38,083
Derivative liability	13,303	23,798	-	37,101
Performance Awards	-	4,620	-	4,620
Lease liability	256	884	1,139	2,279
Financing liability	3,376	12,185	81,303	96,864
Bank indebtedness - principal	-	248,000	-	248,000
- interest [(1)]	13,087	3,868	-	16,955
	$ 68,105	**$ 293,355**	**$ 82,442**	**$ 443,902**

(1) Interest on bank indebtedness was calculated assuming conversion of the revolving credit facility to a one-year term facility at the next annual facility review.

December 31, 2019	Less than one year	One to three years	Beyond	Total
Trade and other accrued liabilities	$ 51,900	$ -	$ -	$ 51,900
Derivative liability	11,173	16,644	6,492	34,309
Performance Awards	-	1,252	-	1,252
Lease liability	266	809	1,462	2,537
Bank indebtedness - principal	-	298,000	-	298,000
- interest [(1)]	17,154	9,480	-	26,634
	$ 80,493	**$ 326,185**	**$ 7,954**	**$ 414,632**

(1) Interest on bank indebtedness was calculated assuming conversion of the revolving credit facility to a one-year term facility at the next annual facility review.

The Corporation's bank indebtedness does not have specific maturity dates. It is governed by credit facility agreements with a syndicate of financial institutions (note 11). Under the terms of the agreements, the facilities are reviewed annually, with the next review scheduled in April 2021. The facilities are revolving and are extendible at each annual review for a further 364-day period at the option of the syndicate. If not extended, the credit facilities are converted at that time into one-year term facilities, with the principal payable at the end of such one-year terms. Management fully expects that the facilities will be extended at each annual review.

10. Financial risk management (continued)

(c) Commodity price risk

Advantage's derivative assets and liabilities are subject to price risk as their fair values are based on assumptions regarding forward market prices. The Corporation enters into non-financial derivatives to manage price risk exposure relative to actual commodity production and does not utilize derivative instruments for speculative purposes. Changes to price assumptions can have a significant effect on the fair value of the derivative assets and liabilities and thereby impact earnings. The estimated impact to net loss for the year ended December 31, 2020 resulting from a 10% change to significant price assumptions is as follows:

	Net Loss Impact ($ millions)	
Price Assumptions	**10%**	**(10)%**
Forward AECO natural gas price	$ 0.1	$ (0.1)
Forward Henry Hub natural gas price	$ 4.5	$ (4.5)
Forward basis differential between Henry Hub and AECO	$ (5.6)	$ 5.6
Forward Dawn natural gas price	$ 3.1	$ (3.1)
Forward basis differential between Henry Hub and Chicago Citygate	$ (2.3)	$ 2.3
Forward WTI crude oil price	$ 2.8	$ (2.8)
Forward PJM electricity price	$ 23.4	$ (9.7)

10. Financial risk management (continued)

(c) Commodity price risk

The Corporation's commodity derivative contracts are classified as Level 2 within the fair value hierarchy. As at December 31, 2020, the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - AECO			
Fixed price swap	November 2020 to March 2021	4,739 Mcf/d	Cdn $3.32/Mcf
Natural gas - Dawn			
Fixed price swap	November 2020 to March 2021	20,000 Mcf/d	US $2.65/Mcf
Fixed price swap	November 2020 to October 2021	10,000 Mcf/d	US $2.53/Mcf
Fixed price swap	April 2021 to October 2021	25,000 Mcf/d	US $2.34/Mcf
Natural gas - Henry Hub NYMEX			
Fixed price swap	January 2021 to March 2021	20,000 Mcf/d	US $2.57/Mcf
Fixed price swap	January 2021 to March 2021	5,000 Mcf/d	US $3.28/Mcf
Fixed price swap	January 2021 to December 2021	25,000 Mcf/d	US $2.74/Mcf
Fixed price swap	April 2021 to October 2021	5,000 Mcf/d	US $2.81/Mcf
Fixed price swap	April 2021 to October 2021	5,000 Mcf/d	US $2.88/Mcf
Fixed price swap	November 2021 to March 2022	5,000 Mcf/d	US $3.00/Mcf (1)
Natural gas - Chicago Citygate			
Fixed price swap	November 2020 to March 2021	15,000 Mcf/d	US $2.51/Mcf
Fixed price swap	November 2020 to March 2021	10,000 Mcf/d	US $3.03/Mcf
Fixed price swap	April 2021 to October 2021	25,000 Mcf/d	US $2.24/Mcf
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	January 2020 to December 2024	15,000 Mcf/d	Henry Hub less US $1.20/Mcf
Basis swap	January 2021 to December 2024	5,000 Mcf/d	Henry Hub less US $1.135/Mcf
Basis swap	January 2021 to December 2024	2,500 Mcf/d	Henry Hub less US $1.185/Mcf
Basis swap	January 2021 to December 2024	17,500 Mcf/d	Henry Hub less US $1.20/Mcf
Natural gas - Chicago Citygate/Henry Hub Basis Differential			
Basis swap	April 2020 to March 2021	20,000 Mcf/d	Henry Hub less US $0.13/Mcf
Crude oil - WTI NYMEX			
Fixed price swap	January 2021 to June 2021	250 bbls/d	US $50.25/bbl (1)
Fixed price swap	January 2021 to December 2021	1,250 bbls/d	US $44.82/bbl
Fixed price swap	July 2021 to December 2021	250 bbls/d	US $50.75/bbl (1)

(1) Contract entered into subsequent to December 31, 2020.

10. Financial risk management (continued)

(c) Commodity price risk (continued)

Natural Gas - Embedded Derivative

Advantage entered into a long-term natural 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 electricity 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 realize gains or losses when the price received under the contract deviates from US $2.50/MMbtu. As at December 31, 2020 the fair value of the natural gas embedded derivative resulted in an asset of $3.4 million (December 31, 2019 – nil).

The Corporation's natural gas embedded derivative contract is classified as Level 3 within the fair value hierarchy. The Corporation determines the fair value of the embedded derivative contract by utilizing an observable 5-year PJM electricity forecast. The remaining unobservable period beyond 5-years is estimated using the implied inflation rate in the 5-year PJM electricity forecast. At December 31, 2020, the implied inflation rate in the 5-year PJM power forecast averaged 3% per year. If the implied inflation rate in the 5-year PJM electricity forecast changed by 1%, the fair value of the embedded derivative would increase/decrease by $7.2 million.

(d) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the outstanding bank indebtedness fluctuates with the interest rates posted by the lenders. The Corporation is exposed to interest rate risk and has entered into fixed interest rate swaps to mitigate interest rate risk. Had the borrowing rate been different by 100 basis points throughout the year ended December 31, 2020, net loss and comprehensive loss would have changed by $2.3 million (December 31, 2019 – $2.1 million) based on the average debt balance outstanding during the year.

The Corporation's interest rate derivative contracts are classified as Level 2 within the fair value hierarchy. As at December 31, 2020, the Corporation had the following interest rate derivative contracts in place:

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

As at December 31, 2020 the fair value of the interest rate derivatives outstanding resulted in a liability of $0.8 million (December 31, 2019 – nil). The fair value of the interest rate derivatives has been allocated to current and non-current assets and liabilities based on the expected timing of cash settlements.

10. Financial risk management (continued)

(e) Foreign exchange risk

Foreign exchange risk is the risk that future cash flows will fluctuate as a result of changes in the CAD/USD exchange rate. While the majority of the Corporation's natural gas and liquids sales are settled in Canadian dollars, certain natural gas and oil prices where the Corporation markets its natural gas and liquids production are denominated in US dollars. The Corporation has entered into average rate currency swaps to mitigate the Corporation's exposure to foreign exchange risk. Had the CAD/USD foreign exchange rate been different by $0.02 throughout the year ended December 31, 2020, net loss and comprehensive loss would have changed by $4.9 million (December 31, 2019 – $2.4 million).

The Corporation's foreign exchange derivative contracts are classified as Level 2 within the fair value hierarchy. As at December 31, 2020, the Corporation had the following foreign exchange derivative contracts in place:

Description of Derivative	Term	Notional Amount	Rate
Forward rate - CAD/USD			
Average rate currency swap [1]	June 2020 to May 2021	US $ 1,000,000/month	1.3687
Average rate currency swap	June 2020 to May 2022	US $ 2,000,000/month	1.3495
Average rate currency swap [2]	February 2021 to January 2023	US $ 750,000/month	1.2850

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

(2) Contract entered into subsequent to December 31, 2020.

As at December 31, 2020 the fair value of the foreign exchange derivatives outstanding resulted in an asset of $3.0 million (December 31, 2019 – nil). The fair value of the foreign exchange derivatives has been allocated to current and non-current assets and liabilities based on the expected timing of cash settlements.

10. Financial risk management (continued)

(f) Capital management

The Corporation manages its capital with the following objectives:

- To ensure sufficient financial flexibility to achieve the ongoing business objectives including replacement of production, funding of future growth opportunities, and pursuit of accretive acquisitions; and
- To maximize shareholder return through enhancing the share value.

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 (cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued payables), financing liabilities, bank indebtedness, and share capital. Advantage may manage its capital structure by issuing new shares, repurchasing outstanding shares, obtaining additional financing either through bank indebtedness or convertible debenture issuances, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

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

		December 31 2020		December 31 2019
Bank indebtedness (non-current) (note 11)	$	247,105	$	295,624
Working capital deficit [1]		4,292		7,996
Net debt [2]	**$**	**251,397**	**$**	**303,620**
Shares outstanding (note 14)		188,112,797		186,910,848
Share closing market price ($/share)	$	1.71	$	2.75
Market Capitalization		321,673		514,005
Total Capitalization	**$**	**573,070**	**$**	**817,625**

[1] Working capital is a non-GAAP measure that includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued liabilities.

[2] Net debt is a non-GAAP measure that includes bank indebtedness and working capital.

11. Bank indebtedness

		December 31 2020		December 31 2019
Revolving credit facility	$	248,000	$	298,000
Discount on bankers' acceptance and other fees		(895)		(2,376)
Balance, end of year	**$**	**247,105**	**$**	**295,624**

As at December 31, 2020, the Corporation had credit facilities with a borrowing base of $350 million. The Credit Facilities are comprised of a $30 million extendible revolving operating loan facility from one financial institution and a $320 million extendible revolving credit facility from a syndicate of financial institutions.

On July 2, 2020, Advantage closed the sale of a 12.5% interest in the Corporation's Glacier Gas Plant for $100 million. Advantage utilized the cash proceeds from the sale, net of transaction costs, to reduce bank indebtedness. Under the terms of the Credit Facility renewal, the borrowing base was adjusted on closing of the sale to $350 million, from $400 million. In October 2020, the semi-annual redetermination of the Credit Facilities borrowing base was completed with no changes. The revolving period for the Credit Facilities will end in April 2021 unless extended at the option of the syndicate for a further 364-day period. If not extended, the credit facility will be converted at that time into a one-year term facility, with the principal payable at the end of such one-year term. The Credit Facilities are subject to re-determination of the borrowing base semi-annually in October and April of each year, with the next annual review 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. The borrowing base is determined based on, among other things, a thorough evaluation of Advantage's reserve estimates based upon the lenders commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. In the event that the lenders reduce the borrowing base below the amount drawn at the time of redetermination, the Corporation has 60 days to eliminate any shortfall by repaying amounts in excess of the new re-determined borrowing base.

Amounts borrowed under the Credit Facilities bear interest at rates ranging from LIBOR plus 2.5% to 4.5% per annum, and Canadian prime or US base rate plus 1.5% to 3.5% per annum, in each case, depending on the type of borrowing and the Corporation's debt to Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio.

Undrawn amounts under the Credit Facilities bear a standby fee ranging from 0.6250% to 1.1250% per annum, dependent on the Corporation's debt to EBITDA ratio. Repayments of principal are not required prior to maturity provided that the borrowings under the Credit Facilities do not exceed the authorized borrowing base and the Corporation is in compliance with all covenants, representations and warranties.

The Credit Facilities prohibit the Corporation from entering into any fixed price derivative contract, excluding basis swaps, where the term of such contract exceeds five years. Further, the aggregate of such contracts cannot hedge greater than 75% of total estimated natural gas and liquids production over the first three years and 50% over the fourth and fifth years. In addition, the Credit Facilities allow us to enter into basis swap arrangements to any natural gas price point in North America for up to 100,000 MMbtu/day with a maximum term of seven years. Basis swap arrangements do not count against the limitations on hedged production.

11. Bank indebtedness (continued)

The Credit Facilities contain standard commercial covenants for credit facilities of this nature. The Corporation did not have any financial covenants at December 31, 2020 and 2019. Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating ("LMR") is not less than 2.0. As at December 31, 2020 the Corporation had a 24.7 LMR (December 31, 2019 – 26.6 LMR). All other applicable non-financial covenants were met at December 31, 2020 and 2019. Breach of any covenant will result in an event of default in which case the Corporation has 30 days to remedy such default. If the default is not remedied or waived, and if required by the lenders, the administrative agent of the lenders has the option to declare all obligations under the credit facilities to be immediately due and payable without further demand, presentation, protest, days of grace, or notice of any kind. The Credit Facilities are collateralized by a $1 billion floating charge demand debenture covering all assets. For the year ended December 31, 2020, the average effective interest rate on the outstanding amounts under the facilities was approximately 4.3% (December 31, 2019 – 4.2%). The Corporation had letters of credit of US$15 million outstanding at December 31, 2020 (December 31, 2019 – US$6 million).

12. Provisions and other liabilities

		Year ended December 31, 2020		Year ended December 31, 2019
Long-term compensation plans (note 15(d))	$	4,620	$	1,252
Deferred revenue (a)		6,603		-
Lease liability (b)		2,279		2,537
Financing liability (c)		96,864		-
Decommissioning liability (d)		60,894		58,273
Balance, end of year	**$**	**171,260**	**$**	**62,062**
Current provisions and other liabilities	$	5,632	$	1,550
Non-Current provisions and other liabilities	$	165,628	$	60,512

(a) Deferred revenue

Deferred revenue represents an advance payment received by Advantage in consideration for the future sales of natural gas.

12. Provisions and other liabilities (continued)

(b) Lease liability

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

A reconciliation of the lease liability is provided below:

		Year ended December 31, 2020		Year ended December 31, 2019
Balance, beginning of the year	$	2,537	$	2,644
Additions		-		282
Interest expense		102		104
Lease payments		(360)		(493)
Balance, end of year	**$**	**2,279**	**$**	**2,537**
Current lease liability	$	256	$	266
Non-current lease liability	$	2,023	$	2,271

(c) Financing liability

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

A reconciliation of the financing liability is provided below:

		Year ended December 31, 2020
Balance, beginning of the year	$	-
Additions, net of transaction cost		98,453
Interest expense		4,483
Financing payments		(6,072)
Balance, end of year	**$**	**96,864**
Current financing liability	$	3,376
Non-current financing liability	$	93,488

12. Provisions and other liabilities (continued)

(d) Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids assets including well sites, gathering systems and facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2021 and 2080. A risk-free rate of 1.24% (December 31, 2019 - 1.67%) and an inflation factor of 1.5% (December 31, 2019 - 2.0%) were used to calculate the fair value of the decommissioning liability at December 31, 2020. As at December 31, 2020, 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).

A reconciliation of the decommissioning liability is provided below:

		Year ended December 31, 2020		Year ended December 31, 2019
Balance, beginning of the year	$	58,273	$	50,028
Accretion expense		797		936
Liabilities incurred		1,575		1,773
Plant disposition (note 12(c))		(625)		-
Change in estimates		(690)		(668)
Effect of change in risk-free rate and inflation rate factor		2,644		8,115
Liabilities settled		(1,080)		(1,911)
Balance, end of year	**$**	**60,894**	**$**	**58,273**
Current decommissioning liability	$	2,000	$	1,284
Non-current decommissioning liability	$	58,894	$	56,989

(e) Contractual maturities

The following table details the undiscounted cash flows and contractual maturities of the Corporation's lease liability and financing liability, as at December 31, 2020:

	Payments due by period													
($ millions)		**Total**		**2021**		**2022**		**2023**		**2024**		**2025**		**Beyond**
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
Total fixed payments	**$**	**177.2**	**$**	**12.4**	**$**	**12.3**	**$**	**12.4**	**$**	**12.5**	**$**	**12.4**	**$**	**115.2**

13. Income taxes

The provision for income taxes is as follows:

		Year ended December 31, 2020		Year ended December 31, 2019
Current income tax expense	$	-	$	-
Deferred income tax recovery		(83,270)		(19,879)
Income tax recovery	**$**	**(83,270)**	**$**	**(19,879)**

The provision for income taxes varies from the amount that would be computed by applying the combined federal and provincial income tax rates for the following reasons:

		Year ended December 31, 2020		Year ended December 31, 2019
Loss before taxes	$	(367,315)	$	(44,533)
Combined federal and provincial income tax rates		24.00 %		26.50 %
Expected income tax expense (recovery)		(88,156)		(11,801)
Increase (decrease) in income taxes resulting from:				
Non-deductible share-based compensation		1,271		1,431
Change in unrecognized deferred income tax assets		1,367		-
Change in provincial corporate tax rate (1)		(541)		(9,421)
Other		2,789		(88)
Income tax recovery	$	(83,270)	$	(19,879)
Effective tax rate		22.67 %		44.64 %

(1) Bill 35, that accelerates the Alberta corporate income tax rate reduction, received Royal Assent on December 9, 2020. The Alberta general corporate income tax rate was reduced 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 movement in deferred income tax assets (liabilities) without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

		At December 31 2019		(Charged) credited to loss		At December 31 2020
Deferred income tax assets:						
Decommissioning liability	$	13,462	$	544	$	14,006
Non-capital losses		173,247		14,428		187,675
Financing liability		-		22,279		22,279
Derivative asset/liability		7,655		(1,652)		6,003
Other		18,907		1,072		19,979
	$	213,271	$	36,671	$	249,942
Deferred income tax liabilities:						
Property, plant and equipment	$	(271,708)	$	46,634	$	(225,074)
Other		(25)		(35)		(60)
	$	(271,733)	$	46,599	$	(225,134)
Deferred income tax asset (liability)	**$**	**(58,462)**	**$**	**83,270**	**$**	**24,808**

13. Income taxes (continued)

		At December 31 2018		(Charged) credited to loss		At December 31 2019
Deferred income tax assets:						
Decommissioning liability	$	13,543	$	(81)	$	13,462
Non-capital losses		193,068		(19,821)		173,247
Derivative asset/liability		-		7,655		7,655
Other		23,310		(4,403)		18,907
	$	229,921	$	(16,650)	$	213,271
Deferred income tax liabilities:						
Property, plant and equipment	$	(296,904)	$	25,196	$	(271,708)
Derivative asset/liability		(11,237)		11,237		-
Other		(121)		96		(25)
	$	(308,262)	$	36,529	$	(271,733)
Deferred income tax liability	**$**	**(78,341)**	**$**	**19,879**	**$**	**(58,462)**

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

Canadian development expenses	$	185,479
Canadian exploration expenses		67,593
Canadian oil and gas property expenses		13,660
Non-capital losses		815,973
Undepreciated capital cost		193,062
Capital losses		157,869
Scientific research and experimental development expenditures		32,506
Other		6,421
	$	1,472,563

The non-capital loss carry forward balances above expire no earlier than 2023.

No deferred tax asset has been recognized for capital losses of $158 million (December 31, 2019 – $158 million). Recognition is dependent on the realization of future taxable capital gains.

14. Share capital

(a) Authorized

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

(b) Issued

	Common Shares		Amount
Balance at December 31, 2018	185,942,141	$	2,342,689
Shares issued on Performance Share Unit settlements	968,707		-
Contributed surplus transferred on Performance Share Unit settlements	-		7,014
Balance at December 31, 2019	186,910,848	$	2,349,703
Shares issued on Performance Share Unit settlements (note 15 (b))	1,201,949		-
Contributed surplus transferred on Performance Share Unit settlements	-		10,944
Balance at December 31, 2020	**188,112,797**	**$**	**2,360,647**

15. Long-term compensation plans

(a) Stock Option Plan

Under the Stock Option Plan, service providers are granted Stock Options with exercise prices that approximate the market price of common shares at the date of grant. As at December 31, 2020, the Corporation has no outstanding Stock Options as all of the Corporation's outstanding Stock Options expired April 2020.

The following tables summarize information about changes in Stock Options outstanding at December 31, 2020:

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

No Stock Options were exercised during the year ended December 31, 2020.

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

Under the Restricted and Performance Award Incentive Plan, service providers can be granted two types of equity incentive awards: Restricted Share Units and Performance Share Units. Performance Share Unit grants vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. As at December 31, 2020, no Restricted Share Units have been granted.

The following table is a continuity of Performance Share Units:

	Performance Share Units
Balance at December 31, 2018	2,939,251
Granted	1,670,929
Settled	(598,069)
Forfeited	(64,535)
Balance at December 31, 2019	3,947,576
Granted	2,119,061
Settled	(664,496)
Forfeited	(158,543)
Balance at December 31, 2020	**5,243,598**

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

15. Long-term compensation plans (continued)

(c) Share-based compensation expense

Share-based compensation recognized by each plan for the years ended December 31, 2020 and 2019 are as follows:

	Year ended December 31	
	2020	**2019**
Stock Options	$ -	$ -
Performance Share Units	8,108	8,556
Total share-based compensation	8,108	8,556
Capitalized	(2,830)	(3,157)
Share-based compensation expense	**$ 5,278**	**$ 5,399**

(d) Performance Award Incentive Plan - Performance Awards

Under the Performance Award Incentive Plan, service providers can be granted cash Performance Awards. Such grants vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. Performance Awards are expensed to general and administrative expense with the recording of a non-current liability (note 12) until eventually settled in cash.

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

	Year ended December 31, 2020	Year ended December 31, 2019
Balance, beginning of the year	$ 1,252	$ -
Performance Award expense	3,339	1,247
Interest expense	29	5
Balance, end of year	**$ 4,620**	**$ 1,252**

15. Long-term compensation plans (continued)

(e) Deferred Share Units

Deferred Share Units are issued to Directors of the Corporation. Each Deferred Share Unit entitles participants to receive cash equal to the Corporation's common shares, multiplied by the number of DSUs held. All Deferred Share Units vest immediately upon grant and become payable upon retirement of the Director from the Board.

The following table is a continuity of Deferred Share Units:

	Deferred Share Units
Balance at December 31, 2018	281,406
Granted	160,457
Balance at December 31, 2019	441,863
Granted	187,467
Balance at December 31, 2020	**629,330**

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

		Year ended December 31, 2020		Year ended December 31, 2019
Balance, beginning of the year	$	1,215	$	557
Granted		364		320
Revaluation of outstanding Deferred Share Units		(503)		338
Balance, end of year	**$**	**1,076**	**$**	**1,215**

16. Net loss per share

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

	Year ended December 31			
		2020		2019
Net loss				
Basic and diluted	$	(284,045)	$	(24,654)
Weighted average shares outstanding				
Basic		187,761,408		186,658,719
Performance Share Units		-		-
Diluted		187,761,408		186,658,719
Net loss per share				
Basic	$	(1.51)	$	(0.13)
Diluted	$	(1.51)	$	(0.13)

17. Revenues

(a) Petroleum and natural gas sales from production

Advantage's revenue is comprised of natural gas, crude oil & condensate and NGLs sales to multiple customers. For the years ended December 31, 2020 and 2019, petroleum and natural gas sales from production was as follows:

	Year ended December 31 2020	2019
Natural gas	$ 191,824	$ 203,223
Crude oil & condensate	35,181	28,287
NGLs	18,080	19,769
Total	**$ 245,085**	**$ 251,279**

At December 31, 2020, receivables from contracts with customers, which are included in trade and other receivables, were $27.1 million (December 31, 2019 - $27.8 million).

(b) Sales of natural gas purchased from third parties

The Corporation did not incur purchases and sales of natural gas from third parties during the year ended December 31, 2020. During the year ended December 31, 2019, the Corporation purchased natural gas volumes from third parties to satisfy physical sales commitments. Purchases and sales of natural gas from third parties was as follows:

	Year ended December 31 2020	2019
Sales of natural gas purchased from third parties	$ -	$ 857
Natural gas purchased from third parties	$ -	$ 2,362

18. General and administrative expense

	Year ended December 31 2020	2019
Personnel	$ 13,985	$ 12,868
Professional fees	431	1,503
Information technology cost	1,580	1,486
Office rent and administration cost	748	941
Total general and administrative	16,744	16,798
Capitalized	(5,429)	(4,996)
General and administrative expense	**$ 11,315**	**$ 11,802**

19. Finance expense

		Year ended December 31		
		2020		2019
Interest on bank indebtedness (note 11)	$	13,186	$	13,159
Interest on provisions and other liabilities (note 12, 15)		4,614		109
Accretion of decommissioning liability (note 12(d))		797		936
Other		373		245
Total finance expense	**$**	**18,970**	**$**	**14,449**

20. Related party transactions

(a) Key management compensation

The compensation paid or payable to officers and directors is as follows:

		Year ended December 31		
		2020		2019
Salaries, director fees and short-term benefits	$	3,664	$	4,215
Share-based compensation and Performance Awards (1)		5,024		4,790
	$	**8,688**	**$**	**9,005**

(1) Represents the grant date fair value of Performance Share Units and Performance Awards granted.

As at December 31, 2020, there is a commitment of $4.0 million (December 31, 2019 – $4.2 million) related to change of control or termination of employment of officers.

21. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

		Year ended December 31		
		2020		2019
Source (use) of cash:				
Trade and other receivables	$	827	$	(968)
Prepaid expense and deposits		(534)		691
Trade and other accrued liabilities		(13,817)		13,101
Performance Awards		3,368		1,252
Deferred revenue		6,603		-
	$	**(3,553)**	**$**	**14,076**
Related to operating activities	$	(2,867)	$	2,794
Related to financing activities		-		-
Related to investing activities		(686)		11,282
	$	**(3,553)**	**$**	**14,076**
Cash interest paid	$	16,692	$	13,807
Cash income taxes paid	$	-	$	-

22. Commitments

At December 31, 2020 Advantage had commitments relating to building operating cost of $2.7 million, processing commitments of $62.6 million and transportation commitments of $484.6 million. The estimated remaining payments are as follows:

($ millions)	Payments due by period						
	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**

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

ABBREVIATIONS

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbls	barrels	MMcf	million cubic feet
Mbbls	thousand barrels	bcf/d	billion cubic feet per day
NGLs	natural gas liquids	Mcf/d	thousand cubic feet per day
BOE or boe	barrel of oil equivalent	MMcf/d	million cubic feet per day
Mboe	thousand barrels of oil equivalent	Mcfe	thousand cubic feet of natural gas equivalent, using the ratio of 6 Mcf of natural gas being equivalent to one bbl of oil
MMboe	million barrels of oil equivalent	MMcfe/d	million cubic feet of natural gas equivalent per day
boe/d	barrels of oil equivalent per day	MMbtu	million British Thermal Units
bbls/d	barrels of oil per day	MMbtu/d	million British Thermal Units per day
		GJ/d	Gigajoules per day

Other

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

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Royal Bank of Canada
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