

2021 First Quarter Report

Financial and Operating Highlights

(\$000, except as otherwise indicated)	Three months ended March 31	
	2021	2020
Financial Statement Highlights		
Sales including realized derivatives	\$ 94,797	\$ 65,772
Net loss and comprehensive loss	\$ (425)	\$ (266,519)
per basic share ⁽²⁾	\$ 0.00	\$ (1.43)
Basic weighted average shares (000)	188,113	186,911
Cash provided by operating activities	\$ 51,566	\$ 20,826
Cash provided by (used in) financing activities	\$ (7,548)	\$ 34,960
Cash used in investing activities	\$ 15,069	\$ 65,221
Other Financial Highlights		
Adjusted funds flow ⁽¹⁾	\$ 53,978	\$ 32,093
per boe ⁽¹⁾	\$ 12.04	\$ 7.59
per basic share ⁽¹⁾⁽²⁾	\$ 0.29	\$ 0.17
Net capital expenditures ⁽¹⁾	\$ 37,185	\$ 93,630
Working capital (surplus) deficit ⁽¹⁾	\$ (25,924)	\$ 34,284
Bank indebtedness	\$ 240,428	\$ 330,644
Net debt ⁽¹⁾	\$ 214,504	\$ 364,928
Operating Highlights		
Production		
Crude oil (bbls/d)	1,395	1,172
Condensate (bbls/d)	721	979
NGLs (bbls/d)	2,493	1,563
Total Liquids (bbls/d)	4,609	3,714
Natural gas (mcf/d)	271,262	256,463
Total production (boe/d)	49,819	46,458
Average realized prices (including realized derivatives)		
Natural gas (\$/mcf)	\$ 3.07	\$ 2.11
Crude oil (\$/bbl)	\$ 46.90	\$ 60.82
Condensate (\$/bbl)	\$ 69.76	\$ 60.42
NGLs (\$/bbl)	\$ 42.53	\$ 32.98
Operating Netback (\$/boe)		
Petroleum and natural gas sales from production	\$ 22.16	\$ 15.18
Realized gains (losses) on derivatives	(0.87)	0.38
Royalty expense	(1.13)	(0.89)
Operating expense	(2.45)	(2.28)
Transportation expense	(3.57)	(3.50)
Operating netback ⁽¹⁾	\$ 14.14	\$ 8.89

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

⁽²⁾ Based on basic weighted average shares outstanding.

MESSAGE TO SHAREHOLDERS

Advantage Announces First Quarter 2021 Financial and Operating Outperformance

Advantage Oil & Gas Ltd. (“Advantage” or the “Corporation”) is pleased to report first quarter 2021 results including record production, significant free cash flow^(a) and a material reduction in net debt^(a).

Results from Advantage’s winter drilling program have continued to exceed expectations both in costs and well performance while gas prices were elevated during the quarter, strengthening our financial outlook and guidance for 2021. Drilling in the first quarter of 2021 was entirely gas-focused at Glacier where wells continued to achieve a step change in productivity with cost reductions of over 10%. All wells from the program are utilizing existing capacity at Advantage’s owned and operated Glacier Gas Plant, where incremental operating expenses of new production are minimal.

Operating and Financial Highlights for the Quarter include:

- Cash provided by operating activities was \$51.6 million
- Net capital expenditures^(a) were \$37.2 million
- Adjusted funds flow (“AFF”)^(a) was \$54.0 million (\$0.29 per share), exceeding capital by 45%
- Free cash flow^(a) was \$16.8 million representing 31% of AFF^(a)
- Net debt^(a) was reduced to \$214.5 million, a reduction of \$150.4 million from the first quarter of 2020 and \$36.9 million from the fourth quarter of 2020
- Reduced net debt to AFF^(a) ratio to 1.7x
- Record total production of 49,819 boe/d, up 7% over first quarter 2020
- Record gas production of 271 mmcf/d, up 6% from first quarter 2020
- Liquids production of 4,609 bbls/d (1,395 bbls/d crude oil, 721 bbls/d condensate, 2,493 bbls/d NGLs), up 24% from first quarter 2020
- Maintained low cash costs including operating costs of \$2.45/boe
- Increased operating netbacks^(a) to \$14.14/boe, up 59% from first quarter 2020

Operational Update

- Glacier well outperformance and available Glacier Gas Plant capacity provides flexibility to continue capitalizing on higher natural gas prices
- Five additional Glacier wells are scheduled to be completed and tied-in during the third quarter of 2021
- Fourteen additional wells are scheduled to be drilled in the second half of 2021 with the primary focus remaining at Glacier
- The northwest segment of the Glacier gas gathering system has been expanded and was commissioned in early April, increasing capacity and eliminating restrictions on existing and future well pads
- Liquids production has been stable for the last four quarters but is expected to decline slightly during the remainder of the year as our capital program is primarily focused on gas development at Glacier.

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

Marketing Update

Advantage has hedged approximately 41% of its natural gas production for this summer and 37% of its natural gas production for calendar 2021. These hedges are fixed price swaps denominated at AECO, Henry Hub, Dawn and Chicago, reflective of the markets in our natural gas diversification strategy. Advantage has 46% of its crude oil and condensate production hedged for the remainder of 2021 with WTI swaps at an average price of US\$48.54/bbl.

Looking Forward

Advantage's strong first quarter 2021 results are consistent with and reinforce the Corporation's recently revised 2021 guidance with lower capital and higher production. During the second quarter of 2021, Advantage expects to generate significant free cash flow due to planned low capital spending of less than \$10 million. This is anticipated to further reduce the Corporation's net debt to AFF^(a) ratio towards 1x. For 2021, free cash flow^(a), debt reduction and moderate production growth remain key priorities. In addition, the Corporation is targeting to deliver approximately 10% annual production growth and \$70 million free cash flow^(a). Advantage will continue to fortify its balance sheet and maximize returns for our shareholders by executing on its strategy to:

- Continue to deliver moderate production growth (between 5% and 10%) utilizing existing capacity at our Glacier Gas Plant
- Enhance corporate resilience and scale through:
 - balancing our high exposure to gas pricing by growing our liquids production at Progress and Wembley
 - revenue-generating cleantech investments through Entropy Inc. that will leverage our carbon capture and sequestration technology and expertise
 - acquisitions that create efficiencies and scale
- Potentially return capital to shareholders

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

Advisory

The information in this press release contains certain forward-looking statements, including within the meaning of applicable securities laws. These statements relate to future events or our future intentions or performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "guidance", "anticipate", "target", "objectives", "estimates", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's focus, strategy, priorities and development plans; timing for wells to come on-stream at Glacier; number of wells planned for the second half of 2021 and the primary focus; liquids production is expected to decline slightly for the remainder of 2021; Advantage's hedging program; Advantage's expectation to generate significant free cash flow in the second quarter of 2021 and Advantage's go-forward strategy, their reasons therefor and the results and benefits to be derived therefrom; and the Corporation's targeted annual production growth and free cash flow. Advantage's actual decisions, activities, results, performance, or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including, but not limited to: changes in general economic, market and business conditions; industry conditions, including as a result of demand and supply effects resulting from the COVID-19 pandemic; actions by governmental or regulatory authorities including increasing taxes and changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; Advantage's success at acquisition, exploitation and development of reserves; unexpected drilling results; changes in commodity prices, currency exchange rates, net capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties, including hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production and processing facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; delays in anticipated timing of drilling and completion of wells; individual well productivity; competition from other producers; the lack of availability of qualified personnel or management; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; stock market volatility and market valuations; liabilities inherent in oil and natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; ability to obtain required approvals of regulatory authorities; and ability to access sufficient capital from internal and external sources. Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form which is available at www.sedar.com ("SEDAR") and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

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

Advisory (continued)

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

Barrels of oil equivalent (boe) and thousand cubic feet of natural gas equivalent (mcf) may be misleading, particularly if used in isolation. Boe and mcf conversion ratios have been calculated using a conversion rate of six thousand cubic feet of natural gas equivalent to one barrel of oil. A boe and mcf conversion ratio of 6 mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Non-GAAP Measures

The Corporation discloses several financial and performance measures in this press release that do not have any standardized meaning prescribed under GAAP. These financial and performance measures include "net capital expenditures", "adjusted funds flow", "free cash flow", "net debt", "operating netback", "working capital deficit" and "net debt to adjusted funds flow", which should not be considered as alternatives to, or more meaningful than "net income", "comprehensive income", "cash provided by operating activities", "cash used in investing activities", or "bank indebtedness" presented within the consolidated financial statements as determined in accordance with GAAP. Management believes that these measures provide an indication of the results generated by the Corporation's principal business activities and provide useful supplemental information for analysis of the Corporation's operating performance and liquidity. Advantage's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies.

Net Capital Expenditures

Net capital expenditures include total capital expenditures related to property, plant and equipment and exploration and evaluation assets incurred during the period. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods. A reconciliation between net capital expenditures and the nearest measure calculated in accordance with GAAP, cash used in investing activities, is provided below:

(\$000)	Three months ended	
	March 31	
	2021	2020
Cash used in investing activities	\$ 15,069	\$ 65,221
Changes in non-cash working capital	2,116	28,409
Project funding received	20,000	-
Net capital expenditures	\$ 37,185	\$ 93,630

Non-GAAP Measures (continued)

Working Capital

Working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued payables at the reporting date. Working capital provides Management and users with a measure of the Corporation's operating liquidity.

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. A detailed calculation of net debt is provided below:

(\$000)	March 31 2021	December 31 2020
Bank indebtedness (non-current)	\$ 240,428	\$ 247,105
Working capital (surplus) deficit	(25,924)	4,292
Net debt	\$ 214,504	\$ 251,397

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. Adjusted funds flow has also been presented per boe, by dividing adjusted funds flow by total production in boe for the reporting period, and per basic share, by dividing by the basic weighted average shares outstanding of the Corporation. A reconciliation between adjusted funds flow and the nearest measure calculated in accordance with GAAP, cash provided by operating activities, is provided below:

(\$000, except as otherwise indicated)	Three months ended March 31	
	2021	2020
Cash provided by operating activities	\$ 51,566	\$ 20,826
Expenditures on decommissioning liability	14	179
Changes in non-cash working capital	2,398	11,088
Adjusted funds flow	\$ 53,978	\$ 32,093

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 debt if it devoted all its adjusted funds flow to bank debt repayment.

Non-GAAP Measures (continued)

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.

Operating Netback

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

	Three months ended			
	March 31			
	2021		2020	
	\$000	per boe	\$000	per boe
Petroleum and natural gas sales from production	\$ 99,373	\$ 22.16	\$ 64,185	\$ 15.18
Realized gains (losses) on derivatives	(3,901)	(0.87)	1,587	0.38
Royalty expense	(5,087)	(1.13)	(3,755)	(0.89)
Operating expense	(10,985)	(2.45)	(9,647)	(2.28)
Transportation expense	(16,000)	(3.57)	(14,804)	(3.50)
Operating netback	\$ 63,400	\$ 14.14	\$ 37,566	\$ 8.89

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months ended March 31, 2021 and 2020

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of April 29, 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 ended March 31, 2021 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three months ended March 31, 2021 and the audited consolidated financial statements for the year ended December 31, 2020 (together, the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

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

Financial Highlights

(\$000, except as otherwise indicated)	Three months ended March 31	
	2021	2020
Financial Statement Highlights		
Sales including realized derivatives	\$ 94,797	\$ 65,772
Net loss and comprehensive loss	\$ (425)	\$ (266,519)
per basic share ⁽²⁾	\$ 0.00	\$ (1.43)
Basic weighted average shares (000)	188,113	186,911
Cash provided by operating activities	\$ 51,566	\$ 20,826
Cash provided by (used in) financing activities	\$ (7,548)	\$ 34,960
Cash used in investing activities	\$ 15,069	\$ 65,221
Other Financial Highlights		
Adjusted funds flow ⁽¹⁾	\$ 53,978	\$ 32,093
per boe ⁽¹⁾	\$ 12.04	\$ 7.59
per basic share ⁽¹⁾⁽²⁾	\$ 0.29	\$ 0.17
Net capital expenditures ⁽¹⁾	\$ 37,185	\$ 93,630
Working capital (surplus) deficit ⁽¹⁾	\$ (25,924)	\$ 34,284
Bank indebtedness	\$ 240,428	\$ 330,644
Net debt ⁽¹⁾	\$ 214,504	\$ 364,928

⁽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 HighlightsThree months ended
March 31

2021 2020

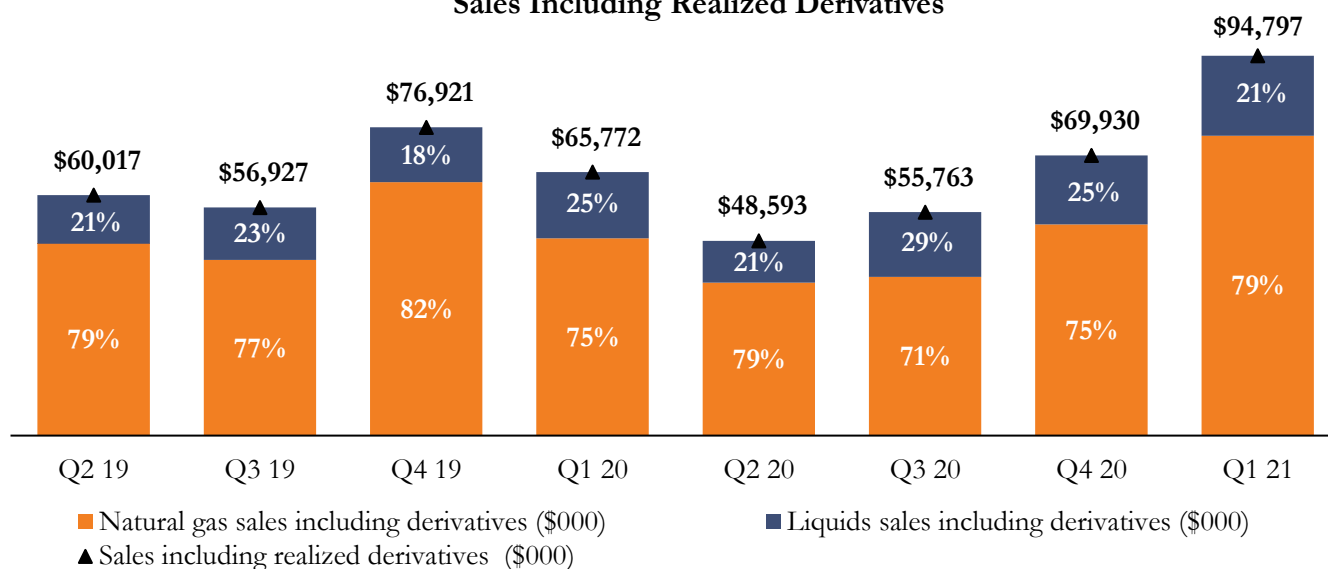
	2021	2020
Operating		
Production		
Crude oil (bbls/d)	1,395	1,172
Condensate (bbls/d)	721	979
NGLs (bbls/d)	2,493	1,563
Total liquids production (bbls/d)	4,609	3,714
Natural gas (Mcf/d)	271,262	256,463
Total production (boe/d)	49,819	46,458
Average realized prices (including realized derivatives)		
Natural gas (\$/Mcf)	\$ 3.07	\$ 2.11
Crude oil (\$/bbl)	\$ 46.90	\$ 60.82
Condensate (\$/bbl)	\$ 69.76	\$ 60.42
NGLs (\$/bbl)	\$ 42.53	\$ 32.98
Operating Netback (\$/boe)		
Petroleum and natural gas sales from production	\$ 22.16	\$ 15.18
Realized gains (losses) on derivatives	(0.87)	0.38
Royalty expense	(1.13)	(0.89)
Operating expense	(2.45)	(2.28)
Transportation expense	(3.57)	(3.50)
Operating netback ⁽¹⁾	\$ 14.14	\$ 8.89

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Petroleum and Natural Gas Sales

(\$000)	Three months ended		% change
	2021	2020	
Natural gas sales	\$ 77,304	\$ 49,109	57 %
Realized gains (losses) on derivatives	(2,464)	102	nm
	\$ 74,840	\$ 49,211	52 %
Crude oil sales	\$ 8,000	\$ 5,002	60 %
Realized gains (losses) on derivatives	(2,112)	1,485	nm
	\$ 5,888	\$ 6,487	(9) %
Condensate sales	\$ 4,527	\$ 5,383	(16) %
NGLs sales	\$ 9,542	\$ 4,691	103 %
Sales including realized derivatives	\$ 94,797	\$ 65,772	44 %

Sales Including Realized Derivatives



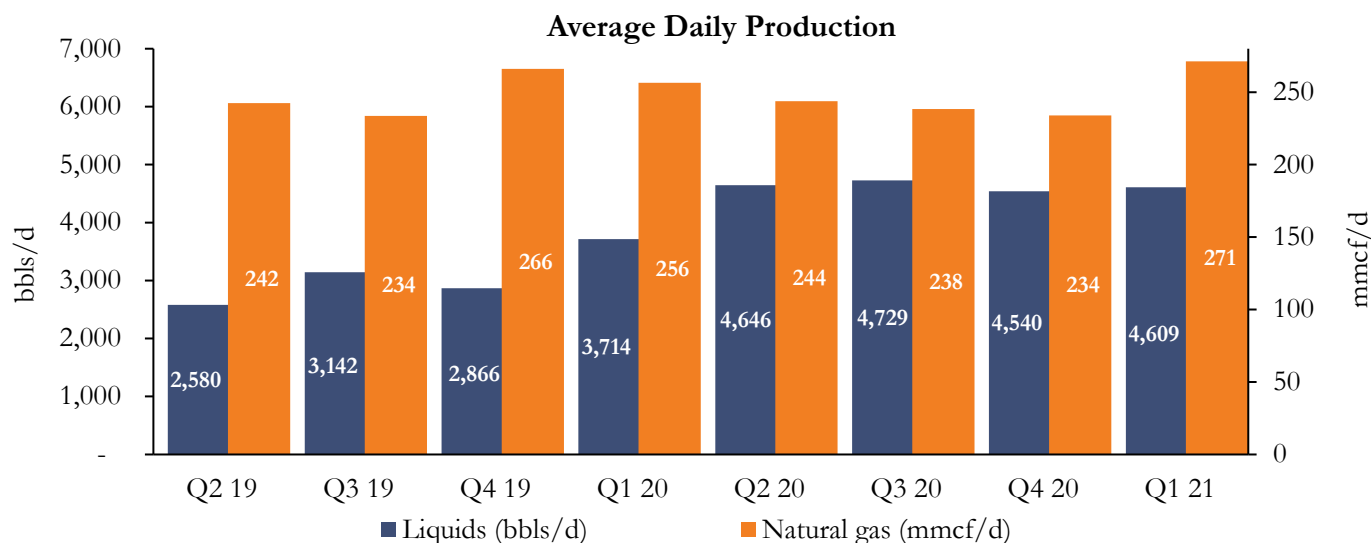
Advantage's natural gas sales excluding derivatives was \$77.3 million for the three months ended March 31, 2021, a 57% increase compared to the same period of 2020, primarily attributed to the increase in natural gas benchmark prices in the North American market (see "Commodity Prices and Marketing"), accompanied with increased natural gas production (see "Production").

Revenues from liquids production were generally higher for the three months ended March 31, 2021 as compared to the same period of 2020 with significantly increased crude oil benchmark prices (see "Commodity Prices and Marketing") in combination with higher production, other than condensate production that declined slightly.

Realized losses on commodity derivatives during the three months ended March 31, 2021 was \$4.6 million, a \$6.2 million decrease compared to the same period of 2020. Realized losses on commodity derivatives and changes from prior periods are the result of differences in natural gas and crude oil prices, and contracts outstanding during the three months ended March 31, 2021 and 2020 (see "Market Diversification and Commodity Risk Management").

Production

	Three months ended		% change
	March 31		
	2021	2020	
Crude oil (bbls/d)	1,395	1,172	19 %
Condensate (bbls/d)	721	979	(26) %
NGLs (bbls/d)	2,493	1,563	60 %
Total liquids production (bbls/d)	4,609	3,714	24 %
Natural gas (Mcf/d)	271,262	256,463	6 %
Total production (boe/d)	49,819	46,458	7 %
Liquids (%)	9 %	8 %	
Natural gas (%)	91 %	92 %	



For the three months ended March 31, 2021, Advantage achieved record total average production of 49,819 boe/d, a 7% increase from 46,458 boe/d for the same period of 2020, and a 14% increase as compared to the fourth quarter of 2020. Advantage's total average production increased as a result of fourteen new wells brought onstream at Glacier since July 2020. The Corporation's liquids production increased by 24% due to our focus on liquids development in Progress and Pipestone/Wembley in the first half of 2020. Liquids production has been stable for the last four quarters at an average of 4,631 bbls/d (1,720 bbls/d crude oil, 651 bbls/d condensate and 2,260 bbls/d NGLs) despite the Corporation's focus on gas development with no new oil wells drilled. Liquids production has remained flat due to stable liquid production from Wembley and contributions from recent liquid rich wells drilled at Glacier.

Commodity Prices and Marketing

Average Realized Prices	Three months ended		
	March 31		%
	2021	2020	change
Natural gas			
Excluding derivatives (\$/Mcf)	\$ 3.17	\$ 2.10	51 %
Including derivatives (\$/Mcf)	\$ 3.07	\$ 2.11	45 %
Crude oil			
Excluding derivatives (\$/bbl)	\$ 63.72	\$ 46.90	36 %
Including derivatives (\$/bbl)	\$ 46.90	\$ 60.82	(23) %
Condensate			
Excluding derivatives (\$/bbl) ⁽¹⁾	\$ 69.76	\$ 60.42	15 %
NGLs			
Excluding derivatives (\$/bbl) ⁽¹⁾	\$ 42.53	\$ 32.98	29 %
Average Benchmark Prices			
Natural Gas			
AECO daily (\$/Mcf)	\$ 3.12	\$ 2.04	53 %
AECO monthly (\$/Mcf)	\$ 2.93	\$ 2.14	37 %
Empress daily (\$/Mcf)	\$ 3.19	\$ 2.06	55 %
Henry Hub (\$US/MMbtu)	\$ 3.38	\$ 1.88	80 %
Emerson 2 daily (\$US/MMbtu)	\$ 2.91	\$ 1.75	66 %
Dawn daily (\$US/MMbtu)	\$ 2.93	\$ 1.76	66 %
Chicago Citygate (\$US/MMbtu)	\$ 2.62	\$ 1.95	34 %
Ventura (\$US/MMbtu)	\$ 2.66	\$ 1.72	55 %
Crude Oil			
WTI (\$US/bbl)	\$ 57.80	\$ 46.08	25 %
MSW Edmonton (\$/bbl)	\$ 67.59	\$ 52.77	28 %
Average Exchange rate (\$US/\$CDN)	0.7884	0.7446	6 %

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

Advantage's realized natural gas price excluding derivatives was \$3.17/Mcf for the three months ended March 31, 2021, a 51% increase to the same period of 2020. This increase was attributed to higher natural gas benchmark prices in all markets where Advantage physically delivers natural gas and has market diversification exposure. Advantage currently has market exposure at AECO, Dawn, Empress, Emerson, Chicago and Ventura. See "Market Diversification and Commodity Risk Management" for Advantage's total 2021 natural gas production portfolio.

Realized crude oil and condensate prices excluding derivatives increased by 36% and 15%, respectively, for the three months ended March 31, 2021, compared to the same period in 2020. Realized NGL prices increase by 29% for the three months ended March 31, 2021. The primary cause for the higher realized liquids prices is improved WTI prices, with continued recovery from decreased demand due to the COVID-19 pandemic. Approximately 65% 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. Commodity 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 up to 75% of total estimated production over the first three years and up to 50% over the fourth and fifth years. In addition, the Credit Facilities allow us to enter into basis swap arrangements to any natural gas price point in North America for up to 100,000 mmbtu/d with a maximum term of seven years. Basis swap arrangements are excluded from hedged production limits.

Our natural gas production and corresponding natural gas derivative contracts are expected to result in the realization of the following fixed market prices and variable market exposures for 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⁾	10 %
Chicago fixed price swaps	20.8	US\$2.38/Mcf	8 %
Henry Hub fixed price swaps	44.6	US\$2.78/Mcf	16 %
	97.2		35 %
Variable Price			
AECO physical	55.8	AECO	21 %
Dawn physical	44.9	Dawn ⁽²⁾	17 %
Empress physical	29.3	Empress ⁽³⁾	11 %
Emerson physical	6.7	Emerson ⁽⁴⁾	2 %
Midwest physical	37.9	Chicago, Ventura and Henry Hub less differentials ⁽⁵⁾	14 %
	174.6		65 %
Total Natural Gas ⁽⁶⁾	271.8		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 \$0.58/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 revised guidance for 2021 natural gas volumes (see New Release dated February 25, 2021).

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 ended March 31, 2021 and 2020 are as follows:

(\$000)	Three months ended March 31	
	2021	2020
Realized gains (losses) on derivatives		
Natural gas	\$ (2,464)	\$ 102
Crude oil	(2,112)	1,485
Foreign exchange	839	-
	\$ (3,737)	\$ 1,587
Unrealized gains (losses) on derivatives		
Natural gas	\$ (8,373)	\$ 3,245
Crude oil	(4,117)	11,905
Natural gas embedded derivative	(14,054)	-
Foreign exchange	111	-
	\$ (26,433)	\$ 15,150
Gains (losses) on derivatives		
Natural gas	\$ (10,837)	\$ 3,347
Crude oil	(6,229)	13,390
Natural gas embedded derivative	(14,054)	-
Foreign exchange	950	-
	\$ (30,170)	\$ 16,737

For the three months ended March 31, 2021, Advantage realized net losses on commodity and foreign exchange derivatives of \$3.7 million, due to the settlement of contracts with average derivative contract prices that were below average market prices. For the three months March 31, 2021, Advantage recognized a net unrealized loss on commodity and foreign exchange derivatives of \$26.4 million resulting from changes in the fair value of the Corporation's outstanding commodity and foreign exchange derivative contracts. For the three months ended March 31, 2021, the change in the fair value of our outstanding derivative contracts was significantly impacted by the decreased valuation of our natural gas derivative contracts due to widening of the AECO/Henry Hub basis, accompanied by the decreased valuation of our crude oil derivative contracts due to strengthening WTI prices.

In 2020, Advantage entered into a long-term natural gas supply agreement with a power generation facility 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 gains (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 ended March 31, 2021, the Corporation's embedded derivative resulted in an unrealized loss on the natural gas embedded derivative of \$14.1 million as a result of decreased long-term forward 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 April 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.

Royalty Expense

	Three months ended		
	March 31		%
	2021	2020	change
Royalty expense (\$000)	\$ 5,087	\$ 3,755	35 %
per boe	\$ 1.13	\$ 0.89	27 %
Royalty rate (%) ⁽¹⁾	5.1 %	5.9 %	(0.8) %

⁽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 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 ended March 31, 2021 increased by 35%, largely due to higher natural gas royalties from the increase in AECO natural gas prices in the first quarter of 2021.

Operating Expense

	Three months ended		
	March 31		%
	2021	2020	change
Operating expense (\$000)	\$ 10,985	\$ 9,647	14 %
per boe	\$ 2.45	\$ 2.28	7 %

Operating expense for the three months ended March 31, 2021 was \$11.0 million, a 14% increase compared to the same period of 2020. The increase in operating expense was primarily attributable to increased liquids production from additional third-party processing and liquids handling expenses associated with both Pipestone/Wembley and Progress when compared to the same period of 2020. Operating costs at Glacier remain low at less than \$1.80/boe. Operating expense per boe for the three months ended March 31, 2021 was \$2.45/boe and in-line with Advantage's annual guidance expectations.

Transportation Expense

	Three months ended			% change
	March 31			
	2021	2020		
Natural gas (\$000)	\$ 15,031	\$ 12,874		17 %
Liquids (\$000)	969	1,930		(50) %
Total transportation expense (\$000)	\$ 16,000	\$ 14,804		8 %
per boe	\$ 3.57	\$ 3.50		2 %

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 ended March 31, 2021 increased by 8% due to the Corporation having additional transportation expense associated with additional deliveries to Empress and Emerson that began in November of 2020 (see “Market Diversification and Commodity Risk Management”).

Operating Netback

	Three months ended			
	2021		2020	
	March 31	March 31	March 31	March 31
	\$000	per boe	\$000	per boe
Petroleum and natural gas sales from production	\$ 99,373	\$ 22.16	\$ 64,185	\$ 15.18
Realized gains (losses) on derivatives	(3,901)	(0.87)	1,587	0.38
Royalty expense	(5,087)	(1.13)	(3,755)	(0.89)
Operating expense	(10,985)	(2.45)	(9,647)	(2.28)
Transportation expense	(16,000)	(3.57)	(14,804)	(3.50)
Operating netback ⁽¹⁾	\$ 63,400	\$ 14.14	\$ 37,566	\$ 8.89

⁽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 March 31, 2021 was \$63.4 million or \$14.14/boe, an increase of 69% or \$5.25/boe compared to the same period of 2020. The increase in the Corporation’s operating netback per boe was primarily due to higher natural gas and liquids prices (see “Commodity Prices and Marketing”), offset by realized losses on derivatives (see “Market Diversification and Commodity Risk Management”).

General and Administrative Expense

	Three months ended		
	March 31		%
	2021	2020	change
General and administrative expense (\$000)	\$ 3,779	\$ 1,975	91 %
per boe	\$ 0.84	\$ 0.47	79 %
Employees at March 31	39	39	- %

General and administrative (“G&A”) expense for the three months ended March 31, 2021 was \$3.8 million or \$0.84/boe. The increase in G&A is primarily due to the increased valuation of the Deferred Share Units liability included in G&A, due to the significant increase in the Corporation’s share price, resulting in an increase of \$1.0 million when compared to the same period of 2020. Deferred Share Units become payable upon retirement of a Director from the Board.

Share-based Compensation

	Three months ended		
	March 31		%
	2021	2020	change
Share-based compensation (\$000)	\$ 1,610	\$ 2,383	(32) %
Capitalized (\$000)	(578)	(832)	(31) %
Share-based compensation expense (\$000)	\$ 1,032	\$ 1,551	(33) %
per boe	\$ 0.23	\$ 0.37	(38) %

The Corporation’s 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 \$1.0 million of share-based compensation expense during the three months ended March 31, 2021 and capitalized \$0.6 million. Total share-based compensation for the three months ended decreased by 32% as a result of the 2019 and 2020 long-term compensation plans being allocated to 50% Performance Share Units and 50% Performance Awards, resulting in decreased share-based compensation expense when compared to the same period in 2020.

Finance Expense and Interest Rate Risk Management

	Three months ended		% change
	March 31		
	2021	2020	
Cash finance expense (\$000)	\$ 5,643	\$ 3,498	61 %
per boe	\$ 1.26	\$ 0.84	54 %
Accretion expense (\$000)	\$ 300	\$ 198	52 %
Total finance expense (\$000)	\$ 5,943	\$ 3,696	61 %
per boe	\$ 1.33	\$ 0.87	53 %

Advantage realized higher cash finance expense during the three months ended March 31, 2021, due to the 15-year volume commitment agreement in the Glacier Gas Plant which is treated as a financing transaction. Payments relating to the financing liability began July 1, 2020, and the Corporation incurred \$2.2 million in interest associated with these payments in the first quarter of 2021. 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 March 31, 2021 and 2020 are as follows:

(\$000)	Three months ended	
	March 31	
	2021	2020
Realized losses on interest rate derivatives	\$ (164)	\$ -
Unrealized gains (losses) on interest rate derivatives	155	(238)
Losses on interest rate derivatives	\$ (9)	\$ (238)

Depreciation and Impairment Expense

	Three months ended		% change
	March 31		
	2021	2020	
Depreciation expense (\$000)	\$ 26,687	\$ 30,331	(12) %
per boe	\$ 5.95	\$ 7.17	(17) %
Impairment expense (\$000)	\$ -	\$ 361,000	nm

The decrease in depreciation expense during the three months ended March 31, 2021 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.

Taxes

	Three months ended		
	March 31 2021	March 31 2020	% change
Income tax expense (recovery) (\$000)	\$ 106	\$ (79,746)	nm

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three months ended March 31, 2021, the Corporation recognized income tax expense of \$0.1 million. The expense for the three months ended March 31, 2021 is a result of non-deductible share-based compensation expense, offset by a \$0.3 million loss before taxes. As at March 31, 2021, the Corporation had a deferred income tax asset of \$24.7 million. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax losses can be utilized.

Net Loss and Comprehensive Loss

	Three months ended		
	March 31 2021	March 31 2020	% change
Net loss and comprehensive loss (\$000)	\$ (425)	\$ (266,519)	nm
per share - basic	\$ 0.00	\$ (1.43)	nm
per share - diluted	\$ 0.00	\$ (1.43)	nm

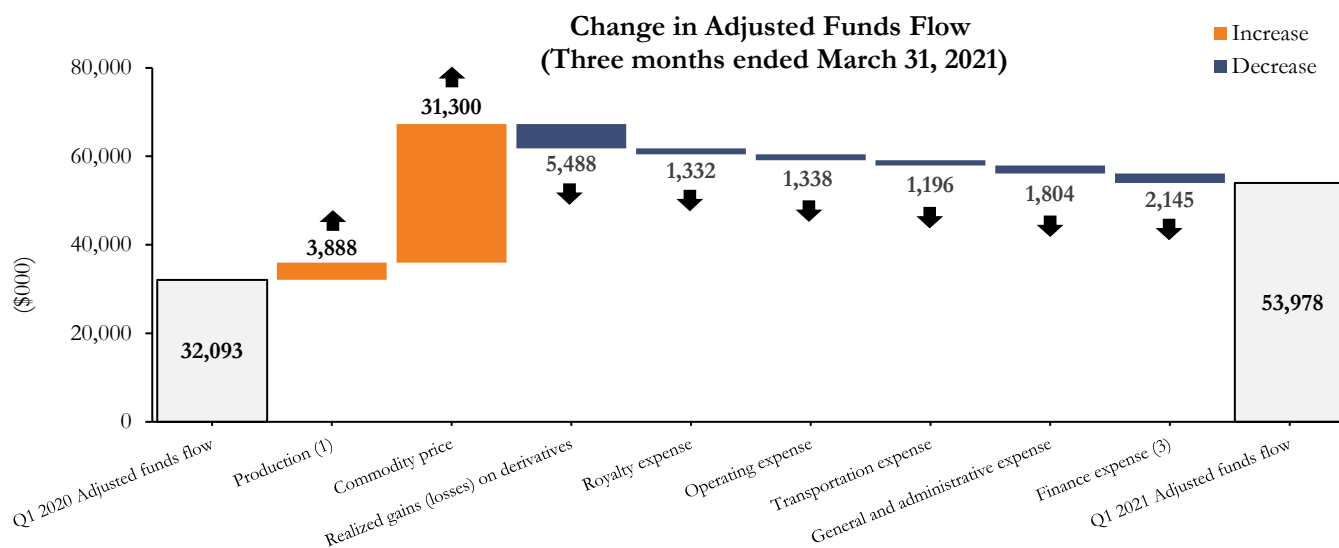
Advantage recognized a net loss of \$0.4 million for the three months ended March 31, 2021. Net loss and comprehensive loss was lower when compared to 2020, largely due to the Corporation recognizing a non-cash impairment expense of \$361 million in the first quarter of 2020, offset by a reduction in the income tax recovery and increased petroleum and natural gas sales.

Cash Provided by Operating Activities and Adjusted Funds Flow

(\$000, except as otherwise indicated)	Three months ended March 31	
	2021	2020
Cash provided by operating activities	\$ 51,566	\$ 20,826
Expenditures on decommissioning liability	14	179
Changes in non-cash working capital	2,398	11,088
Adjusted funds flow ⁽¹⁾	\$ 53,978	\$ 32,093
Adjusted funds flow per boe ⁽¹⁾	\$ 12.04	\$ 7.59
Adjusted funds flow per share ⁽¹⁾	\$ 0.29	\$ 0.17

⁽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 ended March 31, 2021, Advantage realized adjusted funds flow of \$54.0 million or \$0.29/share. The increase in adjusted funds flow for the three months ended March 31, 2021 was largely due to both increased natural gas and liquids prices and production, partially offset by higher realized losses on derivatives (see "Market Diversification and Commodity Risk Management").



⁽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

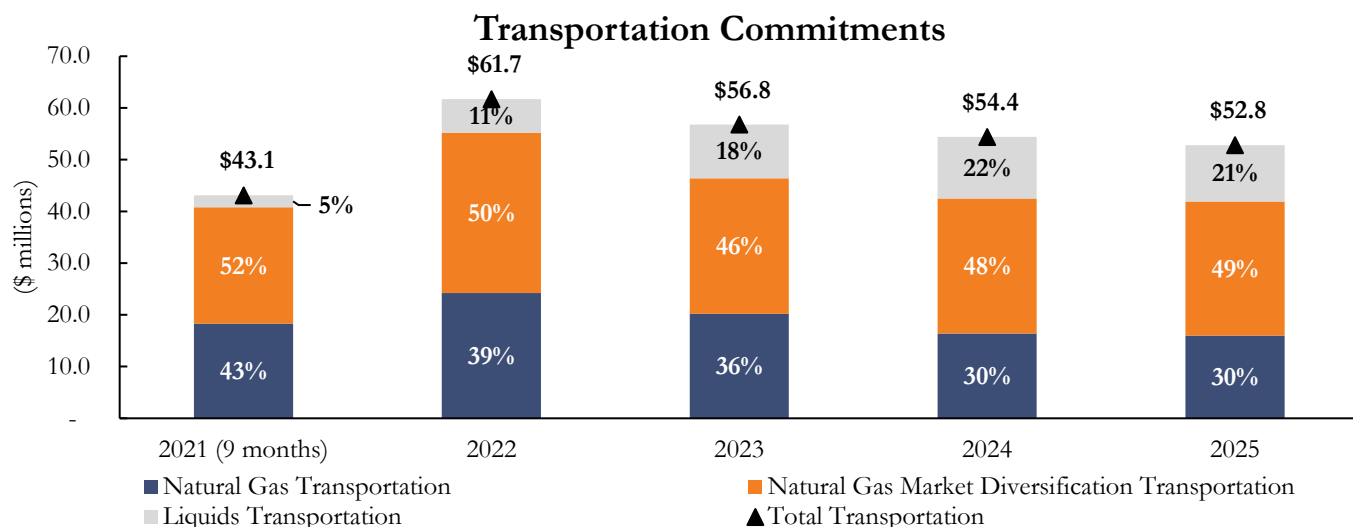
The Corporation has commitments and contractual obligations in the normal course of operations. Such commitments include operating costs for our head office lease, processing costs associated with natural gas at third party facilities, and transportation costs for delivery of our natural gas and liquids (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.

(\$ millions)	Payments due by period						
	Total	Nine Months					
		2021	2022	2023	2024	2025	Beyond
Building operating cost ⁽¹⁾	\$ 2.6	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.7
Processing	61.8	2.2	5.9	7.9	10.0	9.5	26.3
Transportation	470.6	43.1	61.7	56.8	54.4	52.8	201.8
Total commitments	\$ 535.0	\$ 45.6	\$ 68.0	\$ 65.1	\$ 64.8	\$ 62.7	\$ 228.8
Performance Awards	\$ 11.6	\$ -	\$ 5.6	\$ 6.0	\$ -	\$ -	\$ -
Lease liability	2.6	0.3	0.3	0.4	0.4	0.4	0.8
Financing liability	171.6	9.1	12.0	12.0	12.1	12.0	114.4
Bank indebtedness ⁽²⁾							
- principal	243.0	-	243.0	-	-	-	-
- interest	14.0	8.9	5.1	-	-	-	-
Total contractual obligations	\$ 442.8	\$ 18.3	\$ 266.0	\$ 18.4	\$ 12.5	\$ 12.4	\$ 115.2
Total future payments	\$ 977.8	\$ 63.9	\$ 334.0	\$ 83.5	\$ 77.3	\$ 75.1	\$ 344.0

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

(2) As at March 31, 2021 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 revolving period ending in June 2021 unless extended at the option of the syndicate for a further 364-day period. 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)	March 31 2021	December 31 2020
Bank indebtedness (non-current)	\$ 240,428	\$ 247,105
Working capital (surplus) deficit ⁽¹⁾	(25,924)	4,292
Net debt ⁽¹⁾	\$ 214,504	\$ 251,397
Shares outstanding	188,112,797	188,112,797
Shares closing market price (\$/share)	\$ 2.37	\$ 1.71
Market capitalization	\$ 445,827	\$ 321,673
Total capitalization	\$ 660,331	\$ 573,070
Net debt to adjusted funds flow ⁽¹⁾	1.7	2.4

⁽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 March 31, 2021, Advantage had a \$350 million Credit Facility of which \$92.0 million or 26% was available after deducting letters of credit of US\$14 million outstanding (see "Bank Indebtedness, Credit Facilities and Other Liabilities"). The Corporation's adjusted funds flow were utilized to fund our capital expenditure program of \$37.2 million and decrease bank indebtedness by \$6.7 million with a net debt to adjusted funds flow ratio of 1.7 times. Advantage continues to be focused on strengthening the 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 March 31, 2021, Advantage had bank indebtedness outstanding of \$240.4 million, a decrease of \$6.7 million since December 31, 2020. 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 ("LMR") as determined by the Alberta Energy Regulator is not less than 2.0. The borrowing base for the Credit Facilities is determined by the banking syndicate through an evaluation of our reserve estimates based upon the banking syndicates 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. The revolving period for the Credit Facilities will end in June 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. 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 surplus of \$25.9 million as at March 31, 2021, an increase of \$30.2 million compared to December 31, 2020 due to the receipt of project funding and 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.

In the first quarter of 2021, the Corporation received \$20 million funding to be utilized solely for project expenditures related to reducing emissions. Advantage shall not use the funding for more than 75% of the total project expenses, whereby any excess would result in a proportionate repayment of the project funding. The project to which the funding relates to is expected to be completed by the first quarter of 2022.

As at March 31, 2021, Advantage had a decommissioning liability of \$56.6 million (December 31, 2020 – \$60.9 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 \$56.0 million (December 31, 2020 – \$55.2 million), with 56% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the three months ended March 31, 2021 was nil (December 31, 2020 – \$1.1 million). Advantage continues to maintain an industry leading LMR of 24.7, demonstrating that the Corporation has no issues addressing its abandonment, remediation, and reclamation obligations.

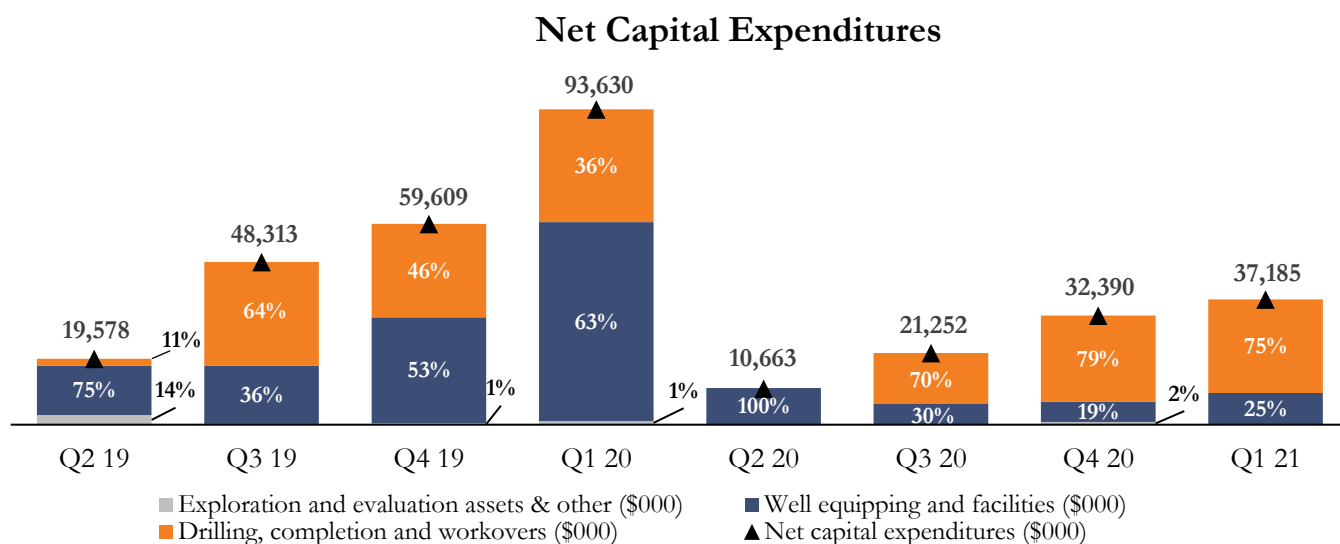
Shareholders' Equity

As at March 31, 2021, 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 three months ended March 31, 2021, and all outstanding stock options have expired. As at April 29, 2021, Advantage had 190.8 million common shares outstanding.

Cash Used in Investing Activities and Net Capital Expenditures

(\$000)	Three months ended March 31	
	2021	2020
Drilling, completion and workovers	\$ 27,809	\$ 33,466
Well equipping and facilities	9,212	59,137
Other	5	97
Expenditures on property, plant and equipment	37,026	92,700
Expenditures on exploration and evaluation assets	159	930
Net capital expenditures ⁽¹⁾	\$ 37,185	\$ 93,630
Changes in non-cash working capital	(2,116)	(28,409)
Project funding received	(20,000)	-
Cash used in investing activities	\$ 15,069	\$ 65,221

⁽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 \$37.2 million on property, plant, and equipment and exploration and evaluation assets during the three months ended March 31, 2021. During the first quarter of 2021, Advantage was focused on natural gas opportunities at Glacier to augment natural gas production and take advantage of increasing natural gas prices through the winter and beyond.

Glacier

Advantage's foundational Glacier gas property was the focus of our second half 2020 and first quarter 2021 capital program with 19 gross (19.0 net) wells drilled and 14 gross (14.0 net) wells completed. Of those wells, 6 were drilled and 8 completed in first quarter of 2021 while 14 of the 19 wells are on production utilizing Advantage owned infrastructure and surplus plant capacity and 5 wells are drilled and cased waiting to be completed during the third quarter of 2021.

Well performance of the 14 gross (14.0 net) wells placed on production has been exceptional with all wells achieving, on average, a post cleanup IP30 rate of 10.0 mmcf/d despite being choked back to minimize erosional risks and impacts on preexisting wells.

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

Valhalla/ Wembley/ Progress

Capital activity during the first quarter 2021 in our other assets was minor as the bulk of spending was at Glacier. All our assets provide strong well economics and future capital allocation will be directed to the highest rate of return projects in the prevailing commodity price environment.

Corporate

Advantage's current standing well inventory consists of 5 wells at Glacier that are drilled and cased. These wells will be completed during the third quarter of 2021.

In March and April of 2021, Advantage closed two complementary asset acquisitions consisting of 12.4 net sections of highly prospective Doig/Montney rights contiguous to our existing land base. This increases our Doig/Montney land position to 228 net sections (145,920 net acres) and enhances our deep inventory of 1,400 to 1,500 drill locations for prolific gas and liquids-rich wells. The acquisitions were facilitated by Advantage's dominant infrastructure position in the area. Total production of the assets was 130 boe/d (0.8 mmcf/d natural gas and 5 bbls/d NGLs), which was already tied into the Glacier Gas Plant.

Quarterly Performance

	2021		2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
(\$000, except as otherwise indicated)									
Financial Statement Highlights									
Sales including realized derivatives	\$ 94,797	69,930	\$ 55,763	\$ 48,593	\$ 65,772	\$ 76,921	\$ 56,927	\$ 60,017	
Net income (loss) and comprehensive income (loss)	\$ (425)	24,168	\$ (21,606)	\$ (20,088)	\$ (266,519)	\$ (1,844)	\$ (26,863)	\$ 3,372	
per basic share ⁽²⁾	\$ (0.00)	0.13	\$ (0.11)	\$ (0.11)	\$ (1.43)	\$ (0.01)	\$ (0.14)	\$ 0.02	
Basic weighted average shares (000)	188,113	188,113	188,113	187,901	186,911	186,911	186,911	186,858	
Cash provided by operating activities	\$ 51,566	30,260	\$ 25,271	\$ 24,357	\$ 20,826	\$ 39,965	\$ 27,323	\$ 44,292	
Cash provided by (used in) financing activities	\$ (7,548)	5,071	\$ (15,436)	\$ 23,492	\$ 34,960	\$ 20,115	\$ 5,010	\$ (20,309)	
Cash used in investing activities	\$ 15,069	37,325	\$ 11,220	\$ 44,855	\$ 65,221	\$ 50,365	\$ 36,258	\$ 27,303	
Other Financial Highlights									
Adjusted funds flow ⁽¹⁾	\$ 53,978	31,738	\$ 23,571	\$ 17,259	\$ 32,093	\$ 44,452	\$ 27,928	\$ 32,777	
per boe ⁽¹⁾	\$ 12.04	7.92	\$ 5.76	\$ 4.19	\$ 7.59	\$ 10.20	\$ 7.21	\$ 8.38	
per basic share ⁽¹⁾⁽²⁾	\$ 0.29	0.17	\$ 0.13	\$ 0.09	\$ 0.17	\$ 0.23	\$ 0.15	\$ 0.18	
Net capital expenditures ⁽¹⁾	\$ 37,185	32,390	\$ 21,252	\$ 10,663	\$ 93,630	\$ 59,609	\$ 48,313	\$ 19,578	
Working capital (surplus) deficit ⁽¹⁾	\$ (25,924)	4,292	\$ 9,093	\$ 3,295	\$ 34,284	\$ 7,996	\$ 13,322	\$ (1,891)	
Bank indebtedness	\$ 240,428	247,105	\$ 241,161	\$ 354,199	\$ 330,644	\$ 295,624	\$ 275,594	\$ 270,495	
Net debt ⁽¹⁾	\$ 214,504	251,397	\$ 250,254	\$ 357,494	\$ 364,928	\$ 303,620	\$ 288,916	\$ 268,604	
Operating Highlights									
Production									
Crude oil (bbls/d)	1,395	1,653	1,812	2,018	1,172	165	-	-	
Condensate (bbls/d)	721	653	605	627	979	1,172	1,388	1,184	
NGLs (bbls/d)	2,493	2,312	2,312	2,001	1,563	1,694	1,754	1,396	
Total liquids production (bbls/d)	4,609	4,729	4,729	4,646	3,714	3,031	3,142	2,580	
Natural gas (mcf/d)	271,262	238,315	238,315	243,749	256,463	266,035	233,625	242,409	
Total production (boe/d)	49,819	44,448	44,448	45,271	46,458	47,370	42,080	42,982	
Average prices (including realized derivatives)									
Natural gas (\$/mcf)	\$ 3.07	\$ 2.45	\$ 1.81	\$ 1.72	\$ 2.11	\$ 2.58	\$ 2.04	\$ 2.17	
Crude oil (\$/bbl)	\$ 46.90	\$ 56.98	\$ 49.03	\$ 37.52	\$ 60.82	\$ 84.85	\$ -	\$ -	
Condensate (\$/bbl)	\$ 69.76	\$ 50.29	\$ 49.66	\$ 16.09	\$ 60.42	\$ 66.24	\$ 66.52	\$ 70.33	
NGLs (\$/bbl)	\$ 42.06	\$ 27.04	\$ 24.45	\$ 14.44	\$ 32.98	\$ 33.68	\$ 28.54	\$ 35.99	
Operating Netback (\$/boe)									
Petroleum and natural gas sales from production	\$ 22.16	18.28	\$ 14.69	\$ 11.56	\$ 15.18	\$ 17.69	\$ 11.98	\$ 13.14	
Net sales of natural gas purchased from third parties ⁽¹⁾	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ (0.03)	\$ -	
Realized gains (losses) on derivatives	\$ (0.87)	(0.74)	\$ (1.03)	\$ 0.23	\$ 0.38	\$ (0.04)	\$ 2.72	\$ 2.20	
Royalty (expense) recovery	\$ (1.13)	(0.77)	\$ (0.63)	\$ (0.26)	\$ (0.89)	\$ (0.51)	\$ (0.06)	\$ 0.02	
Operating expense	\$ (2.45)	(2.68)	\$ (2.35)	\$ (2.43)	\$ (2.28)	\$ (1.89)	\$ (2.12)	\$ (1.89)	
Transportation expense	\$ (3.57)	(3.62)	\$ (3.12)	\$ (3.34)	\$ (3.50)	\$ (3.46)	\$ (3.58)	\$ (3.56)	
Operating netback ⁽¹⁾	\$ 14.14	10.47	\$ 7.56	\$ 5.76	\$ 8.89	\$ 11.79	\$ 8.91	\$ 9.91	

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

(2) Based on basic weighted average shares outstanding.

The table above highlights the Corporation's performance for the first quarter of 2021 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

Quarterly Performance (continued)

impacting the completion of new wells and a third-party facility outage, with first quarter 2021 production significantly increasing to 49,819 boe/d.

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. Sales and adjusted funds flow increased significantly in the first quarter of 2021 as a result of increased natural gas production accompanied with strong natural gas benchmark prices. 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.

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 infrastructure, 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.

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 tax 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).

Critical Accounting Estimates (continued)

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 assesses 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 three months ended March 31, 2021.

Accounting Pronouncements not yet Adopted

There have been no changes to accounting pronouncements not yet adopted during the three months ended March 31, 2021.

Evaluation of Disclosure Controls and Procedures

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

Evaluation of Internal Controls over Financial Reporting

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

Advantage's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during our most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the interim period ended March 31, 2021 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”, and “operating netback”, 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 and operating expense, and transportation expense to deliver production to sales points. 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”.

Conversion Ratio

The term “boe” or barrels of oil equivalent and “Mcf” or thousand cubic feet equivalent may be misleading, particularly if used in isolation. A boe or 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	- Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
“Condensate” & “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; 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; timing of certain projects to be completed; timing to complete wells at Glacier; 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 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.

Forward-Looking Information and Other Advisories (continued)

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.

Forward-Looking Information and Other Advisories (continued)

This document discloses drilling inventory in the three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from Sproule Associates Limited reserves evaluation effective December 31, 2020 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on our prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the 1,400 to 1,500 total drilling locations identified herein, 299 are proved locations, 38 are probable locations and 1,063 to 1163 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Corporation will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

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.

April 29, 2021

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

Advantage Oil & Gas Ltd.
Consolidated Statements of Financial Position

(unaudited, expressed in thousands of Canadian dollars)

	Notes	March 31 2021	December 31 2020
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 32,228	\$ 3,279
Trade and other receivables		35,543	28,491
Prepaid expenses and deposits		1,814	2,021
Derivative asset	7	4,003	6,862
Total current assets		73,588	40,653
Non-current assets			
Derivative asset	7	850	4,140
Exploration and evaluation assets	4	20,739	20,580
Right-of-use assets	5	1,961	2,036
Property, plant and equipment	6	1,447,899	1,441,492
Deferred income tax asset		24,702	24,808
Total non-current assets		1,496,151	1,493,056
Total assets		\$ 1,569,739	\$ 1,533,709
LIABILITIES			
Current liabilities			
Trade and other accrued liabilities		\$ 43,661	\$ 38,083
Derivative liability	7	20,476	13,303
Current portion of provisions and other liabilities	9	25,704	5,632
Total current liabilities		89,841	57,018
Non-current liabilities			
Derivative liability	7	36,754	23,798
Bank indebtedness	8	240,428	247,105
Provisions and other liabilities	9	161,371	165,628
Total non-current liabilities		438,553	436,531
Total liabilities		528,394	493,549
SHAREHOLDERS' EQUITY			
Share capital	11	2,360,647	2,360,647
Contributed surplus		115,890	114,280
Deficit		(1,435,192)	(1,434,767)
Total shareholders' equity		1,041,345	1,040,160
Total liabilities and shareholders' equity		\$ 1,569,739	\$ 1,533,709

Commitments (note 16)

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Oil & Gas Ltd.**Consolidated Statements of Comprehensive Loss**

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

	Notes	Three months ended March 31	
		2021	2020
Revenues			
Petroleum and natural gas sales from production	14	\$ 99,373	\$ 64,185
Royalty expense		(5,087)	(3,755)
Petroleum and natural gas revenue		94,286	60,430
Gains (losses) on derivatives	7	(30,179)	16,499
Total revenues and other income		64,107	76,929
Expenses			
Operating expense		10,985	9,647
Transportation expense		16,000	14,804
General and administrative expense		3,779	1,975
Share-based compensation expense	12	1,032	1,551
Depreciation expense	5,6	26,687	30,331
Impairment expense	6	-	361,000
Exploration and evaluation expense	4	-	190
Finance expense		5,943	3,696
Total expenses		64,426	423,194
Loss before taxes		(319)	(346,265)
Income tax (expense) recovery	10	(106)	79,746
Net loss and comprehensive loss		\$ (425)	\$ (266,519)
Net loss per share			
Basic	13	\$ 0.00	\$ (1.43)
Diluted		\$ 0.00	\$ (1.43)

See accompanying Notes to the Condensed Consolidated Financial Statements

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

(unaudited, expressed in thousands of Canadian dollars)

	Notes	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance, December 31, 2020		\$ 2,360,647	\$ 114,280	\$ (1,434,767)	\$ 1,040,160
Net loss and comprehensive loss		-	-	(425)	(425)
Share-based compensation	12	-	1,610	-	1,610
Balance, March 31, 2021		\$ 2,360,647	\$ 115,890	\$ (1,435,192)	\$ 1,041,345

	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		-	-	(266,519)	(266,519)
Share-based compensation	12	-	2,383	-	2,383
Balance, March 31, 2020		\$ 2,349,703	\$ 119,499	\$ (1,417,241)	\$ 1,051,961

See accompanying Notes to the Condensed Consolidated Financial Statements

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

	Notes	Three months ended March 31	
		2021	2020
Operating Activities			
Loss before taxes		\$ (319)	\$ (346,265)
Add (deduct) items not requiring cash:			
Unrealized (gains) losses on derivatives	7	26,278	(14,912)
Share-based compensation expense	12	1,032	1,551
Depreciation expense	5,6	26,687	30,331
Impairment expense	6	-	361,000
Exploration and evaluation expense	4	-	190
Accretion of decommissioning liability	9	300	198
Expenditures on decommissioning liability	9	(14)	(179)
Changes in non-cash working capital	15	(2,398)	(11,088)
Cash provided by operating activities		51,566	20,826
Financing Activities			
Increase (decrease) in bank indebtedness	8	(6,677)	35,020
Principal repayment of lease liability	9	(67)	(60)
Principal repayment of financing liability	9	(804)	-
Cash provided by (used in) financing activities		(7,548)	34,960
Investing Activities			
Payments on property, plant and equipment	6,15	(34,910)	(64,291)
Payments on exploration and evaluation assets	4	(159)	(930)
Project funding received	9	20,000	-
Cash used in investing activities		(15,069)	(65,221)
Increase (decrease) in cash and cash equivalents		28,949	(9,435)
Cash and cash equivalents, beginning of year		3,279	13,099
Cash and cash equivalents, end of period		\$ 32,228	\$ 3,664

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Oil & Gas Ltd.

Notes to the Condensed Consolidated Financial Statements

March 31, 2021 (unaudited)

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

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

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

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

2. Basis of preparation

(a) Statement of compliance

The Corporation prepares its condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”) as defined in the Chartered Professional Accountants Canada Handbook (the “CPA Canada Handbook”). The CPA Canada Handbook incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), including IAS 34, Interim Financial Reporting. The Corporation has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended December 31, 2020, except as noted below. Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of April 29, 2021, the date the Board of Directors approved the statements.

(b) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation’s accounting policies in the audited consolidated financial statements for the year ended December 31, 2020.

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

(c) Functional and presentation currency

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

3. Cash and cash equivalents

	March 31 2021	December 31 2020
Cash at financial institutions	\$ 32,228	\$ 3,279

Cash at financial institutions earns interest at floating rates based on daily deposit rates. As at March 31, 2021 cash at financial institutions included US\$1.7 million (December 31, 2020 - US\$0.9 million). Included in cash and cash equivalents as at March 31, 2021 is \$20.0 million held solely for project expenditures related to reducing emissions (note 9(b)). The Corporation only deposits cash with major financial institutions of high-quality credit ratings.

4. Exploration and evaluation assets

Balance at December 31, 2019	\$ 20,703
Additions	983
Lease expiries	(190)
Transferred to property, plant and equipment (note 6)	(916)
Balance at December 31, 2020	\$ 20,580
Additions	159
Balance at March 31, 2021	\$ 20,739

5. Right-of-use assets

Cost	Buildings		Other		Total
Balance at December 31, 2020 and March 31, 2021	\$	2,318	\$	186	\$ 2,504

Accumulated depreciation	Buildings		Other		Total
Balance at December 31, 2019	\$	112	\$	38	\$ 150
Depreciation		284		34	318
Balance at December 31, 2020	\$	396	\$	72	\$ 468
Depreciation		71		4	75
Balance at March 31, 2021	\$	467	\$	76	\$ 543

Net book value	Buildings		Other		Total
At December 31, 2020	\$	1,922	\$	114	\$ 2,036
At March 31, 2021	\$	1,851	\$	110	\$ 1,961

6. Property, plant and equipment

Cost	Petroleum & Natural Gas Properties	Furniture & Equipment	Total
Balance at December 31, 2019	\$ 2,647,964	\$ 6,442	\$ 2,654,406
Additions	156,702	250	156,952
Capitalized share-based compensation (note 12(b))	2,830	-	2,830
Changes in decommissioning liability (note 9(e))	2,904	-	2,904
Transferred from exploration and evaluation assets (note 4)	916	-	916
Balance at December 31, 2020	\$ 2,811,316	\$ 6,692	\$ 2,818,008
Additions	37,021	5	37,026
Capitalized share-based compensation (note 12(b))	578	-	578
Changes in decommissioning liability (note 9(e))	(4,585)	-	(4,585)
Balance at March 31, 2021	\$ 2,844,330	\$ 6,697	\$ 2,851,027

Accumulated depreciation	Petroleum & Natural Gas Properties	Furniture & Equipment	Total
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
Depreciation	26,551	61	26,612
Balance at March 31, 2021	\$ 1,397,789	\$ 5,339	\$ 1,403,128

Net book value	Petroleum & Natural Gas Properties	Furniture & Equipment	Total
At December 31, 2020	\$ 1,440,078	\$ 1,414	\$ 1,441,492
At March 31, 2021	\$ 1,446,541	\$ 1,358	\$ 1,447,899

During the three months ended March 31, 2021, Advantage capitalized general and administrative expenditures directly related to development activities of \$1.5 million included in additions (year ended December 31, 2020 - \$5.4 million).

Advantage included future development costs of \$1.8 billion (December 31, 2020 - \$1.9 billion) in property, plant and equipment costs subject to depreciation.

Impairment assessment

For the three months ended March 31, 2021, 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 March 31, 2021.

7. Financial risk management

As at March 31, 2021, 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.

7. 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 risks. The table below summarizes the realized gains (losses) and unrealized gains (losses) on derivatives recognized in net loss.

	Three months ended March 31	
	2021	2020
Realized gains (losses) on derivatives		
Natural gas	\$ (2,464)	\$ 102
Crude oil	(2,112)	1,485
Foreign exchange	839	-
Interest rate	(164)	-
Total	\$ (3,901)	\$ 1,587
Unrealized gains (losses) on derivatives		
Natural gas	\$ (8,373)	\$ 3,245
Crude oil	(4,117)	11,905
Natural gas embedded derivative	(14,054)	-
Foreign exchange	111	-
Interest rate	155	(238)
Total	\$ (26,278)	\$ 14,912
Gains (losses) on derivatives		
Natural gas	\$ (10,837)	\$ 3,347
Crude oil	(6,229)	13,390
Natural gas embedded derivative	(14,054)	-
Foreign exchange	950	-
Interest rate	(9)	(238)
Total	\$ (30,179)	\$ 16,499

7. Financial risk management (continued)

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

	March 31	December 31	
	2021	2020	
Derivative type			
Natural gas derivative liability	\$ (38,025)	\$ (29,652)	
Crude oil derivative liability	(6,171)	(2,054)	
Natural gas embedded derivative asset (liability)	(10,660)	3,394	
Foreign exchange derivative asset	3,126	3,015	
Interest rate derivative liability	(647)	(802)	
Net derivative liability	\$ (52,377)	\$ (26,099)	
Consolidated statement of financial position classification			
Current derivative asset	\$ 4,003	\$ 6,862	
Non-current derivative asset	850	4,140	
Current derivative liability	(20,476)	(13,303)	
Non-current derivative liability	(36,754)	(23,798)	
Net derivative liability	\$ (52,377)	\$ (26,099)	

7. Financial risk management (continued)

(a) Commodity price risk

The Corporation's commodity derivative contracts are classified as Level 2 within the fair value hierarchy. As at March 31, 2021, the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - Dawn			
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 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	April 2021 to October 2021	10,000 Mcf/d	US \$2.91/Mcf
Fixed price swap	November 2021 to March 2022	10,000 Mcf/d	US \$3.09/Mcf
Natural gas - Chicago Citygate			
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
Crude oil - WTI NYMEX			
Fixed price swap	January 2021 to June 2021	250 bbls/d	US \$50.25/bbl
Fixed price swap	January 2021 to December 2021	1,250 bbls/d	US \$44.82/bbl
Fixed price swap	March 2021 to December 2021	250 bbls/d	US \$57.25/bbl
Fixed price swap	April 2021 to December 2021	250 bbls/d	US \$61.00/bbl
Fixed price swap	July 2021 to December 2021	250 bbls/d	US \$50.75/bbl

7. Financial risk management (continued)

(a) 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 March 31, 2021 the fair value of the natural gas embedded derivative resulted in a liability of \$10.7 million (December 31, 2020 – \$3.4 million asset).

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 March 31, 2021, the implied inflation rate in the 5-year PJM power forecast averaged 2% 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 \$2.9 million. Had the PJM electricity power forecast increased/decreased by 10%, this would have resulted in a \$17.6 million increase, or a \$9.9 million decrease.

(b) Foreign exchange risk

The Corporation's foreign exchange derivative contracts are classified as Level 2 within the fair value hierarchy. As at March 31, 2021, 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	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 called.

(c) Interest rate risk

The Corporation's interest rate derivative contracts are classified as Level 2 within the fair value hierarchy. As at March 31, 2021, the Corporation had the following interest rate derivative contracts in place:

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

7. Financial risk management (continued)

(d) Capital management

Advantage's capital structure as at March 31, 2021 and December 31, 2020 is as follows:

	March 31	December 31
	2021	2020
Bank indebtedness (non-current) (note 8)	\$ 240,428	\$ 247,105
Working capital (surplus) deficit ⁽¹⁾	(25,924)	4,292
Net debt ⁽²⁾	\$ 214,504	\$ 251,397
Shares outstanding (note 11)	188,112,797	188,112,797
Share closing market price (\$/share)	\$ 2.37	\$ 1.71
Market Capitalization	445,827	321,673
Total Capitalization	\$ 660,331	\$ 573,070

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

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

8. Bank indebtedness

	March 31	December 31
	2021	2020
Revolving credit facility	\$ 243,000	\$ 248,000
Discount on bankers' acceptance and other fees	(2,572)	(895)
Balance, end of period	\$ 240,428	\$ 247,105

The Credit Facilities have a 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 revolving period for the Credit Facilities will end in June 2021 unless extended at the option of the syndicate for a further 364-day period. If not extended, the credit facility will be converted at that time into a one-year term facility, with the principal payable at the end of such one-year term. The Corporation had letters of credit of US\$14 million outstanding at March 31, 2021. The Corporation did not have any financial covenants at March 31, 2021 and December 31, 2020.

9. Provisions and other liabilities

	Three months ended		Year ended	
	March 31, 2021		December 31, 2020	
Performance Awards (note 12)	\$	5,605	\$	4,620
Deferred revenue (a)		6,603		6,603
Project funding (b)		20,000		-
Lease liability (c)		2,212		2,279
Financing liability (d)		96,060		96,864
Decommissioning liability (e)		56,595		60,894
Balance, end of period	\$	187,075	\$	171,260
Current portion of provisions and other liabilities	\$	25,704	\$	5,632
Provisions and other liabilities	\$	161,371	\$	165,628

(a) Deferred revenue

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

(b) Project funding

The Corporation received \$20.0 million in funding to be utilized solely for project expenditures related to reducing emissions. Advantage shall not use the funding for more than 75% of the total project expenses, whereby any excess would result in a proportionate repayment of the project funding. The project which the funding relates to is expected to be completed by the first quarter of 2022.

(c) 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:

	Three months ended		Year ended	
	March 31, 2021		December 31, 2020	
Balance, beginning of the year	\$	2,279	\$	2,537
Interest expense		24		102
Lease payments		(91)		(360)
Balance, end of period	\$	2,212	\$	2,279
Current lease liability	\$	266	\$	256
Non-current lease liability	\$	1,946	\$	2,023

9. Provisions and other liabilities (continued)

(d) Financing liability

The Corporation has a 15-year take-or-pay volume commitment agreement to deliver 50 mmcf/d to the Glacier Gas Plant 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 during the 15-year term regardless of physical delivery. The effective interest rate associated with the financing transaction is 9.1%.

A reconciliation of the financing liability is provided below:

	Three months ended		Year ended	
	March 31, 2021		December 31, 2020	
Balance, beginning of the year	\$	96,864	\$	-
Additions, net of transaction cost		-		98,453
Interest expense		2,166		4,483
Financing payments		(2,970)		(6,072)
Balance, end of period	\$	96,060	\$	96,864
Current financing liability	\$	3,452	\$	3,376
Non-current financing liability	\$	92,608	\$	93,488

(e) 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 1.97% (December 31, 2020 - 1.24%) and an inflation factor of 2.0% (December 31, 2020 - 1.5%) were used to calculate the fair value of the decommissioning liability at March 31, 2021. As at March 31, 2021, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$56.0 million (December 31, 2019 - \$55.2 million).

A reconciliation of the decommissioning liability is provided below:

	Three months ended		Year ended	
	March 31, 2021		December 31, 2020	
Balance, beginning of the year	\$	60,894	\$	58,273
Accretion expense		300		797
Liabilities incurred		1,009		1,575
Plant disposition		-		(625)
Change in estimates		(1,296)		(690)
Effect of change in risk-free rate and inflation rate factor		(4,298)		2,644
Liabilities settled		(14)		(1,080)
Balance, end of period	\$	56,595	\$	60,894
Current decommissioning liability	\$	1,986	\$	2,000
Non-current decommissioning liability	\$	54,609	\$	58,894

9. Provisions and other liabilities (continued)

(f) Contractual maturities

The following table details the undiscounted cash flows and contractual maturities of the Corporation's Performance Awards, lease liability and financing liability, as at March 31, 2021:

(\$ millions)	Payments due by period						
	Total	Nine months					Beyond
		2021	2022	2023	2024	2025	
Performance Awards	\$ 11.6	\$ -	\$ 5.6	\$ 6.0	\$ -	\$ -	\$ -
Lease liability	2.6	0.3	0.3	0.4	0.4	0.4	0.8
Financing liability	171.6	9.1	12.0	12.0	12.1	12.0	114.4
Total fixed payments	\$ 185.8	\$ 9.4	\$ 17.9	\$ 18.4	\$ 12.5	\$ 12.4	\$ 115.2

10. Income taxes

	Three months ended	
	2021	2020
Income tax expense (recovery)	\$ 106	\$ (79,756)

Income tax expense (recovery) is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

11. Share capital

(a) Authorized

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

(b) Issued

	Common Shares	Amount
Balance at December 31, 2019	186,910,848	\$ 2,349,703
Shares issued on Performance Share Unit settlements	1,201,949	-
Contributed surplus transferred on Performance Share Unit settlements	-	10,944
Balance at December 31, 2020 and March 31, 2021	188,112,797	\$ 2,360,647

12. Long-term compensation plans

(a) 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 Units 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 March 31, 2021, no Restricted Share Units have been granted.

The following table is a continuity of Performance Share Units:

	Performance Share Units
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
Forfeited	(60,282)
Balance at March 31, 2021	5,183,316

(b) Share-based compensation expense

Share-based compensation recognized for the three months ended March 31, 2021 and 2020 is as follows:

	Three months ended March 31	
	2021	2020
Performance Share Units	\$ 1,610	\$ 2,383
Capitalized	(578)	(832)
Share-based compensation expense	\$ 1,032	\$ 1,551

12. Long-term compensation plans (continued)

(c) Performance Award Incentive Plan - Performance Awards

Under the Performance Award Incentive Plan, service providers can be granted cash Performance Awards. Such grants vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. Performance Awards are expensed to general and administrative expense with the recording of a non-current liability (note 9) until eventually settled in cash.

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

	Three months ended		Year ended	
	March 31, 2021		December 31, 2020	
Balance, beginning of the year	\$	4,620	\$	1,252
Performance Award expense		972		3,339
Interest expense		13		29
Balance, end of period	\$	5,605	\$	4,620

(d) Deferred Share Units

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

The following table is a continuity of Deferred Share Units:

	Deferred Share Units
Balance at December 31, 2019	441,863
Granted	187,467
Balance at December 31, 2020	629,330
Granted	42,396
Balance at March 31, 2021	671,726

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

	Three months ended		Year ended	
	March 31, 2021		December 31, 2020	
Balance, beginning of the year	\$	1,076	\$	1,215
Granted		96		364
Revaluation of outstanding Deferred Share Units		420		(503)
Balance, end of period	\$	1,592	\$	1,076

13. Net loss per share

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

	Three months ended	
	March 31	
	2021	2020
Net loss		
Basic and diluted	\$ (425)	\$ (266,519)
Weighted average shares outstanding		
Basic	188,112,797	186,910,848
Performance Share Units	-	-
Diluted	188,112,797	186,910,848
Net loss per share		
Basic	\$ 0.00	\$ (1.43)
Diluted	\$ 0.00	\$ (1.43)

14. Revenues

Advantage's revenue is comprised of natural gas, crude oil, condensate and NGLs sales to multiple customers. For the three months ended March 31, 2021 and 2020, petroleum and natural gas sales from production was as follows:

	Three months ended	
	March 31	
	2021	2020
Natural gas	\$ 77,304	\$ 49,109
Crude oil	8,000	5,002
Condensate	4,527	5,383
NGLs	9,542	4,691
Total	\$ 99,373	\$ 64,185

At March 31, 2021, receivables from contracts with customers, which are included in trade and other receivables, were \$34.6 million (December 31, 2020 – \$27.1 million).

15. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended March 31	
	2021	2020
Source (use) of cash:		
Trade and other receivables	\$ (7,052)	\$ 6,474
Prepaid expense and deposits	207	273
Trade and other accrued liabilities	5,578	10,106
Performance Awards	985	468
Deferred revenue	-	-
	\$ (282)	\$ 17,321
Related to operating activities	\$ (2,398)	\$ (11,088)
Related to financing activities	-	-
Related to investing activities	2,116	28,409
	\$ (282)	\$ 17,321
Cash interest paid	\$ 7,320	\$ 3,478
Cash income taxes paid	\$ -	\$ -

16. Commitments

At March 31, 2021 Advantage had commitments relating to building operating cost of \$2.6 million, processing commitments of \$61.8 million and transportation commitments of \$470.6 million. The estimated remaining payments are as follows:

(\$ millions)	Payments due by period						
	Total	Nine months 2021	2022	2023	2024	2025	Beyond
Building operating cost ⁽¹⁾	\$ 2.6	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.7
Processing	61.8	2.2	5.9	7.9	10.0	9.5	26.3
Transportation	470.6	43.1	61.7	56.8	54.4	52.8	201.8
Total commitments	\$ 535.0	\$ 45.6	\$ 68.0	\$ 65.1	\$ 64.8	\$ 62.7	\$ 228.8

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

ABBREVIATIONS

Crude Oil and Natural Gas Liquids

bbl	barrel
bbls	barrels
Mbbls	thousand barrels
NGLs	natural gas liquids
BOE or boe	barrel of oil equivalent
Mboe	thousand barrels of oil equivalent

MMboe	million barrels of oil equivalent
boe/d	barrels of oil equivalent per day
bbls/d	barrels of oil per day

Natural Gas

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

Other

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

Directors

Jill T. Angevine ⁽¹⁾⁽³⁾⁽⁴⁾
Stephen E. Balog ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
Grant B. Fagerheim ⁽²⁾⁽³⁾
Paul G. Haggis ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
Andy J. Mah
Ronald A. McIntosh ⁽²⁾⁽⁴⁾
Donald M. Clague ⁽¹⁾⁽²⁾

⁽¹⁾ Member of Audit Committee
⁽²⁾ Member of Reserve Evaluation Committee
⁽³⁾ Member of Compensation Committee
⁽⁴⁾ Member of Governance Committee

Officers

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

Corporate Secretary

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

Auditors

PricewaterhouseCoopers LLP

Bankers

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

Independent Reserve Evaluators

Sproule Associates Limited

Legal Counsel

Burnet, Duckworth and Palmer LLP

Transfer Agent

Computershare Trust Company of Canada

Corporate Office

2200, 440 – 2nd Avenue SW
Calgary, Alberta T2P 5E9
(403) 718-8000

Contact Us

Toll free: 1-866-393-0393
Email: ir@advantageog.com
Visit our website at www.advantageog.com

Toronto Stock Exchange Trading Symbol

AAV



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2200, 440 – 2nd Avenue SW
Calgary, Alberta T2P 5E9
(403) 718-8000

Contact Us

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Email: ir@advantageog.com
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