ADVANTAGE OIL & GAS LTD.

Q4

2020 Annual Report

Financial and Operating Highlights

($000, except as otherwise indicated)	Three months ended December 31 2020		Three months ended December 31 2019		Year ended December 31 2020		Year ended December 31 2019
Financial Statement Highlights							
Sales including realized derivatives	**$**	**69,930**	$	76,921	**$**	**240,058**	$	275,237
Net income (loss) and comprehensive income (loss)	**$**	**24,168**	$	(1,844)	**$**	**(284,045)**	$	(24,654)
per basic share [2]	**$**	**0.13**	$	(0.01)	**$**	**(1.51)**	$	(0.13)
Basic weighted average shares (000)		**188,113**		186,911		**187,761**		186,659
Cash provided by operating activities	**$**	**30,260**	$	39,965	**$**	**100,714**	$	156,063
Cash provided by financing activities	**$**	**5,071**	$	20,037	**$**	**48,087**	$	24,317
Cash used in investing activities	**$**	**37,325**	$	50,365	**$**	**158,621**	$	173,640
Other Financial Highlights								
Adjusted funds flow [1]	**$**	**31,738**	$	44,452	**$**	**104,661**	$	155,180
per boe [1]	**$**	**7.92**	$	10.20	**$**	**6.37**	$	9.59
per basic share [1][2]	**$**	**0.17**	$	0.23	**$**	**0.56**	$	0.83
Net capital expenditures [1]	**$**	**32,390**	$	59,609	**$**	**157,935**	$	184,922
Working capital deficit [1]	**$**	**4,292**	$	7,996	**$**	**4,292**	$	7,996
Bank indebtedness	**$**	**247,105**	$	295,624	**$**	**247,105**	$	295,624
Net debt [1]	**$**	**251,397**	$	303,620	**$**	**251,397**	$	303,620
Operating Highlights								
Production								
Crude oil and condensate (bbls/d)		**2,306**		1,337		**2,379**		1,166
NGLs (bbls/d)		**2,234**		1,694		**2,029**		1,534
Total Liquids (bbls/d)		**4,540**		3,031		**4,408**		2,700
Natural gas (mcf/d)		**233,949**		266,035		**243,081**		249,802
Total production (boe/d)		**43,532**		47,370		**44,922**		44,334
Average realized prices (including realized derivatives)								
Natural gas ($/mcf)	**$**	**2.45**	$	2.58	**$**	**2.02**	$	2.49
Crude oil and condensate ($/bbl)	**$**	**55.08**	$	68.53	**$**	**48.58**	$	67.34
NGLs ($/bbl)	**$**	**27.04**	$	33.75	**$**	**24.35**	$	35.31
Operating Netback ($/boe)								
Petroleum and natural gas sales from production	**$**	**18.28**	$	17.69	**$**	**14.91**	$	15.53
Net sales of natural gas purchased from third parties [1]		**-**		-		**-**		(0.09)
Realized gains (losses) on derivatives		**(0.74)**		(0.04)		**(0.28)**		1.48
Royalty expense		**(0.77)**		(0.51)		**(0.64)**		(0.29)
Operating expense		**(2.68)**		(1.89)		**(2.43)**		(1.98)
Transportation expense		**(3.62)**		(3.46)		**(3.39)**		(3.50)
Operating netback [1]	**$**	**10.47**	$	11.79	**$**	**8.17**	$	11.15

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

(2) Based on basic weighted average shares outstanding.

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MESSAGE TO SHAREHOLDERS

Advantage Oil & Gas Ltd. ("Advantage" or the "Corporation") is pleased to announce increased 2021 production guidance, reduced 2021 capital guidance, and 2020 year-end results and reserves highlights.

Results from Advantage's 2020 drilling program have exceeded expectations both in costs and well performance, positively impacting our 2020 reserves, financial outlook and 2021 guidance. Drilling in 2020 was entirely gas-focused at Glacier, with the first wells drilled in July and brought onstream in November.

Increasing 2021 production guidance range to 48,000 to 51,000 boe/d (from 47,000 to 49,000 boe/d)

- Average initial well productivity at Glacier from 2020 wells increased 87% over prior programs
- Only six of 13 wells drilled in 2020 were brought on-production prior to year-end, with the remainder brought on-production in early 2021 while gas prices were escalating
- Improved cycle times to equip wells and deliver production to market within 3 days
- Five wells drilled in Q1 2021 will be completed after spring breakup with production anticipated to begin in third quarter 2021
- Frac intensity and well design will continue to be progressed through the 2021 program

Reducing 2021 capital guidance range to $115 million to $135 million (from $125 million to $150 million)

- 2021 capital efficiency expected to be approximately $8,400/boe/d
- Reduced drilling, completions and tie-in costs by 20%, allowing 2 wells to be added to the winter program without increasing total capital
- Focus will remain on gas drilling, and additional oil infrastructure has been deferred into 2022
- Significant flexibility remains in the capital spending plan, with optionality to throttle capital between oil-weighted and gas-weighted assets and strategic investments

Reinforcing corporate strategy:

Advantage believes that disciplined investment and balance sheet strength are crucial to maximize returns for our shareholders. Based on current futures pricing, our net debt to AFF[a] ratio is forecast to be 1x by exit 2021. Capital required to sustain production is less than $75 million per year, due to our quality assets and low annual decline rate of 23%. In 2021 Advantage anticipates delivering approximately $70 million of free cash flow (after capital) and over a three-year period, can generate $225 million of free cash flow while growing 7% per year. This financial strength will provide the basis to:

- Continue to deliver moderate annual production growth (between 5% and 10%) utilizing existing capacity at our Glacier Gas Plant, given a constructive gas price outlook
- Enhance corporate resilience and scale through:
  - growing our liquids production, balancing our high exposure to gas pricing
  - revenue-generating cleantech investments that leverage our carbon capture and sequestration expertise
  - acquisitions that create efficiencies and scale
- Potentially return capital to shareholders

With modern, low emissions-intensity assets and the Glacier carbon capture and sequestration asset, the Corporation continues to proudly deliver clean, reliable and sustainable energy, contributing to a reduction in global emissions by displacing high-carbon fuels. Advantage wishes to thank our employees, Board of Directors and our shareholders for their ongoing support.

RESERVES

Advantage engaged our independent qualified reserves evaluator Sproule Associates Ltd. ("Sproule") to evaluate our year-end reserves as of December 31, 2020 in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook.

Reserves and production information included herein is stated on a gross working interest basis (before royalty burdens and excluding royalty interests) unless noted otherwise. Certain tables may not add due to rounding. In addition to the information disclosed in this annual report, more detailed information on our oil and gas reserves, including our reserves on a net interest basis (after royalty burdens and including royalty interests) is included in Advantage's Annual Information Form dated February 25, 2021 and is available at www.advantageog.com and www.sedar.com.

Highlights – Gross Working Interest Reserves

	December 31 2020	December 31 2019[4]
Proved plus probable reserves (mboe)	532,034	465,705
Net Present Value of future net revenue of 2P reserves discounted at 10%, before tax ($000) [1]	$ 2,191,072	$ 2,205,731
Net Asset Value per Share discounted at 10%, before tax [2]	$ 9.77	$ 10.11
Reserve Life Index (proved plus probable - years) [3]	33.5	26.9
Reserves per share (proved plus probable - boe) [2]	2.83	2.49
Bank indebtedness per boe of reserves (proved plus probable)	$ 0.46	$ 0.63

(1) Assumes that development of each property will occur, without regard to the likely availability to the Corporation of funding required for that development.

(2) Based on 188.1 million shares outstanding at December 31, 2020 and 186.9 million at December 31, 2019.

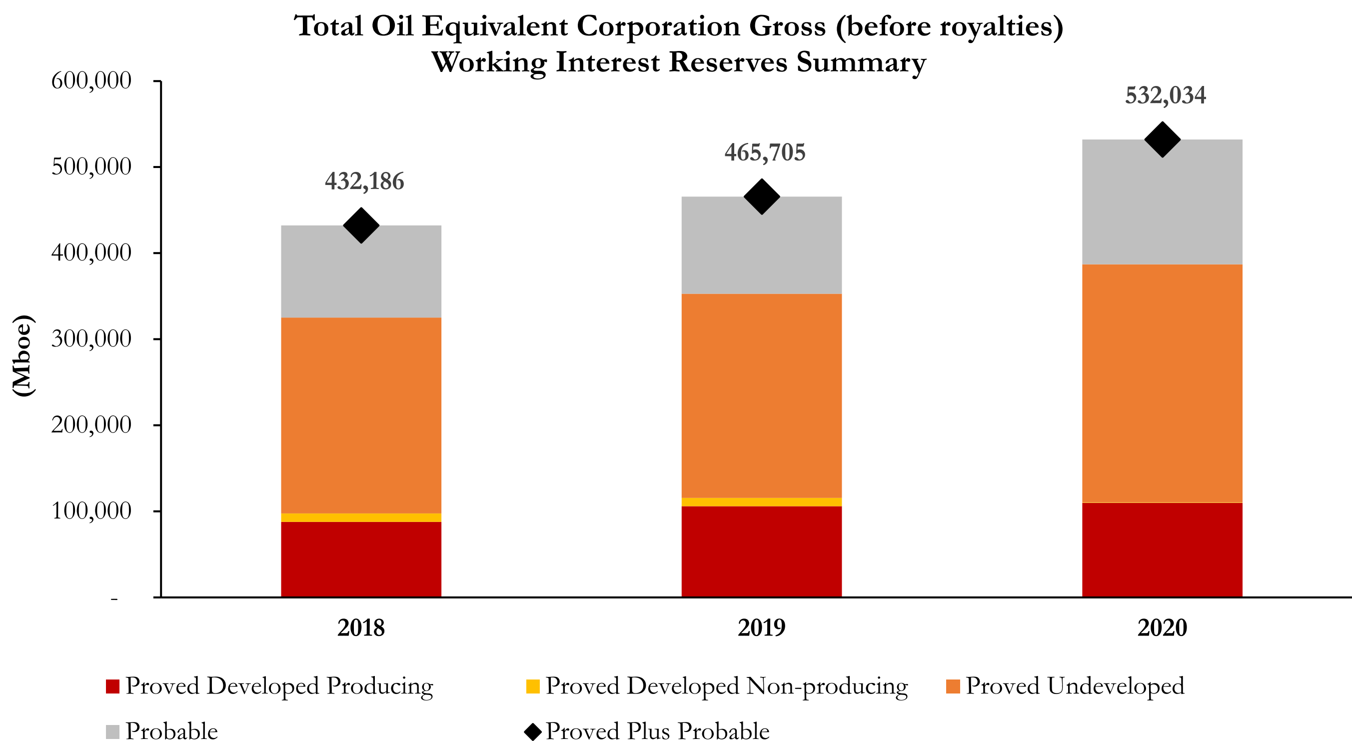
(3) Based on fourth quarter average production and Corporation interest reserves.

(4) Reserves based upon an evaluation by Sproule with an effective date of December 31, 2019 contained in a report of Sproule dated January 30, 2020 using Sproule's product price forecast effective December 31, 2019.

Corporation Gross (before royalties) Working Interest Reserves Summary as at December 31, 2020

	Light Crude Oil and Medium Crude Oil (Mbbl)	Conventional Natural Gas (Mmcf)	Natural Gas Liquids (Mbbl)	Total Oil Equivalent (Mboe)
Proved				
Developed Producing	1,382	616,445	5,731	109,854
Developed Non-producing	-	3,309	8	559
Undeveloped	6,863	1,522,632	15,975	276,610
Total Proved	**8,245**	**2,142,386**	**21,714**	**387,023**
Probable	5,838	786,756	8,046	145,011
Total Proved Plus Probable	**14,083**	**2,929,142**	**29,760**	**532,034**

(1) Tables may not add due to rounding.



Corporation Net Present Value of Future Net Revenue using IQRE Average price and cost forecasts(1)(2)(3)

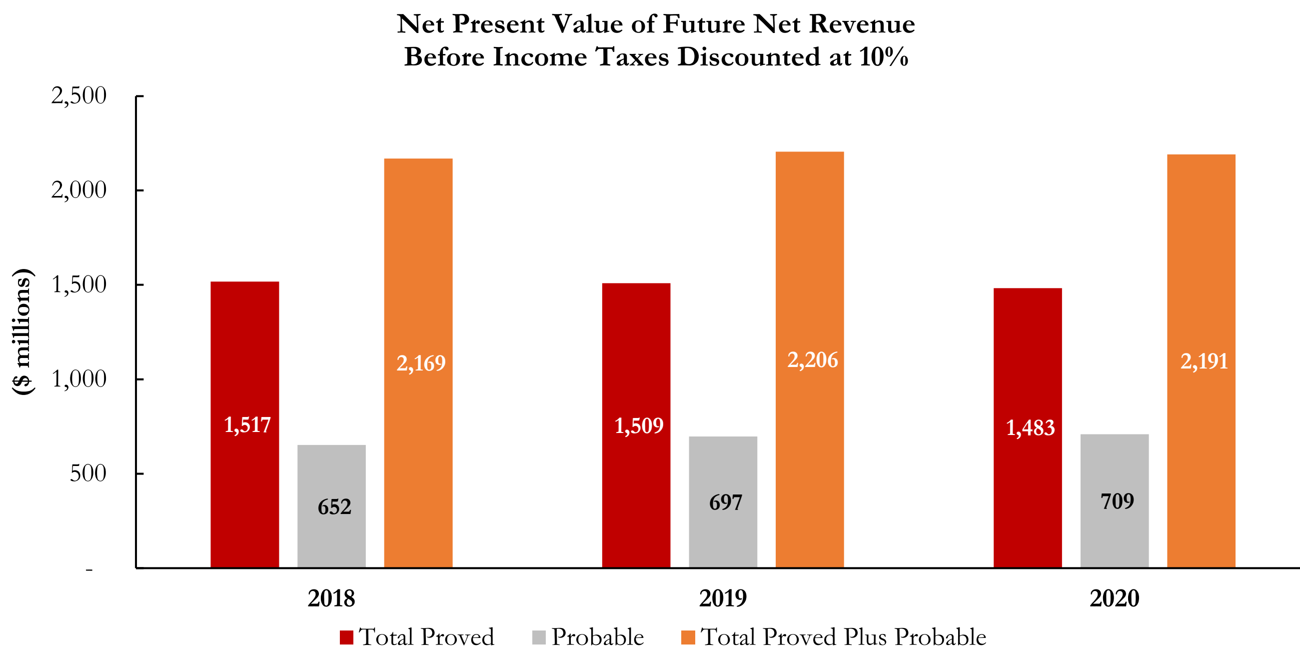
	Before Income Taxes Discounted at		
($000)	**0%**	**10%**	**15%**
Proved			
Developed Producing	$ 1,227,332	$ 741,275	$ 621,688
Developed Non-producing	2,764	539	69
Undeveloped	2,999,967	740,744	428,676
Total Proved	**4,230,063**	**1,482,558**	**1,050,432**
Probable	2,382,972	708,514	481,035
Total Proved Plus Probable	**$ 6,613,035**	**$ 2,191,072**	**$ 1,531,467**

(1) Advantage's light crude oil and medium crude oil, conventional natural gas and natural gas liquid reserves were evaluated using the IQRE Average Forecast effective December 31, 2020 prior to the provision for income taxes, interests, debt services charges and general and administrative expenses. It should not be assumed that the discounted future net revenue estimated by Sproule represents the fair market value of the reserves.

(2) Assumes that development of reserves will occur, without regard to the likely availability to the Corporation of funding required for that development.

(3) Future Net Revenue incorporates Managements' estimates of required abandonment and reclamation costs, including expected timing such costs will be incurred, associated with all wells, facilities and infrastructure.

(4) Table may not add due to rounding.



IQRE Average Forecasts and Assumptions

The net present value of future net revenue at December 31, 2020 was based upon light and medium oil, conventional natural gas and natural gas liquid pricing assumptions, which was computed by using the average of the forecasts ("IQRE Average Forecast") prepared by McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants and Sproule effective December 31, 2020. These forecasts are adjusted for reserves quality, transportation charges and the provision of any applicable sales contracts. The price assumptions used over the next seven years are summarized in the table below:

Year	Canadian Light Sweet Crude Oil 40° API ($Cdn/bbl)	AECO-C Spot ($Cdn/MMbtu)	Edmonton Pentanes Plus ($Cdn/bbl)	Edmonton Butane ($Cdn/bbl)	Edmonton Propane ($Cdn/bbl)
2021	55.76	2.78	59.24	26.36	18.18
2022	59.89	2.70	63.19	32.85	21.91
2023	63.48	2.61	67.34	39.20	24.57
2024	65.76	2.65	69.77	40.65	25.47
2025	67.13	2.70	71.18	41.50	26.00
2026	68.53	2.76	72.61	42.36	26.54
2027	69.95	2.81	74.07	43.24	27.09

Year	Operating Cost Inflation Rate %/year	Capital Cost Inflation Rate %/year	Exchange Rate ($US/$Cdn)[3]
2021	-	-	0.77
2022	1.3	1.3	0.77
2023	2.0	2.0	0.76
2024	2.0	2.0	0.76
2025	2.0	2.0	0.76
2026	2.0	2.0	0.76
2027	2.0	2.0	0.76

Net Asset Value using IQRE Average price and cost forecasts (Before Income Taxes)

The following net asset value ("NAV") table shows what is normally referred to as a "produce-out" NAV calculation under which the current value of the Corporation's reserves would be produced at forecast future prices and costs. The value is a snapshot in time and is based on various assumptions including commodity prices and foreign exchange rates that vary over time

($000, except per share amounts)	Before Income Taxes Discounted at 0%	10%	15%
Net asset value per share [1] - December 31, 2019	$ 32.67	$ 10.11	$ 6.48
Present value proved and probable reserves	$ 6,613,035	$ 2,191,072	$ 1,531,467
Undeveloped land [2]	20,580	20,580	20,580
Working capital and other [3][4]	(30,391)	(30,391)	(30,391)
Financing liability	(96,864)	(96,864)	(96,864)
Bank indebtedness	(247,105)	(247,105)	(247,105)
Net asset value - December 31, 2020	6,259,255	1,837,292	1,177,687
Net asset value per share [1] - December 31, 2020	$ 33.27	$ 9.77	$ 6.26

(1) Based on 188.1 million shares outstanding at December 31, 2020 and 186.9 million at December 31, 2019.

(2) The value of undeveloped land is based on book value.

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

(4) Other is calculated as current and non-current derivative asset less current and non-current derivative liability.

Corporation Gross (before royalties) Working Interest Reserves Reconciliation

Proved	Light Crude Oil and Medium Crude Oil (Mbbl)	Conventional Natural Gas (Mmcf)	Natural Gas Liquids (Mbbl)	Total Oil Equivalent (Mboe)
Opening balance December 31, 2019	6,679	1,934,120	23,792	352,824
Extensions and improved recovery (1)	2,654	81,848	1,632	17,927
Technical revisions (2)	(279)	230,115	(2,544)	35,530
Discoveries	-	-	-	-
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Economic factors (4)	(200)	(14,730)	(162)	(2,818)
Production	(609)	(88,967)	(1,004)	(16,441)
Closing balance at December 31, 2020	8,245	2,142,386	21,714	387,023

Proved Plus Probable	Light Crude Oil and Medium Crude Oil (Mbbl)	Conventional Natural Gas (Mmcf)	Natural Gas Liquids (Mbbl)	Total Oil Equivalent (Mboe)
Opening balance December 31, 2019	12,652	2,526,042	32,046	465,705
Extensions and improved recovery (1)	3,554	111,184	2,184	24,269
Technical revisions (2)	(1,315)	394,900	(3,314)	61,188
Discoveries	-	-	-	-
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Economic factors (4)	(199)	(14,016)	(152)	(2,687)
Production	(609)	(88,967)	(1,004)	(16,441)
Closing balance at December 31, 2020	14,083	2,929,142	29,760	532,034

(1) Reserve additions for Infill Drilling, Extensions and Improved Recovery are combined and reported as "Extensions and Improved Recovery". Extensions and improved recovery accounted for 34% of the total proved additions and 28% of the total proved plus probable additions. Extensions and improved recovery changes were the result of wells drilled in 2020.

(2) Technical revisions accounted for 66% of the total proved additions and 72% of the total proved plus probable additions. The technical revisions for Conventional Natural Gas were primarily the result of stronger well performance, planned longer horizontal well lengths and the use of higher intensity hydraulic fracturing completion techniques. The technical revisions for Light Crude Oil and Natural Gas Liquids were primarily the result of slightly lower forecasted liquid yields compared to the prior year.

(3) Economic factor changes were primarily related to lower forecasted prices for Conventional Natural Gas, associated NGLs and Light Crude Oil.

(4) The Corporation's closing proved plus probable NGLs contains 57% of pentanes plus.

Corporation Finding and Development Cost ("F&D")

Corporation 2020 F&D Cost – Gross (before royalties) Working Interest Reserves Including Future Development Capital[1][2][3]

	Proved	Proved Plus Probable
Net capital expenditures ($000)[4]	$ 157,936	$ 157,936
Net change in Future Development Capital ($000)	25,961	73,925
Total capital ($000)	183,897	231,861
Total mboe, end of year	387,023	532,034
Total mboe, beginning of year	352,824	465,705
Production, mboe	16,441	16,441
Reserve additions, mboe	50,640	82,770
2020 F&D cost ($/boe)	$ 3.63	$ 2.80
2019 F&D cost ($/boe)	$ 4.26	$ 5.94
Three-year average F&D cost ($/boe)	$ 5.10	$ 4.80

(1) F&D cost is calculated by dividing total capital by reserve additions during the applicable period. Total capital includes both capital expenditures incurred and changes in FDC required to bring the proved undeveloped and probable reserves to production during the applicable period. Reserve additions is calculated as the change in reserves from the beginning to the ending of the applicable period excluding production.

(2) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated FDC generally will not reflect total finding and development costs related to reserves additions for that year. Changes in forecast FDC occur annually as a result of development activities, acquisition and disposition activities and capital cost estimates that reflect Sproule's best estimate of what it will cost to bring the proved undeveloped and probable reserves on production.

(3) The change in FDC is primarily from incremental undeveloped locations.

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

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

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

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of February 25, 2021, provides a detailed explanation of the consolidated financial and operating results of Advantage Oil & Gas Ltd. ("Advantage", the "Corporation", "us", "we" or "our") for the three months and year ended December 31, 2020 and should be read in conjunction with the December 31, 2020 audited consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

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

Financial Highlights

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

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

(2) Based on basic weighted average shares outstanding.

Operating Highlights

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

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

Corporate Update

COVID-19

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

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

Advantage continues to maintain a strong balance sheet and has sufficient liquidity to meet all current obligations with cash provided by operating activities and our available Credit Facilities. In the third quarter of 2020, Advantage closed the sale of a 12.5% interest in the Glacier Gas Plant for cash proceeds of $100 million (before transaction cost), which was used to reduce bank indebtedness. Under the terms of the Credit Facility renewal, the borrowing base was adjusted on closing of the sale to $350 million (see "Bank Indebtedness, Credit Facilities and Other Liabilities"). Advantage's robust balance sheet augments our ability to execute value-generating capital projects and strategic opportunities.

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

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

Corporate Update (continued)

2021 Guidance

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

Forward Looking Information[(1)(3)]	Original 2021 Guidance[(4)]	Revised 2021 Guidance[(5)]
Cash Used in Investing Activities [(2)] (millions)	$125 to $150	$115 to $135
Average Production (boe/day)	47,000 to 49,000	48,000 to 51,000
Liquids Production (% of total production)	8 to 9	8 to 9
Royalty Rate (%)	3 to 5	3 to 5
Operating Expense ($/boe)	$2.55	$2.55
Transportation Expense ($/boe)	$4.15	$4.15
G&A/Finance Expense ($/boe)	$2.00	$2.00

Notes:
(1) Forward-looking statements and information. Refer to Advisory for cautionary statements regarding Advantage's budget including material assumptions and risk factors
(2) Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed between years and other differences are immaterial
(3) Management estimates
(4) See News Release dated October 29, 2020 for original forward-looking information
(5) See News Release dated February 25, 2021 for revised forward looking information

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

2020 Guidance Update

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

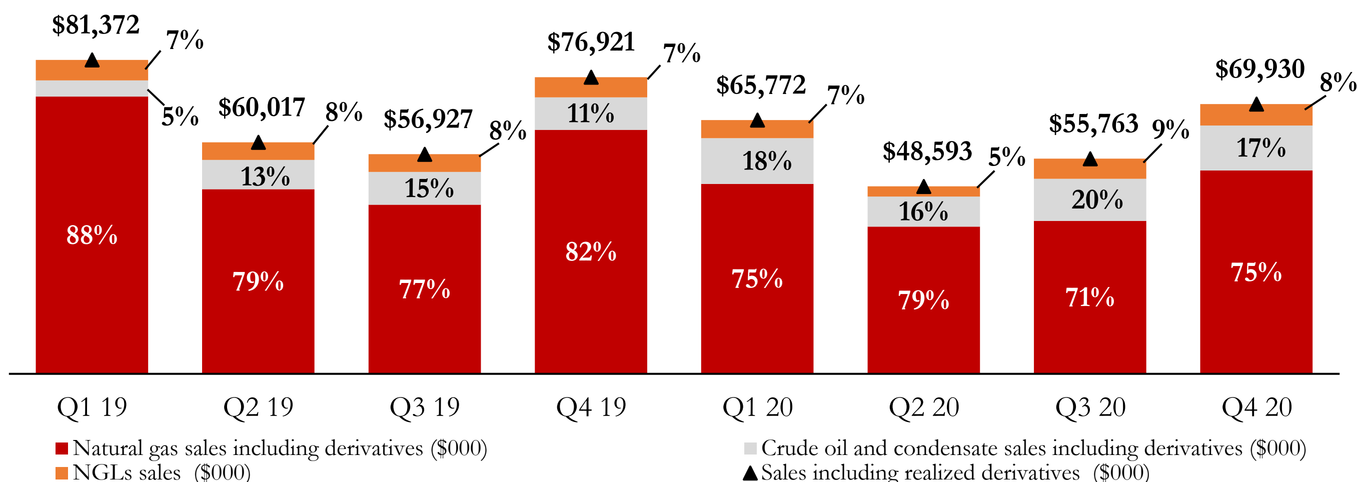
	2020 Guidance	2020 Actual	% Variance from 2020 Guidance
Net capital expenditures (millions)[(2)(4)]	$147 to $162	$157.9	-
Average Production (boe/day)[(1)]	43,500 to 46,500	44,922	-
Gas Production (MMcf/d)[(1)]	235 to 250	243.1	-
Liquids Production (bbls/d)[(1)]	4,200 to 4,700	4,408	-
Royalty Rate (%)[(1)]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

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

Petroleum and Natural Gas Sales

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

Sales Including Realized Derivatives



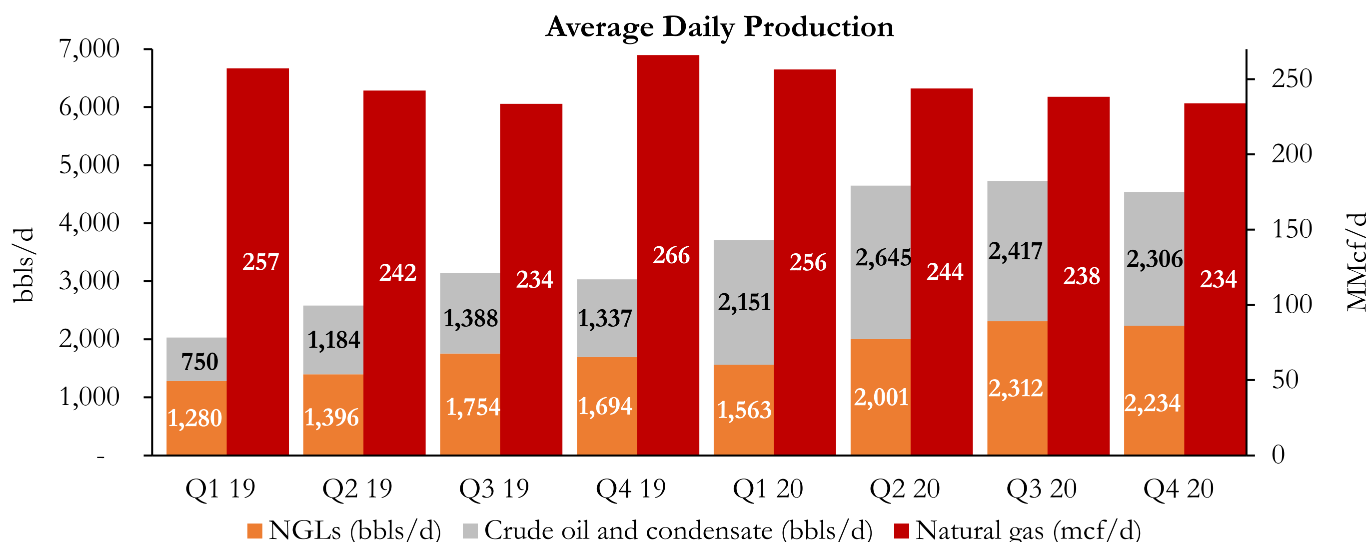
Advantage's natural gas sales excluding derivatives was $57.5 million and $191.8 million for the three months and year ended December 31, 2020, a decrease of 10% and 6%, respectively, compared to the same periods of 2019. The decrease in natural gas sales in 2020 was in line with the decrease in natural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

Crude oil and condensate sales excluding derivatives for the three months and year ended December 31, 2020 increased by $2.1 million or 26% and $6.9 million or 24%, respectively, as compared to the same periods of 2019. NGLs sales increased by 6% and decreased by 9% for the three months and year ended December 31, 2020, respectively. Although sales have been positively impacted by Advantage's increased production due to our continued successful liquids development from both our Pipestone/Wembley and Progress areas, this growth has been offset by the weaker realized liquids prices in 2020 attributable to the COVID-19 pandemic (see "Commodity Prices and Marketing"). Crude oil and condensate sales and NGLs sales contributed 17% and 8%, respectively, of total sales for the year ended December 31, 2020, including realized gains on derivatives.

Net realized losses on commodity derivatives during the three months and year ended December 31, 2020 were $3.3 million and $5.0 million, respectively. Realized gains and losses on commodity derivatives and changes from prior periods are the result of differences in natural gas and crude oil prices, and contracts in place during the three months and year ended December 31, 2020 and 2019 (see "Market Diversification and Commodity Risk Management").

Production

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



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

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

Commodity Prices and Marketing

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

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

Advantage's realized natural gas price excluding derivatives for the three months and year ended December 31, 2020 was $2.67/Mcf and $2.16/Mcf, respectively, which was a 2% increase and a 3% decrease compared to the same periods of the prior year. AECO natural gas prices have significantly strengthened during 2020 as compared to an extremely weak 2019, while other physical gas markets experienced considerable price declines in 2020.

Advantage's physical natural gas sales portfolio has exposure to AECO, Dawn, Empress, Emerson, Chicago and Ventura markets. Advantage began 2019 with netback sales arrangements of 20,000 Mcf/d at Chicago Citygate prices that increased to 40,000 Mcf/d in April 2019 and 55,000 Mcf/d in April 2020. Additionally, beginning April 2020, Advantage had netback sales arrangements for 15,000 Mcf/d at Ventura prices. Commencing November 2020, Advantage began firm transportation service to Empress of 25,307 Mcf/d and Emerson of 26,823 Mcf/d. See "Market Diversification and Commodity Risk Management" for Advantage's total natural gas production portfolio for 2020 and 2021.

Realized crude oil and condensate prices excluding derivatives decreased by 27% and 39% for the three months and year ended December 31, 2020, respectively, compared to the same periods of the prior year. Realized NGL prices decreased by 20% and 31% for the three months and year ended December 31, 2020, respectively. The primary cause for the lower realized liquids prices has been the impact of the COVID-19 pandemic on crude oil demand which negatively increased price volatility, with WTI prices for the three months and year ended December 31, 2020 being 25% and 31% lower, respectively, as compared to 2019. Approximately 72% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attracts higher market prices than other NGLs.

Market Diversification and Commodity Risk Management

The Corporation's financial results and condition are impacted primarily by the prices received for natural gas, crude oil, condensate and NGLs production. Natural gas, crude oil, condensate and NGLs prices can fluctuate widely and are determined by supply and demand factors, including available access to transportation, weather, general economic conditions in consuming and producing regions and political factors. Additionally, certain commodity prices are transacted and denominated in US dollars. Advantage has been proactive in commodity risk management for the purposes of reducing the volatility of cash provided by operating activities that supports our Montney development by diversifying sales to different physical markets and entering commodity and foreign exchange derivative contracts. Advantage's Credit Facilities (as defined herein) allow us to enter fixed price derivative contracts on up to 75% of total estimated production over the first three years and up to 50% over the fourth and fifth years. In addition, the Credit Facilities allow us to enter basis swap arrangements to any natural gas price point in North America for up to 100,000 mmbtu/d with a maximum term of seven years. Basis swap arrangements are excluded from hedged production limits.

Our natural gas production and corresponding natural gas derivative contracts resulted in the realization of the following fixed market prices and variable market exposures for 2020:

	January 1 to December 31, 2020		
	Volumes Contracted (MMcf/d)[1]	Average Minimum Price	% of Production
Fixed Price			
AECO fixed price swaps	49.0	$1.67/Mcf	20 %
Dawn fixed price swaps	25.0	US$2.07/Mcf [2]	10 %
Chicago fixed price swaps	4.2	US$2.72/Mcf	2 %
Henry Hub fixed price swaps	38.3	US$2.30/Mcf	16 %
	116.5		48 %
Variable Price			
AECO physical	42.7	AECO	18 %
Dawn physical	27.7	Dawn [2]	11 %
Empress physical	4.2	Empress [3]	2 %
Emerson physical	4.5	Emerson [4]	2 %
Midwest physical	47.5	Chicago, Ventura and Henry Hub less differentials	19 %
	126.6		52 %
Total Natural Gas	243.1		100 %

(1) All volumes contracted converted to Mcf on the basis of 1 Mcf = 1.055056 GJ and 1 Mcf = 1 MMbtu.
(2) Transportation under our firm commitment from AECO to Dawn is approximately $1.10/Mcf.
(3) Transportation under our firm commitment from AECO to Empress is approximately $0.18/Mcf.
(4) Transportation under our firm commitment from Empress to Emerson is approximately $0.63/Mcf.

Market Diversification and Commodity Risk Management (continued)

Our natural gas production and corresponding natural gas derivative contracts are expected to result in the realization of the following fixed market prices and variable market exposures for 2021:

	January 1 to December 31, 2021		
	Volumes Contracted (MMcf/d)[1]	Average Minimum Price	% of Estimated Production
Fixed Price			
AECO fixed price swaps	3.9	$2.92/Mcf	1 %
Dawn fixed price swaps	27.9	US$2.45/Mcf [2]	11 %
Chicago fixed price swaps	20.8	US$2.38/Mcf	8 %
Henry Hub fixed price swaps	43.8	US$2.78/Mcf	17 %
	96.4		37 %
Variable Price			
AECO physical	47.4	AECO	18 %
Dawn physical	44.9	Dawn [2]	17 %
Empress physical	29.3	Empress [3]	11 %
Emerson physical	6.7	Emerson [4]	2 %
Midwest physical	38.8	Chicago, Ventura and Henry Hub less differentials [5]	15 %
	167.1		63 %
Total Natural Gas [6]	263.5		100 %

(1) All volumes contracted converted to Mcf on the basis of 1 Mcf = 1.055056 GJ and 1 Mcf = 1 MMbtu.
(2) Transportation under our firm commitment from AECO to Dawn is approximately $1.10/Mcf.
(3) Transportation under our firm commitment from AECO to Empress is approximately $0.18/Mcf.
(4) Transportation under our firm commitment from Empress to Emerson is approximately $0.63/Mcf.
(5) Fixed differentials under Chicago, Ventura and Henry Hub arrangements range between $US 1.05/Mcf and $US 1.20/Mcf
(6) Represents the midpoint of our guidance for 2021 natural gas volumes (see New Release dated October 29, 2020).

Market Diversification and Commodity Risk Management (continued)

A summary of realized and unrealized commodity and foreign exchange derivative gains and losses for the three months and year ended December 31, 2020 and 2019 are as follows:

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

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

During the year ended December 31, 2020, Advantage entered into a long-term gas supply agreement under which Advantage will supply 25,000 MMbtu/d of natural gas for a 10-year period, commencing in early 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM power prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US $2.50/mmbtu. The Corporation will have unrealized gain (losses) on the embedded derivative based on movements in the forward curve for PJM power prices. The Corporation will not have realized gains (losses) on the embedded derivative until the Corporation begins delivering natural gas in 2023.

Market Diversification and Commodity Risk Management (continued)

For the three months and year ended December 31, 2020, the Corporation's embedded derivative resulted in an unrealized gain on the natural gas embedded derivative of $3.4 million as a result of strengthening PJM power prices.

The fair value of derivative assets and liabilities is the estimated value to settle the outstanding contracts as at a point in time. As such, unrealized derivative gains and losses do not impact adjusted funds flow and the actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices and foreign exchange rates as compared to the valuation assumptions. Remaining derivative contracts will settle between January 1, 2021 and December 31, 2024, apart from the Corporation's natural gas embedded derivative which is expected to be settled between the years 2023 and 2033.

Sales of Natural Gas Purchased from Third Parties

	Three months ended December 31		%	Year ended December 31		%
	2020	2019	change	2020	2019	change
Sales of natural gas purchased from third parties ($000)	$ -	$ -	nm	$ -	$ 857	nm
Natural gas purchased from third parties ($000)	-	-	nm	-	(2,362)	nm
Net sales of natural gas purchased from third parties ($000)	$ -	$ -	nm	$ -	$ (1,505)	nm
per boe	$ -	$ -	nm	$ -	$ (0.09)	nm

Advantage may infrequently purchase natural gas volumes from third parties to satisfy physical delivery commitments during brief outages at our Glacier Gas Plant. The Corporation did not incur purchases and sales of natural gas from third parties during the year ended December 31, 2020. During the year ended December 31, 2019, Advantage realized $0.9 million of revenue from the sale of purchased natural gas while the natural gas volumes were purchased for a total of $2.4 million.

Royalty Expense

	Three months ended December 31		%	Year ended December 31		%
	2020	2019	change	2020	2019	change
Royalty expense ($000)	$ 3,067	$ 2,231	37 %	$ 10,474	$ 4,690	123 %
per boe	$ 0.77	$ 0.51	51 %	$ 0.64	$ 0.29	121 %
Royalty rate (%)[1]	4.2 %	2.9 %	1.3 %	4.3 %	1.9 %	2.4 %

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

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

Royalty expense for the three months and year ended December 31, 2020 increased primarily due to the 2019 periods having low royalty expense as a result of extremely low AECO natural gas prices, accompanied with larger gas cost allowance deductions. The increase in royalty rates was primarily due to increased liquids production and AECO natural gas prices, combined with less revenue enhancements from market diversification outside of Alberta when compared to 2019.

Operating Expense

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

Operating expense for the three months and year ended December 31, 2020 increased to $10.8 million and $40.0 million compared to the respective periods of 2019. The increase in operating expense has been attributable to our continued liquids development, including costs associated with operation of our new oil battery at Pipestone/Wembley and additional third-party processing and liquids handling expenses associated with both Pipestone/Wembley and Progress (see "Production").

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

Transportation Expense

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

Transportation expense represents the cost of transporting our natural gas and liquids (crude oil, condensate and NGLs) to the sales points, including associated fuel costs. Total transportation expense for the three months and year ended December 31, 2020 was comparable to the same periods of 2019. Natural gas transportation in 2020 benefited from decreased tolls when compared to 2019, resulting in transportation expense being 8% below our 2020 guidance (see "2020 Guidance Update). These savings where off set by additional Empress and Emerson firm service that began in November of 2020 with 2021 guidance of $4.15/boe reflective of current market diversification contracts (see "Market Diversification and Commodity Risk Management").

Operating Netback

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

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

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

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

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

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

General and Administrative Expense

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

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

Share-based Compensation

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

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

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

Finance Expense and Interest Rate Risk Management

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

Advantage realized higher cash finance expense during the three months and year ended December 31, 2020, due to the 15-year volume commitment agreement associated with a 12.5% working interest sale in the Glacier Gas Plant which is treated as a financing transaction, higher average outstanding bank indebtedness and interest rates. Payments relating to the financing liability began July 1, 2020, and the Corporation incurred $4.5 million in interest associated with these payments. Advantage's bank indebtedness interest rates are primarily based on short-term bankers' acceptance rates plus a stamping fee and determined by net debt to the trailing four quarters Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio as calculated pursuant to our Credit Facilities.

The Corporation's Credit Facilities are exposed to interest rate risk. Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Management has been proactive in entering into interest rate derivative contracts for the purposes of reducing the volatility of interest. The Corporation has a $175 million notional amount of fixed interest rate swaps covering April 2020 to March 2022 at a weighted average fixed rate of 0.81%. A summary of realized and unrealized interest rate derivative gains (losses) for the three months and year ended December 31, 2020 and 2019 are as follows:

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

Depreciation and Impairment Expense

	Three months ended December 31				% change	Year ended December 31				% change
		2020		2019			2020		2019	
Depreciation expense ($000)	$	25,224	$	25,865	(2) %	$	110,896	$	119,474	(7) %
per boe	$	6.30	$	5.93	6 %	$	6.74	$	7.38	(9) %
Impairment expense ($000)	$	-	$	-	nm	$	361,000	$	-	nm

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

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

Taxes

	Three months ended December 31			%	Year ended December 31			%
	2020		2019	change	2020		2019	change
Income tax expense (recovery) ($000)	$ 9,138	$	1,863	nm	$ (83,270)	$	(19,879)	nm

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the year ended December 31, 2020, the Corporation recognized a deferred income tax recovery of $83.3 million. The recovery for the year ended December 31, 2020 is a result of a $367.3 million loss before taxes due to the $361 million impairment recognized in the first quarter. As at December 31, 2020, the Corporation had a deferred income tax asset of $24.8 million. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax losses can be utilized.

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

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

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

Net Income (Loss) and Comprehensive Income (Loss)

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

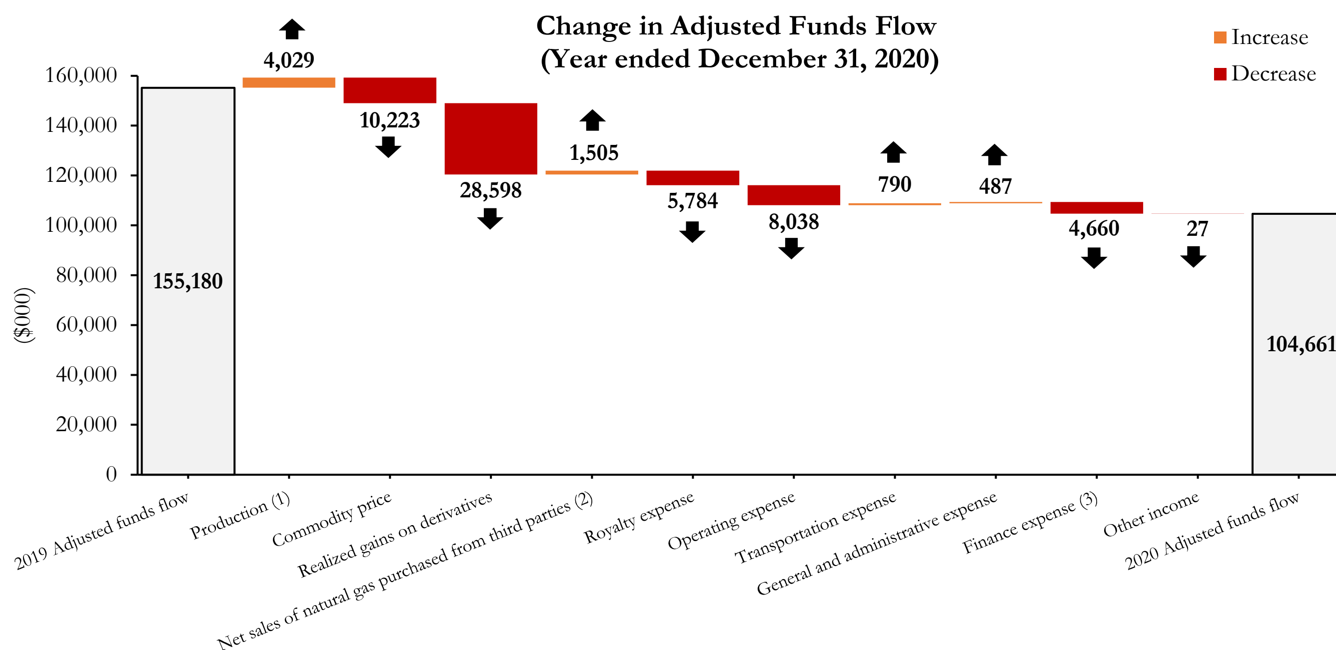
Advantage recognized net income of $24.2 million and a net loss of $284.0 million for the three months and year ended December 31, 2020, respectively. For the three months ended December 31, 2020, net income (loss) and comprehensive income (loss) was higher when compared to 2019, largely due to unrealized gains (losses) on derivatives recorded in their respective periods (see "Market Diversification and Commodity Risk Management"). For the year ended December 31, 2020, the net loss and comprehensive loss were largely due to the non-cash impairment expense of $361 million offset by a deferred tax recovery of $83.3 million.

Cash Provided by Operating Activities and Adjusted Funds Flow

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

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

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



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

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

(3) Finance expense excludes accretion of decommissioning liability.

Commitments and Contractual Obligations

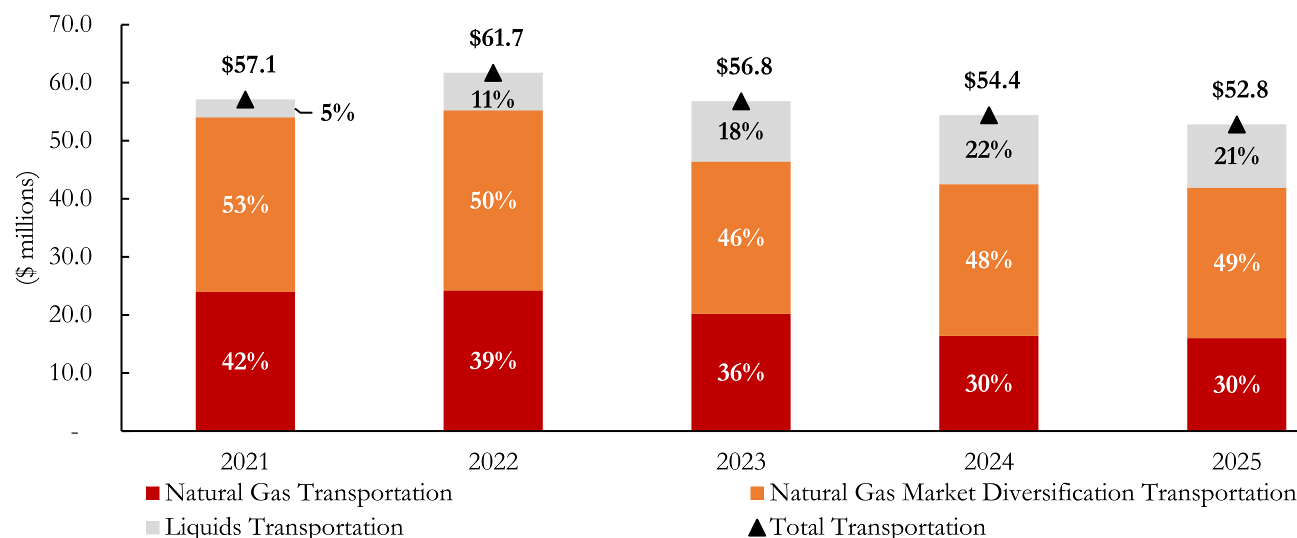
The Corporation has commitments and contractual obligations in the normal course of operations. Such commitments include operating costs for our head office lease, processing costs associated with natural gas at third party facilities, and transportation costs for delivery of our natural gas and liquids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

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

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

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

(2) As at December 31, 2020 the Corporation's bank indebtedness was governed by a credit facility agreement with a syndicate of financial institutions. Under the terms of the agreement, the facility is reviewed semi-annually, with the next review scheduled in April 2021. The facility is revolving and extendible at each annual review for a further 364-day period at the option of the syndicate. If not extended, the credit facility is converted at that time into a one-year term facility, with the principal payable at the end of such one-year term



Liquidity and Capital Resources

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

($000, except as otherwise indicated)		December 31 2020		December 31 2019
Bank indebtedness (non-current)	$	247,105	$	295,624
Working capital deficit [(1)]		4,292		7,996
Net debt [(1)]	**$**	**251,397**	**$**	**303,620**
Shares outstanding		188,112,797		186,910,848
Shares closing market price ($/share)	$	1.71	$	2.75
Market capitalization	**$**	**321,673**	**$**	**514,005**
Total capitalization	**$**	**573,070**	**$**	**817,625**
Net debt to adjusted funds flow [(1)]		**2.4**		**2.0**

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

As at December 31, 2020, Advantage had a $350 million Credit Facility of which $82.8 million or 24% was available after deducting letters of credit of US$15 million outstanding (see "Bank Indebtedness, Credit Facilities and Other Liabilities"). The Corporation's adjusted funds flow accompanied with $100 million cash proceeds received from the sale of the 12.5% interest in the Glacier Gas Plant, were utilized to fund our capital expenditure program of $157.9 million and decrease bank indebtedness by 48.5 million with a net debt to adjusted funds flow ratio of 2.4 times. Advantage continues to be focused on strengthening the strong balance sheet, maintaining a disciplined commodity risk management program, and increasing available liquidity such that it is well positioned to continue successfully executing its multi-year development plan.

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

Bank Indebtedness, Credit Facilities and Other Liabilities

As at December 31, 2020, Advantage had bank indebtedness outstanding of $247.1 million, a decrease of $48.5 million since December 31, 2019. Advantage's Credit Facilities had a borrowing base of $350 million that is collateralized by a $1 billion floating charge demand debenture covering all assets of the Corporation and has no financial covenants (the "Credit Facilities"). Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating as determined by the AER is not less than 2.0. The borrowing base for the Credit Facilities is determined by the banking syndicate through an evaluation of our reserve estimates based upon their own commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. On October 20, 2020, the semi-annual redetermination of the Credit Facilities borrowing base was completed with no changes to the borrowing base of $350 million, comprised of a $30 million extendible revolving operating loan facility from one financial institution and a $320 million extendible revolving loan facility from a syndicate of financial institutions. The next annual review is scheduled to occur in April 2021. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time.

Advantage had a working capital deficit of $4.3 million as at December 31, 2020, a decrease of $3.7 million compared to December 31, 2019 due to differences in the timing of capital expenditures and related payments. Our working capital includes cash and cash equivalents, trade receivables, prepaid expenses and deposits, trade payables and other accrued liabilities. Working capital varies primarily due to the timing of such items, the current level of business activity including our capital expenditure program, commodity price volatility, and seasonal fluctuations. We do not anticipate any problems in meeting future obligations as they become due as they can be satisfied with cash provided by operating activities and our available Credit Facilities.

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

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

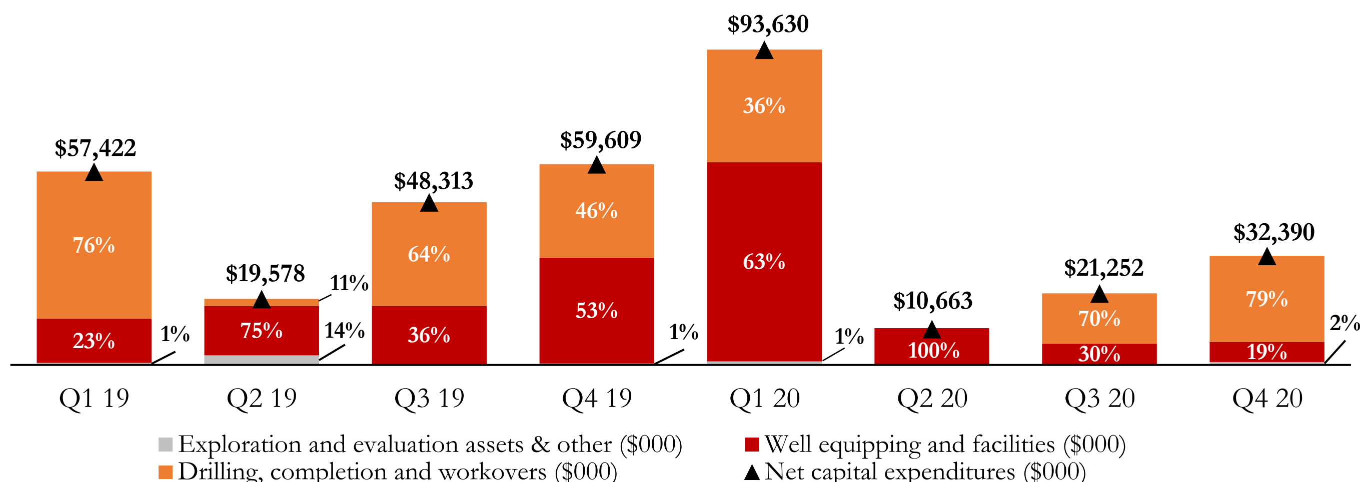
Shareholders' Equity

As at December 31, 2020, a total of 5.2 million performance share units were outstanding under the Restricted and Performance Award Incentive Plan, which represents 2.8% of Advantage's total outstanding common shares. No stock options under the Corporation's stock option plan were exercised during the year ended December 31, 2020, and all outstanding stock options have expired. As at February 25, 2021, Advantage had 188.1 million common shares outstanding.

Cash Used in Investing Activities and Net Capital Expenditures

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

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



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

Glacier

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

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

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

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

Progress

During the first half of 2020, Advantage completed 2 wells and tied-in 5 wells that targeted multiple layers of the liquid rich Montney at Progress. This activity has moved the 100% owned 50 section land block from the appraisal stage to production with Progress now connected to our Glacier Gas Plant and Valhalla liquid hub. The start of production from the land block represents another milestone in demonstrating high-quality resources with attractive economics on each of Advantage's land blocks.

Due to the decline in crude oil prices during the first half of 2020, the start of construction on our new 25MMcf/d compressor and 5,000bbl/d oil battery at Progress was delayed until long term oil prices support continued growth from the area.

Pipestone/Wembley

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

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

Valhalla

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

Corporate

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

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

Annual Financial Information

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

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

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

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

Quarterly Performance

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

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

The table above highlights the Corporation's performance for the fourth quarter of 2020 and for the preceding seven quarters. Production decreased in the second and third quarters of 2019 due to Advantage proactively shutting-in dry natural gas exposed to periods of extremely low AECO pricing. Advantage ramped up natural gas production in the fourth quarter of 2019 and the first quarter in 2020 in response to an increase in AECO pricing. Production decreased modestly through the second and third quarters of 2020 associated with prudent capital restraint given the uncertain commodity price environment and the COVID-19 pandemic. Advantage's second half 2020 capital program was focused on Glacier as natural gas prices continued to strengthen; however, new production began later in the year due to minor equipment delays impacting the completion of new wells and a third-party facility outage, with December production increasing to average 45,800 boe/d. Liquids production has continued to increase through the periods due to our continued successful liquids development, particularly from both our Pipestone/Wembley and Progress areas.

Quarterly Performance (continued)

Sales and adjusted funds flow both improved in the first quarter of 2019, largely as a result of higher production, especially increased liquids production, and stronger realized prices. Sales and adjusted funds flow were weaker in the second and third quarters of 2019 due to decreased production and lower realized natural gas prices, benefited significantly from a continued increase in liquids production and our market diversification portfolio, including derivatives. Sales and adjusted funds flow increased in the fourth quarter of 2019 as a result of increased production and stronger natural gas prices. However, the COVID-19 pandemic which escalated at the end of the first quarter of 2020 and has continued through 2020, has generally led to weaker commodity prices thereby reducing sales and adjusted funds flow. Cash provided by operating activities experienced greater fluctuations than adjusted funds flow due to changes in non-cash working capital, which primarily resulted from the amount and timing of trade payable settlements and accounts receivable collections. Additionally, the Corporation incurred a large net loss in the first quarter of 2020 due to an impairment charge which was triggered by the COVID-19 pandemic impact on anticipated future commodity prices due to supply and demand outlooks.

Critical Accounting Estimates

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

COVID-19 has led to significant ongoing uncertainty surrounding demand for commodities, leading to volatile prices and currency exchange rates. The Corporation's operations and business are particularly sensitive to a reduction in the demand for, and prices of crude oil, NGLs and natural gas. The full effects of COVID-19 are uncertain at this time. The potential direct and indirect impacts of the economic downturn as a result of COVID-19 have been considered in management's estimates and assumptions at period end and have been reflected in the Consolidated Financial Statements for the year ended December 31, 2020.

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

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

Critical Accounting Estimates (continued)

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

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

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

Changes in Accounting Policies

There have been no changes in accounting policies during the year ended December 31, 2020.

Accounting Pronouncements not yet Adopted

A description of additional accounting standards and interpretations that will be adopted in future periods can be found in the notes to the Consolidated Financial Statements for the year ended December 31, 2020.

Evaluation of Disclosure Controls and Procedures

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

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

Evaluation of Internal Controls over Financial Reporting

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

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

Advantage's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during our most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our ICFR.

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

Non-GAAP Measures

The Corporation discloses several financial and performance measures in the MD&A that do not have any standardized meaning prescribed under GAAP. These financial and performance measures include "net capital expenditures", " working capital", "net debt", "adjusted funds flow", "net debt to adjusted funds flow", "operating netback" and "net sales of natural gas purchased from third parties", which should not be considered as alternatives to, or more meaningful than "net income (loss)", "comprehensive income (loss)", "cash provided by operating activities", "cash used in investing activities", or individual expenses presented within the consolidated statement of comprehensive income (loss) as determined in accordance with GAAP. Management believes that these measures provide an indication of the results generated by the Corporation's principal business activities and provide useful supplemental information for analysis of the Corporation's operating performance and liquidity. Advantage's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies.

Net Capital Expenditures

Net capital expenditures include total capital expenditures related to property, plant and equipment and exploration and evaluation assets. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods. Please see "Cash Used in Investing Activities and Net Capital Expenditures" for a reconciliation to the nearest measure calculated in accordance with GAAP, cash used in investing activities.

Working Capital

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

Net Debt

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

Adjusted Funds Flow

The Corporation considers adjusted funds flow to be a useful measure of Advantage's ability to generate cash from the production of natural gas and liquids, which may be used to settle outstanding debt and obligations, and to support future capital expenditures plans. Changes in non-cash working capital are excluded from adjusted funds flow as they may vary significantly between periods and are not considered to be indicative of the Corporation's operating performance as they are a function of the timeliness of collecting receivables and paying payables. Expenditures on decommissioning liabilities are excluded from the calculation as the amount and timing of these expenditures are unrelated to current production and are partially discretionary due to the nature of our low liability. Please see "Cash Provided by Operating Activities and Adjusted Funds Flow" for a reconciliation to the nearest measure calculated in accordance with GAAP, cash provided by operating activities. Adjusted funds flow has also been presented per boe, by dividing adjusted funds flow by total production in boe for the reporting period, and per basic share, by dividing by the basic weighted average shares outstanding of the Corporation.

Net Debt to Adjusted Funds Flow

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

Non-GAAP Measures (continued)

Operating Netback

Advantage calculates operating netback on a total and per boe basis. Operating netback is comprised of sales revenue, realized gains (losses) on derivatives and net sales of natural gas purchased from third parties, net of expenses resulting from field operations, including royalty expense, operating expense and transportation expense. Operating netback provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells. Please see "Operating Netback".

Net Sales of Natural Gas Purchased from Third Parties

Net sales of natural gas purchased from third parties represents the revenue or loss generated from the sale of natural gas volumes purchased from third parties, after deducting the cost to purchase the volumes. The purchase and sale transactions are non-routine and are considered by Management to be related for performance purposes.

Conversion Ratio

The term "boe" or barrels of oil equivalent and "Mcfe" or thousand cubic feet equivalent may be misleading, particularly if used in isolation. A boe or Mcfe conversion ratio of six thousand cubic feet of natural gas equivalent to one barrel of oil (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Abbreviations

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

bbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 Mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
GJ	- gigajoules
Mcf	- thousand cubic feet
Mcf/d	- thousand cubic feet per day
Mcfe	- thousand cubic feet equivalent (1 bbl = 6 Mcf)
Mcfe/d	- thousand cubic feet equivalent per day
MMbtu	- million British thermal units
MMbtu/d	- million British thermal units per day
MMcf	- million cubic feet
MMcf/d	- million cubic feet per day
Crude oil and condensate	- Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
"Liquids" or "NGLs"	- Natural Gas Liquids as defined in National Instrument 51-101
Natural gas	- Conventional Natural Gas as defined in National Instrument 51-101
AECO	- a notional market point on TransCanada Pipeline Limited's NGTL system where the purchase and sale of natural gas is transacted
MSW	- price for mixed sweet crude oil at Edmonton, Alberta
NGTL	- NOVA Gas Transmission Ltd.
WTI	- West Texas Intermediate, price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
nm	- not meaningful information

Forward-Looking Information and Other Advisories

This MD&A contains certain forward-looking statements and forward-looking information (collectively, "forward-looking statements"), which are based on our current internal expectations, estimates, projections, assumptions and beliefs. These forward-looking statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar or related expressions. These statements are not guarantees of future performance.

In particular, forward-looking statements in this MD&A include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; revised guidance for 2021 including the cash used in investing activities, average production, liquids production (% of total production), royalty rate, operating expense, transportation expense and G&A/finance expense; allocation of 2021 capital budget and ability to maintain flexibility to reallocate capital between assets; the Corporation's position for 2021; the Corporation's hedging activities and the benefits to be derived therefrom; estimated tax pools; terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the expected realization of fixed market prices and variable market exposures for 2021; future commitments and contractual obligations; the Corporation's strategy for managing its capital structure, including by issuing new common shares, repurchasing outstanding common shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend or adjusting capital spending; the Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they become due; terms of the Corporation's Credit Facilities, including timing of the next review of the Credit Facilities, the Corporation's expectations regarding extension of Advantage's Credit Facilities at each annual review; do not anticipate any problems meeting future obligations as they become due and the means for satisfying such future obligations; the number of wells to be drilled in the first quarter of 2021 and the timing for such wells to be placed on production; timing of drilling to resume at Valhalla; the statements under "critical accounting estimates" in this MD&A; and other matters.

These forward-looking statements involve substantial known and unknown risks and uncertainties, many of which are beyond our control, including, but not limited to, risks related to changes in general economic conditions (including as a result of demand and supply effects resulting from the COVID-19 pandemic and the actions of OPEC and non-OPEC countries) which will, among other things, impact demand for and market prices of the Corporation’s products , market and business conditions; continued volatility in market prices for oil and natural gas; the impact of significant declines in market prices for oil and natural gas; stock market volatility; changes to legislation and regulations and how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; actions by governmental or regulatory authorities including increasing taxes, regulatory approvals, changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; the effect of acquisitions; our success at acquisition, exploitation and development of reserves; unexpected drilling results; failure to achieve production targets on timelines anticipated or at all; changes in commodity prices, currency exchange rates, capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; individual well productivity; delays in anticipated timing of drilling and completion of wells; lack of available capacity on pipelines; delays in timing of facility installation; potential disruption of the Corporation’s operations as a result of the COVID-19 pandemic through potential loss of manpower and labour pools resulting from quarantines in the Corporation’s operating areas, risk on the financial capacity of the Corporation's contract counterparties and potentially their ability to perform contractual obligations, delays in obtaining stakeholder and regulatory approvals; performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information; the failure to extend the credit facilities at each annual review; competition from other producers; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; and the risks and uncertainties described in the Corporation’s Annual

Forward-Looking Information and Other Advisories (continued)

Information Form which is available at www.sedar.com and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this MD&A, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain, including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to product, transport and/or sell its crude oil, NGLs and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; the impact of increasing competition; the price of crude oil and natural gas; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's crude oil and natural gas properties in the manner currently contemplated; availability of pipeline capacity; that current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and that the estimates of the Corporation's production, reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this MD&A and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

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

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

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

Additional Information

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

February 25, 2021

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:
	    o 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.
	    o 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

<u>Exploration and evaluation costs</u>

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.

<u>Property, plant and equipment</u>

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:

	Payments due by period						
($ millions)	**Total**	**2021**	**2022**	**2023**	**2024**	**2025**	**Beyond**
Building operating cost [1]	$ 2.7	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.7
Processing	62.6	3.0	5.9	7.9	10.0	9.5	26.3
Transportation	484.6	57.1	61.7	56.8	54.4	52.8	201.8
Total commitments	**$ 549.9**	**$ 60.5**	**$ 68.0**	**$ 65.1**	**$ 64.8**	**$ 62.7**	**$ 228.8**

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

ADVISORY

This document contains certain forward-looking statements and forward-looking information (collectively, "forward-looking statements"), which are based on our current internal expectations, estimates, projections, assumptions and beliefs. These forward-looking statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar or related expressions. These statements are not guarantees of future performance.

In particular, forward-looking statements in this document include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; revised guidance for 2021 including the cash used in investing activities, average production, liquids production (% of total production), royalty rate, operating expense, transportation expense and G&A/finance expense; allocation of 2021 capital budget and ability to maintain flexibility to reallocate capital between assets; the Corporation's position for 2021; the Corporation's hedging activities and the benefits to be derived therefrom; estimated tax pools; terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the expected realization of fixed market prices and variable market exposures for 2021; future commitments and contractual obligations; the Corporation's strategy for managing its capital structure, including by issuing new common shares, repurchasing outstanding common shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend or adjusting capital spending; the Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they become due; terms of the Corporation's Credit Facilities, including timing of the next review of the Credit Facilities, the Corporation's expectations regarding extension of Advantage's Credit Facilities at each annual review; do not anticipate any problems meeting future obligations as they become due and the means for satisfying such future obligations; the number of wells to be drilled in the first quarter of 2021 and the timing for such wells to be placed on production; timing of drilling to resume at Valhalla; the statements under "critical accounting estimates" in the MD&A; and other matters.

In addition, statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The recovery and reserve estimates of Advantage's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Advantage's actual decisions, activities, results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

These forward-looking statements involve substantial known and unknown risks and uncertainties, many of which are beyond our control, including, but not limited to, risks related to changes in general economic conditions (including as a result of demand and supply effects resulting from the COVID-19 pandemic and the actions of OPEC and non-OPEC countries) which will, among other things, impact demand for and market prices of the Corporation's products , market and business conditions; continued volatility in market prices for oil and natural gas; the impact of significant declines in market prices for oil and natural gas; stock market volatility; changes to legislation and regulations and how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; actions by governmental or regulatory authorities including increasing taxes, regulatory approvals, changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; the effect of acquisitions; our success at acquisition, exploitation and development of reserves; unexpected drilling results; failure to achieve production targets on timelines anticipated or at all; changes in commodity prices, currency exchange rates, capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; individual well productivity; delays in anticipated timing of drilling and completion of wells; lack of available capacity on pipelines; delays in timing of facility installation; potential disruption of the Corporation's operations as a result of the COVID-19 pandemic

Advisory (continued)

through potential loss of manpower and labour pools resulting from quarantines in the Corporation's operating areas, risk on the financial capacity of the Corporation's contract counterparties and potentially their ability to perform contractual obligations, delays in obtaining stakeholder and regulatory approvals; performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information; the failure to extend the credit facilities at each annual review; competition from other producers; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at www.sedar.com and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this document, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain, including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to product, transport and/or sell its crude oil, NGLs and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; the impact of increasing competition; the price of crude oil and natural gas; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's crude oil and natural gas properties in the manner currently contemplated; availability of pipeline capacity; that current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and that the estimates of the Corporation's production, reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this document in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this document and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

References to natural gas or liquids production in the annual report refer to conventional natural gas and natural gas liquids, respectively, product types as defined in National Instrument 51-101.

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

Advisory (continued)

The term “boe” or barrels of oil equivalent and “mcfe” or thousand cubic feet equivalent may be misleading, particularly if used in isolation. A boe or mcfe conversion ratio of six thousand cubic feet of natural gas equivalent to one barrel of oil (6 mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

This document contains a number of oil and gas metrics, including operating netback and F&D which do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Corporation's performance; however, such measures are not reliable indicators of the future performance of the Corporation and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide securityholders with measures to compare Advantage's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this document, should not be relied upon for investment or other purposes. Operating netback is calculated by adding natural gas and liquids sales, realized gains (losses) on derivatives and net sales of natural gas purchased from third parties, net of expenses resulting from field operations, including royalty expense, operating expense and transportation expense.

F&D cost is calculated by dividing total capital by reserve additions during the applicable period. Total capital includes both capital expenditures incurred and changes in FDC required to bring the proved undeveloped and probable reserves to production during the applicable period. Reserve additions is calculated as the change in reserves from the beginning to the ending of the applicable period excluding production.

The recovery and reserve estimates of reserves provided in this annual report are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual reserves may eventually prove to be greater than, or less than, the estimates provided herein.

Non-GAAP Measures

The Corporation discloses several financial and performance measures in the annual report that do not have any standardized meaning prescribed under GAAP. These financial and performance measures include “net capital expenditures”, “capital efficiency”, “ working capital”, “net debt”, “adjusted funds flow”, “net debt to adjusted funds flow”, ”free cash flow”, “operating netback”, and “net sales of natural gas purchased from third parties”, which should not be considered as alternatives to, or more meaningful than “net income (loss)”, “comprehensive income (loss)”, “cash provided by operating activities”, “cash used in investing activities”, or individual expenses presented within the consolidated statement of comprehensive income (loss) as determined in accordance with GAAP. Management believes that these measures provide an indication of the results generated by the Corporation’s principal business activities and provide useful supplemental information for analysis of the Corporation’s operating performance and liquidity. Advantage’s method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies.

Net Capital Expenditures

Net capital expenditures include total capital expenditures related to property, plant and equipment and exploration and evaluation assets. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods. Please see “Cash Used in Investing Activities and Net Capital Expenditures” in the MD&A for a reconciliation to the nearest measure calculated in accordance with GAAP, cash used in investing activities.

Non-GAAP Measures (continued)

Capital Efficiency

Three-year and single year capital efficiency is calculated by dividing net capital development costs for oil and gas activities including drilling, completion, facilities, infrastructure, office and capitalized general and administrative costs (excluding abandonment and reclamation costs, exploration and evaluation costs, and acquisition and disposition related costs and proceeds) by the average production additions of the applicable year to replace base production declines and deliver production growth targets, expressed in $/boe/d. Capital efficiency is considered by management to be a useful performance measure as a common metric used to evaluate the efficiency with which capital activity is allocated to achieve production additions.

Working Capital

Working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued liabilities. Working capital provides Management and users with a measure of the Corporation's operating liquidity. Please see "Liquidity and Capital Resources" in the MD&A.

Net Debt

Net debt is comprised of bank indebtedness and working capital. Net debt provides Management and users with a measure of the Corporation's indebtedness and expected settlement of net liabilities in the next year. Please see "Liquidity and Capital Resources" in the MD&A.

Adjusted Funds Flow

The Corporation considers adjusted funds flow to be a useful measure of Advantage's ability to generate cash from the production of natural gas and liquids, which may be used to settle outstanding debt and obligations, and to support future capital expenditures plans. Changes in non-cash working capital are excluded from adjusted funds flow as they may vary significantly between periods and are not considered to be indicative of the Corporation's operating performance as they are a function of the timeliness of collecting receivables and paying payables. Expenditures on decommissioning liabilities are excluded from the calculation as the amount and timing of these expenditures are unrelated to current production and are partially discretionary due to the natural of our low liability. Please see "Cash Provided by Operating Activities and Adjusted Funds Flow" in the MD&A for a reconciliation to the nearest measure calculated in accordance with GAAP, cash provided by operating activities. Adjusted funds flow has also been presented per boe, by dividing adjusted funds flow by total production in boe for the reporting period, and per basic share, by dividing by the basic weighted average shares outstanding of the Corporation.

Free Cash Flow

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

Net Debt to Adjusted Funds Flow

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

Operating Netback

Advantage calculates operating netback on a total and per boe basis. Operating netback is comprised of sales revenue, realized gains (losses) on derivatives and net sales of natural gas purchased from third parties, net of expenses resulting from field operations, including royalty expense, operating expense and transportation expense. Operating netback provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells. Please see "Operating Netback" in the MD&A.

Non-GAAP Measures (continued)

Net Sales of Natural Gas Purchased from Third Parties

Net sales of natural gas purchased from third parties represents the revenue or loss generated from the sale of natural gas volumes purchased from third parties, after deducting the cost to purchase the volumes. The purchase and sale transactions are non-routine and are considered by Management to be related for performance purposes.

Additional Information

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

March 18, 2021

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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