2021 Third Quarter Report

Financial and Operating Highlights

($000, except as otherwise indicated)	Three months ended September 30 2021	2020	Nine months ended September 30 2021	2020
Financial Statement Highlights				
Sales including realized derivatives	**$ 110,344**	$ 55,763	**$ 293,653**	$ 170,128
Net income (loss) and comprehensive income (loss)	**$ 43,098**	$ (21,606)	**$ 51,398**	$ (308,213)
per basic share (2)	**$ 0.23**	$ (0.11)	**$ 0.27**	$ (1.64)
Basic weighted average shares (000)	**190,829**	188,113	**189,824**	187,643
Cash provided by operating activities	**$ 46,988**	$ 25,271	**$ 155,688**	$ 70,454
Cash provided by (used in) financing activities	**$ (26,960)**	$ (15,436)	**$ (55,988)**	$ 43,016
Cash used in investing activities	**$ (36,940)**	$ (11,220)	**$ (72,843)**	$ (121,296)
Other Financial Highlights				
Adjusted funds flow (1)	**$ 63,353**	$ 23,571	**$ 163,597**	$ 72,923
per boe (1)	**$ 13.77**	$ 5.76	**$ 12.00**	$ 5.86
per basic share (1)(2)	**$ 0.33**	$ 0.13	**$ 0.86**	$ 0.39
Net capital expenditures (1)	**$ 31,352**	$ 21,252	**$ 91,019**	$ 125,545
Working capital surplus (deficit) (1)	**$ (25,891)**	$ 9,093	**$ (25,891)**	$ 9,093
Bank indebtedness	**$ 193,828**	$ 241,161	**$ 193,828**	$ 241,161
Net debt (1)	**$ 167,937**	$ 250,254	**$ 167,937**	$ 250,254
Operating Highlights				
Production				
Crude oil (bbls/d)	**1,038**	1,812	**1,197**	1,668
Condensate (bbls/d)	**1,002**	605	**788**	736
NGLs (bbls/d)	**2,684**	2,312	**2,557**	1,960
Total liquids production (bbls/d)	**4,724**	4,729	**4,542**	4,364
Natural gas (Mcf/d)	**271,804**	238,315	**272,467**	246,147
Total production (boe/d)(1)	**50,025**	44,448	**49,953**	45,389
Average realized prices (including realized derivatives)				
Natural gas ($/Mcf)	**$ 3.48**	$ 1.81	**$ 3.12**	$ 1.88
Liquids ($/bbl)	**$ 53.42**	$ 49.03	**$ 49.68**	$ 47.15
Operating Netback ($/boe)				
Petroleum and natural gas sales from production	**$ 29.19**	$ 14.69	$ **24.40**	$ 13.82
Realized losses on derivatives	**(5.21)**	(1.03)	**(2.75)**	(0.14)
Royalty expense	**(1.75)**	(0.63)	**(1.36)**	(0.60)
Operating expense	**(2.38)**	(2.35)	**(2.35)**	(2.35)
Transportation expense	**(3.86)**	(3.12)	**(3.72)**	(3.32)
Operating netback (2)	**$ 15.99**	$ 7.56	$ **14.22**	$ 7.41

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

MESSAGE TO SHAREHOLDERS

Advantage Announces Third Quarter 2021 Financial and Operating Results

Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to report its third quarter 2021 results including record production, record free cash flow(a) and accelerated debt reduction.

Operational performance of our summer development program exceeded expectations, with many of our new wells ranking amongst the best producers in our history. With elevated commodity prices presiding through much of the quarter and excess plant capacity available for new volumes, the average payout of new wells fell to less than 7 months from the on-stream date.

Operating and Financial Highlights for the Quarter

- Cash provided by operating activities of $47.0 million
- Record adjusted funds flow ("AFF")(a) of $63.4 million ($0.33 per share)
- Record free cash flow ("FCF")(a) of $32.0 million
- Record total production of 50,025 boe/d (271.8 mmcf/d natural gas, 4,724 bbls/d liquids), up 13% over Q3 2020
- Liquids production of 4,724 bbls/d (1,038 bbls/d oil, 1,002 bbls/d condensate, and 2,684 bbls/d NGLs)
- Cash used in investing activities was $36.9 million while net capital expenditures(a) were $31.4 million
- Net debt(a) decreased to $167.9 million while net debt to AFF(a) ratio fell to 0.9x
- Operating costs remained low at $2.38/boe

Operational Update

- At Glacier, a five-well pad was brought onstream and delivered an average IP30 of 10 mmcf/d per well (post-cleanup). Three of Advantage's four best Glacier multi-well pads have been drilled in the last 18 months.
- Two wells were completed in central Valhalla, ranking as the first and seventh best wells Advantage has ever drilled, with wellhead IP30s of 2,410 boe/d (10.3 mmcf/d natural gas and 693 bbls/d condensate) and 1,964 boe/d (9.4 mmcf/d natural gas and 426 bbls/d condensate), respectively. Frac designs were 1.5 tonnes/meter, typical of our 2021 program.
- A new, Advantage-operated joint venture was established at Glacier where lands were pooled with a third-party, increasing the inventory of 2 mile long top-tier wells by 24 gross wells (12 net). Drilling of four 50% working interest wells on these lands has begun with targeted onstream dates early in the first quarter of 2022. Benefits of the joint venture include operational efficiencies and ancillary revenue from approximately 10 mmcf/d of additional third-party processing in 2022.
- All major equipment for the Glacier Gas Plant Carbon Capture and Storage project (Phase I) is under construction; expected on-stream date remains April 2022.

Marketing Update

Advantage has hedged approximately 36% of its natural gas production for fourth quarter 2021 and 10% for 2022. These hedges are fixed price swaps denominated at AECO, Henry Hub, Dawn and Chicago, reflective of the market exposures in our natural gas diversification strategy.

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.

Looking Forward

Capital guidance for 2021 remains at $140 to $150 million and the mid-point of production guidance remains at 49,500 boe/d. With drilling results continuing to exceed expectations, annual production per share growth is now likely to be approximately 10%. Advantage plans to announce 2022 guidance before year-end, with a focus on optimizing balance sheet strength, acquisition opportunities, moderate gas production growth, and increasing oil production to balance commodity exposure.

Advantage will continue to fortify its balance sheet and maximize returns for its shareholders by executing on its strategy to:

- Continue to deliver moderate (approximately 10%) production growth for gas-weighted assets utilizing existing capacity at our Glacier Gas Plant
- Enhance corporate resilience and scale using several tactics:
    - growing our liquids assets to balance our exposure to gas pricing
    - pursue revenue-generating cleantech investments through the Corporation's subsidiary Entropy Inc. ("Entropy") that will leverage our carbon capture and sequestration technology and expertise
    - pursue acquisitions that create efficiencies, resilience and scale
- Potentially return capital to shareholders

Advantage appreciates the contributions of our staff that led to strong performance this quarter, and the support of our board of directors and investors; we look forward to progressing the Corporation's strategy through the dynamic markets ahead.

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; that Advantage will operate future development at Glacier on lands pooled with a third party; the timing for wells to come on-stream at Glacier and the additional third-party processing revenue expected to be derived therefrom; the timing of the Glacier Gas Plant Carbon Capture and Storage project (Phase I) to come on-stream; Advantage's expectations of when it will announce its 2022 guidance and the primary focus thereof; anticipated capital spending, production and production growth in 2021; Advantage's ability to fortify its balance sheet and maximize returns for its shareholders; Advantage's ability to enhance corporate resilience and scale; Advantage's expectations to return capital to its shareholders; Advantage's hedging program; Advantage's go-forward strategy, its reasons therefor and the results and benefits to be derived therefrom; and the Corporation's targeted 2021 production growth. 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; Advantage's 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; ability to access sufficient capital from internal and external sources; that the Glacier Gas Plant Carbon Capture and Storage project (Phase I) will not come on-stream when expected; that Advantage will not announce its 2022 guidance when expected; and that Advantage will not be able to return capital to its shareholders. 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; that Entropy will have the ability to develop its technology in the manner currently contemplated; that the Glacier Gas Plant Carbon Capture and Storage project (Phase I) will come on-stream; the anticipated benefits and results from Entropy's technology; 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 (mcfe) may be misleading, particularly if used in isolation. Boe and mcfe 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 mcfe 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 expenditure is provided below:

	Three months ended September 30		Nine months ended September 30	
($000)	2021	2020	2021	2020
Cash used in investing activities	$ 36,940	$ 11,220	$ 72,843	$ 121,296
Changes in non-cash working capital	(5,608)	10,032	(1,867)	4,249
Project funding received, net of incurred cost	20	-	20,043	-
Net capital expenditures	$ 31,352	$ 21,252	$ 91,019	$ 125,545

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.

Non-GAAP Measures (continued)

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)		September 30 2021		December 31 2020
Bank indebtedness (non-current)	$	193,828	$	247,105
Working capital (surplus) deficit		(25,891)		4,292
Net debt	$	167,937	$	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:

	Three months ended September 30				Nine months ended September 30			
($000)		2021		2020		2021		2020
Cash provided by operating activities	$	46,988	$	25,271	$	155,688	$	70,454
Expenditures on decommissioning liability		438		267		780		470
Changes in non-cash working capital		15,927		(1,967)		7,129		1,999
Adjusted funds flow	$	63,353	$	23,571	$	163,597	$	72,923

Net Debt to Adjusted Funds Flow

Net debt to adjusted funds flow is a non-GAAP ratio, and is calculated by dividing net debt by adjusted funds 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.

Free Cash Flow

Advantage computes free cash flow as adjusted funds flow less net capital expenditures. Advantage uses free cash flow as an indicator of the efficiency and liquidity of Advantage's business by measuring its cash available after net capital expenditures to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares.

Non-GAAP Measures (continued)

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. A detailed calculation of operating netback is provided below:

	Three months ended September 30			
	2021		2020	
	$000	per boe	$000	per boe
Petroleum and natural gas sales from production	$ 134,354	$ 29.19	$ 60,063	$ 14.69
Realized losses on derivatives	(23,963)	(5.21)	(4,209)	(1.03)
Royalty expense	(8,059)	(1.75)	(2,566)	(0.63)
Operating expense	(10,967)	(2.38)	(9,615)	(2.35)
Transportation expense	(17,754)	(3.86)	(12,754)	(3.12)
Operating netback	$ **73,611**	$ **15.99**	$ **30,919**	$ **7.56**

	Nine months ended September 30			
	2021		2020	
	$000	per boe	$000	per boe
Petroleum and natural gas sales from production	$ 332,780	$ 24.40	$ 171,882	$ 13.82
Realized losses on derivatives	(37,490)	(2.75)	(1,691)	(0.14)
Royalty expense	(18,602)	(1.36)	(7,407)	(0.60)
Operating expense	(32,023)	(2.35)	(29,255)	(2.35)
Transportation expense	(50,672)	(3.72)	(41,329)	(3.32)
Operating netback	$ **193,993**	$ **14.22**	$ **92,200**	$ **7.41**

The following terms and abbreviations used in this press release have the meanings set forth below:

bbl	*one barrel*
bbls/d	*barrels per day*
boe	*barrels of oil equivalent of natural gas, on the basis of one barrel of oil or NGLs for six thousand cubic feet of natural gas*
boe/d	*barrels of oil equivalent of natural gas per day*
mcf	*thousand cubic feet*
mcf/d	*thousand cubic fee per day*
mcfe	*thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or NGLs*
mmcf/d	*million cubic feet per day*
Crude oil and condensate	*Light crude oil and medium crude oil as defined in National Instrument 51-101*
NGLs	*Natural Gas Liquids as defined in National Instrument 51-101*
Natural gas	*Conventional Natural Gas as defined in National Instrument 51-101*

(Formerly, Advantage Oil & Gas Ltd.)

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

For the three and nine months ended September 30, 2021 and 2020

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

On May 18, 2021, Advantage Oil & Gas Ltd. changed its name to Advantage Energy Ltd. as approved by its shareholders. The following Management's Discussion and Analysis ("MD&A"), dated as of October 28, 2021, provides a detailed explanation of the consolidated financial and operating results of Advantage Energy Ltd. ("Advantage", the "Corporation", "us", "we" or "our") for the three and nine months ended September 30, 2021 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 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

($000, except as otherwise indicated)	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Financial Statement Highlights				
Sales including realized derivatives	**$ 110,344**	$ 55,763	**$ 293,653**	$ 170,128
Net income (loss) and comprehensive income (loss)	**$ 43,098**	$ (21,606)	**$ 51,398**	$ (308,213)
per basic share [(2)]	**$ 0.23**	$ (0.11)	**$ 0.27**	$ (1.64)
Basic weighted average shares (000)	**190,829**	188,113	**189,824**	187,643
Cash provided by operating activities	**$ 46,988**	$ 25,271	**$ 155,688**	$ 70,454
Cash provided by (used in) financing activities	**$ (26,960)**	$ (15,436)	**$ (55,988)**	$ 43,016
Cash used in investing activities	**$ (36,940)**	$ (11,220)	**$ (72,843)**	$ (121,296)
Other Financial Highlights				
Adjusted funds flow [(1)]	**$ 63,353**	$ 23,571	**$ 163,597**	$ 72,923
per boe [(1)]	**$ 13.77**	$ 5.76	**$ 12.00**	$ 5.86
per basic share [(1)(2)]	**$ 0.33**	$ 0.13	**$ 0.86**	$ 0.39
Net capital expenditures [(1)]	**$ 31,352**	$ 21,252	**$ 91,019**	$ 125,545
Working capital (surplus) deficit [(1)]	**$ (25,891)**	$ 9,093	**$ (25,891)**	$ 9,093
Bank indebtedness	**$ 193,828**	$ 241,161	**$ 193,828**	$ 241,161
Net debt [(1)]	**$ 167,937**	$ 250,254	**$ 167,937**	$ 250,254

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

Operating Highlights

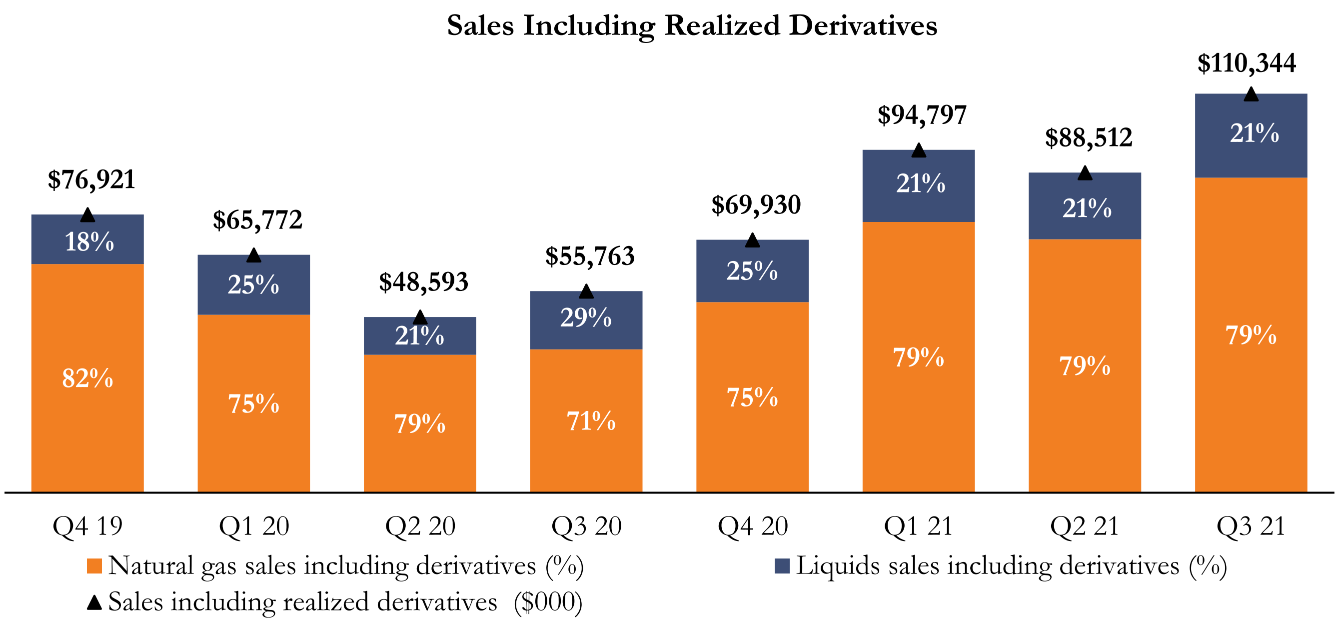
	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Operating				
Production				
Crude oil (bbls/d)	**1,038**	1,812	**1,197**	1,668
Condensate (bbls/d)	**1,002**	605	**788**	736
NGLs (bbls/d)	**2,684**	2,312	**2,557**	1,960
Total liquids production (bbls/d)	**4,724**	4,729	**4,542**	4,364
Natural gas (Mcf/d)	**271,804**	238,315	**272,467**	246,147
Total production (boe/d)(1)	**50,025**	44,448	**49,953**	45,389
Average realized prices (including realized derivatives)				
Natural gas ($/Mcf)	**$ 3.48**	$ 1.81	**$ 3.12**	$ 1.88
Liquids ($/bbl)	**$ 53.42**	$ 49.03	**$ 49.68**	$ 47.15
Operating Netback ($/boe)				
Petroleum and natural gas sales from production	**$ 29.19**	$ 14.69	**$ 24.40**	$ 13.82
Realized losses on derivatives	**(5.21)**	(1.03)	**(2.75)**	(0.14)
Royalty expense	**(1.75)**	(0.63)	**(1.36)**	(0.60)
Operating expense	**(2.38)**	(2.35)	**(2.35)**	(2.35)
Transportation expense	**(3.86)**	(3.12)	**(3.72)**	(3.32)
Operating netback (2)	**$ 15.99**	$ 7.56	**$ 14.22**	$ 7.41

(1) See "Forward-Looking Information and Other Advisories" for references to the product types.

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

Petroleum and Natural Gas Sales

($000)	Three months ended September 30 2021	2020	% change	Nine months ended September 30 2021	2020	% change
Natural Gas						
Natural gas sales	$ 106,174	$ 45,012	136 %	$ 260,314	$ 134,333	94 %
Realized losses on derivatives	(19,045)	(5,388)	253 %	(28,263)	(7,343)	285 %
Natural gas sales including derivatives	$ 87,129	$ 39,624	120 %	$ 232,051	$ 126,990	83 %
Liquids						
Crude oil sales	$ 8,440	$ 7,086	19 %	$ 24,386	$ 15,962	53 %
Condensate sales	7,025	2,764	154 %	16,286	9,065	80 %
NGLs sales	12,715	5,201	144 %	31,794	12,522	154 %
Realized gains (losses) on derivatives	(4,965)	1,088	nm	(10,864)	5,589	nm
Liquids sales including derivatives	$ 23,215	$ 16,139	44 %	$ 61,602	$ 43,138	43 %
Sales including realized derivatives	**$ 110,344**	**$ 55,763**	**98 %**	**$ 293,653**	**$ 170,128**	**73 %**



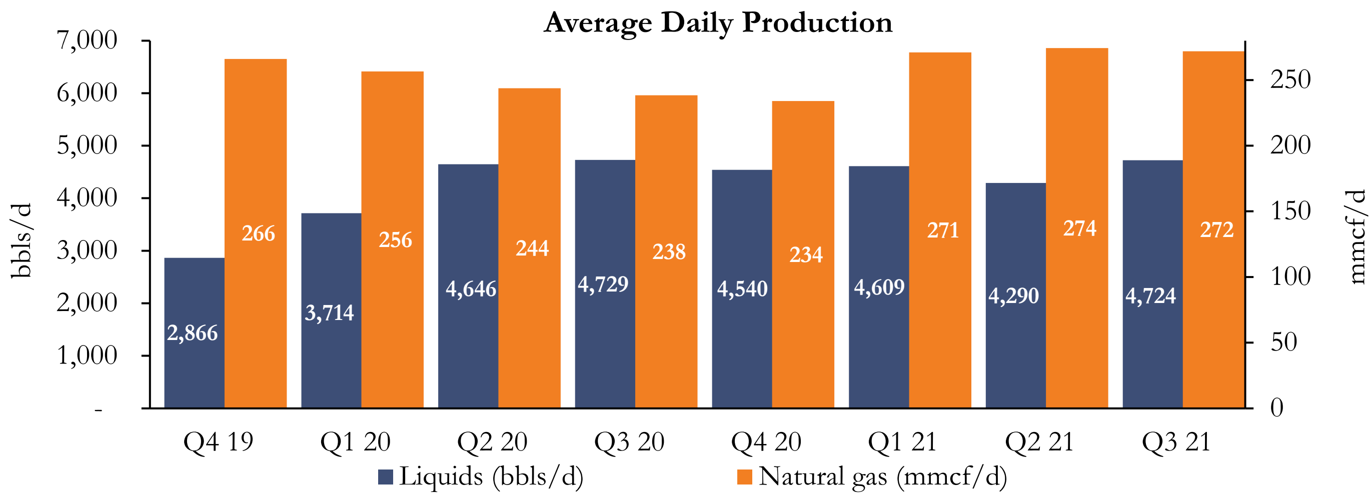
Advantage's natural gas sales excluding derivatives was $106.2 million and $260.3 million for the three and nine months ended September 30, 2021, increases of 136% and 94%, respectively, compared to the same periods in 2020. The increase in sales for 2021 has been primarily due to the increase in natural gas prices in all major natural gas hubs (see "Commodity Prices and Marketing").

Revenues from liquids production, excluding derivatives, increased significantly for the three and nine months ended September 30, 2021 largely due to the global recovery of crude oil prices from their lows in 2020 during the peak of the COVID-19 pandemic (see "Commodity Prices and Marketing").

Realized losses on commodity derivatives during the three and nine months ended September 30, 2021 were $24.0 million and $39.1 million, respectively, similarly attributable to the overall stronger commodity price environment. Realized gains and losses on commodity derivatives and changes from prior periods are the result of differences in natural gas and crude oil prices, and contracts outstanding during the three and nine months ended September 30, 2021 and 2020 (see "Market Diversification and Commodity Risk Management").

Production

	Three months ended September 30		%	Nine months ended September 30		%
	2021	2020	change	2021	2020	change
Crude oil (bbls/d)	1,038	1,812	(43) %	1,197	1,668	(28) %
Condensate (bbls/d)	1,002	605	66 %	788	736	7 %
NGLs (bbls/d)	2,684	2,312	16 %	2,557	1,960	30 %
Total liquids production (bbls/d)	**4,724**	**4,729**	**- %**	**4,542**	**4,364**	**4 %**
Natural gas (Mcf/d)	271,804	238,315	14 %	272,467	246,147	11 %
Total production (boe/d)	**50,025**	**44,448**	**13 %**	**49,953**	**45,389**	**10 %**
Liquids (%)	9%	11%		9%	9%	
Natural gas (%)	91%	89%		91%	91%	



Total production for the three and nine months ended September 30, 2021 averaged 50,025 boe/d and 49,953 boe/d, respectively, increases of 13% and 10% compared to the same periods of the prior year. Advantage's total average production has increased as a result of five wells brought onstream at Glacier, and two wells brought onstream at Valhalla in the third quarter of 2021, leading to higher natural gas production. Although natural gas production has continued to increase as a result of our strategic focus on natural gas development, liquids production has still remained relatively flat.

Commodity Prices and Marketing

Average Realized Prices	Three months ended September 30 2021	2020	% change	Nine months ended September 30 2021	2020	% change
Natural gas						
Excluding derivatives ($/Mcf)	$ 4.25	$ 2.05	107 %	$ 3.50	$ 1.99	76 %
Including derivatives ($/Mcf)	$ 3.48	$ 1.81	92 %	$ 3.12	$ 1.88	66 %
Liquids						
Crude oil ($/bbl)	$ 88.38	$ 42.51	108 %	$ 74.62	$ 34.93	114 %
Condensate ($/bbl)	$ 76.21	$ 49.66	53 %	$ 75.71	$ 44.95	68 %
NGLs ($/bbl)	$ 51.49	$ 24.45	111 %	$ 45.55	$ 23.32	95 %
Total liquids excluding derivatives ($/bbl)	$ 64.84	$ 34.59	87 %	$ 58.44	$ 31.52	85 %
Total liquids including derivatives ($/bbl)	$ 53.42	$ 37.10	44 %	$ 49.68	$ 36.08	38 %
Average Benchmark Prices						
Natural Gas						
AECO daily ($/Mcf)	$ 3.60	$ 2.24	61 %	$ 3.27	$ 2.09	56 %
AECO monthly ($/Mcf)	$ 3.54	$ 2.14	65 %	$ 3.11	$ 2.04	52 %
Empress daily ($/Mcf)	$ 4.23	$ 2.33	82 %	$ 3.50	$ 2.13	64 %
Henry Hub ($US/MMbtu)	$ 4.27	$ 1.95	119 %	$ 3.52	$ 1.83	92 %
Emerson ($US/MMbtu)	$ 3.71	$ 1.78	108 %	$ 3.11	$ 1.71	82 %
Dawn daily ($US/MMbtu)	$ 4.07	$ 1.82	124 %	$ 3.26	$ 1.74	87 %
Chicago Citygate ($US/MMbtu)	$ 3.85	$ 1.87	106 %	$ 3.07	$ 1.81	70 %
Ventura ($US/MMbtu)	$ 3.72	$ 1.77	110 %	$ 3.00	$ 1.67	80 %
Crude Oil						
WTI ($US/bbl)	$ 70.55	$ 40.94	72 %	$ 64.85	$ 38.30	69 %
MSW Edmonton ($/bbl)	$ 84.01	$ 44.55	89 %	$ 75.97	$ 49.32	54 %
Average exchange rate ($US/$CDN)	0.7936	0.7557	5 %	0.7990	0.7405	8 %

Advantage's realized natural gas price excluding derivatives was $4.25/Mcf and $3.50/Mcf for the three and nine months ended September 30, 2021, respectively, a 107% and 76% increase compared to the same periods of 2020. These increases were attributed to higher natural gas benchmark prices in all markets where Advantage physically delivers natural gas and has market diversification exposure. Advantage has realized natural gas prices higher than AECO as we currently have additional market exposure at Dawn, Empress, Emerson, Chicago and Ventura. Additionally, in November of 2020 we added transportation to increase physical deliveries to Dawn, Empress and Emerson. See "Market Diversification and Commodity Risk Management" for Advantage's total 2021 natural gas production portfolio.

Realized crude oil, condensate and NGL prices excluding derivatives all increased significantly for the three and nine months ended September 30, 2021. Higher realized liquids prices have been due to significantly improved WTI prices, with continued recovery from COVID-19 pandemic demand reduction. 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 on up to 75% of total estimated production over the first three years and up to 50% over the fourth and fifth years. In addition, the Credit Facilities allow us to enter into basis swap arrangements to any natural gas price point in North America for up to 100,000 MMbtu/d with a maximum term of seven years. Basis swap arrangements are excluded from hedged production limits.

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

	January 1 to December 31, 2021		
	Volumes Contracted (MMcf/d)(1)	Average Minimum Price	% of Estimated Production
Fixed Price			
AECO fixed price swaps	4.7	$3.18/Mcf	2 %
Dawn fixed price swaps	27.9	US$2.45/Mcf	10 %
Chicago fixed price swaps	20.8	US$2.38/Mcf	8 %
Henry Hub fixed price swaps	62.5	US$2.92/Mcf	23 %
	115.9		43 %
Variable Price			
AECO physical	64.0	AECO	23 %
Dawn physical	44.9	Dawn (2)	17 %
Empress physical	25.3	Empress (3)	9 %
Emerson physical	6.7	Emerson (4)	2 %
Midwest physical	15.0	Chicago, Ventura and Henry Hub less differentials (5)	6 %
	155.9		57 %
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 News 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 and nine months ended September 30, 2021 and 2020 are as follows:

($000)	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Realized gains (losses) on derivatives				
Natural gas	$ (19,045)	$ (5,388)	$ (28,263)	$ (7,343)
Crude oil	(4,965)	1,088	(10,864)	5,589
Foreign exchange	218	231	2,150	221
	$ (23,792)	**$ (4,069)**	**$ (36,977)**	**$ (1,533)**
Unrealized gains (losses) on derivatives				
Natural gas	$ (7,278)	$ (22,827)	$ (33,127)	$ (25,669)
Crude oil	4,650	(1,557)	(3,757)	3,321
Natural gas embedded derivative	22,793	-	25,348	-
Foreign exchange	(2,713)	1,465	(4,458)	1,073
	$ 17,452	**$ (22,919)**	**$ (15,994)**	**$ (21,275)**
Gains (losses) on derivatives				
Natural gas	$ (26,323)	$ (28,215)	$ (61,390)	$ (33,012)
Crude oil	(315)	(469)	(14,621)	8,910
Natural gas embedded derivative	22,793	-	25,348	-
Foreign exchange	(2,495)	1,696	(2,308)	1,294
	$ (6,340)	**$ (26,988)**	**$ (52,971)**	**$ (22,808)**

For the three and nine months ended September 30, 2021, Advantage realized net losses on commodity and foreign exchange derivatives of $23.8 million and $37.0 million, respectively, due to the settlement of contracts with average derivative contract prices that were below average market prices.

For the three and nine months ended September 30, 2021, Advantage recognized a net unrealized loss on natural gas, crude oil and foreign exchange derivatives of $5.3 million and $41.3 million, respectively, resulting from changes in the fair value of the Corporation's outstanding commodity and foreign exchange derivative contracts. For each period, 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 strengthening natural gas prices, accompanied by the similarly decreased valuation of our crude oil derivative contracts due to strengthening WTI prices.

During the three months ended September 30, 2021, the Corporation took advantage of a significant widening of the AECO/Henry Hub basis and unwound a portion of the Corporation's AECO/Henry Hub differential basis swaps for proceeds of $1.0 million.

Market Diversification and Commodity Risk Management (continued)

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. Accordingly, for the three and nine months ended September 30, 2021, the Corporation's embedded derivative resulted in an unrealized gain on the natural gas embedded derivative of $22.8 million and $25.3 million, respectively, as a result of increased long-term forward PJM power prices. The Corporation will not have realized gains (losses) on the embedded derivative until the Corporation begins delivering natural gas in 2023.

The fair value of derivative assets and liabilities is the estimated value to settle the outstanding contracts as at a point in time. As such, unrealized derivative gains and losses do not impact adjusted funds flow and the actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices and foreign exchange rates as compared to the valuation assumptions. Remaining derivative contracts will settle between October 1, 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 September 30		%	Nine months ended September 30		%
	2021	2020	change	2021	2020	change
Royalty expense ($000)	$ 8,059	$ 2,566	214 %	$ 18,602	$ 7,407	151 %
per boe	$ 1.75	$ 0.63	178 %	$ 1.36	$ 0.60	127 %
Royalty rate (%)(1)	6.0 %	4.3 %	1.7 %	5.5 %	4.3 %	1.2 %

(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 and nine months ended September 30, 2021 increased by $5.5 million and $11.2 million, respectively, largely due to higher natural gas royalties from the significant increase in AECO natural gas prices, along with the Corporation receiving an increased GCA deduction in 2020 when compared to 2021.

Operating Expense

	Three months ended September 30		%	Nine months ended September 30		%
	2021	2020	change	2021	2020	change
Operating expense ($000)	$ 10,967	$ 9,615	14 %	$ 32,023	$ 29,255	9 %
per boe	$ 2.38	$ 2.35	1 %	$ 2.35	$ 2.35	- %

Operating expense for the three and nine months ended September 30, 2021 was $11.0 million and $32.0 million, respectively, a 14% and 9% increase compared to the same periods of 2020. The increases in operating expense are entirely attributable to increased production when compared to the same periods of 2020, with operating expense per boe unchanged when compared to 2020. Operating costs at Glacier remain low at less than $1.80/boe, while operating expense per boe for the nine months ended September 30, 2021 was $2.35/boe and below Advantage's annual guidance expectations.

Transportation Expense

	Three months ended September 30 2021	2020	% change	Nine months ended September 30 2021	2020	% change
Natural gas ($000)	$ 16,466	$ 11,422	44 %	$ 46,857	$ 36,148	30 %
Liquids ($000)	1,288	1,332	(3) %	3,815	5,181	(26) %
Total transportation expense ($000)	$ 17,754	$ 12,754	39 %	$ 50,672	$ 41,329	23 %
per boe	$ 3.86	$ 3.12	24 %	$ 3.72	$ 3.32	12 %

Transportation expense represents the cost of transporting our natural gas and liquids production (crude oil, condensate and NGLs) to the sales points, including associated fuel costs. Total transportation expense for the three and nine months ended September 30, 2021 increased by 39% and 23%, respectively, due to the Corporation having additional transportation associated with physical deliveries to Dawn, Empress and Emerson that began in November of 2020 (see "Market Diversification and Commodity Risk Management").

Operating Netback

	Three months ended September 30			
	2021		2020	
	$000	per boe	$000	per boe
Petroleum and natural gas sales from production	$ 134,354	$ 29.19	$ 60,063	$ 14.69
Realized losses on derivatives	(23,963)	(5.21)	(4,209)	(1.03)
Royalty expense	(8,059)	(1.75)	(2,566)	(0.63)
Operating expense	(10,967)	(2.38)	(9,615)	(2.35)
Transportation expense	(17,754)	(3.86)	(12,754)	(3.12)
Operating netback [(1)]	**$ 73,611**	**$ 15.99**	**$ 30,919**	**$ 7.56**

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

	Nine months ended September 30			
	2021		2020	
	$000	per boe	$000	per boe
Petroleum and natural gas sales from production	$ 332,780	$ 24.40	$ 171,882	$ 13.82
Realized losses on derivatives	(37,490)	(2.75)	(1,691)	(0.14)
Royalty expense	(18,602)	(1.36)	(7,407)	(0.60)
Operating expense	(32,023)	(2.35)	(29,255)	(2.35)
Transportation expense	(50,672)	(3.72)	(41,329)	(3.32)
Operating netback [(1)]	**$ 193,993**	**$ 14.22**	**$ 92,200**	**$ 7.41**

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

The increases in the Corporation's operating netbacks were primarily due to the increase in petroleum and natural gas sales as a result of significantly increased natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing").

General and Administrative Expense

	Three months ended September 30		%	Nine months ended September 30		%
	2021	2020	change	2021	2020	change
General and administrative expense ($000)	$ 5,757	$ 2,135	170 %	$ 14,920	$ 6,899	116 %
per boe	$ 1.25	$ 0.52	140 %	$ 1.09	$ 0.55	98 %
Employees at September 30				40	38	5 %

General and administrative ("G&A") expense for the three and nine months ended September 30, 2021 increased primarily due to the higher valuation of the Deferred Share Units liability included in G&A which is revalued each reporting period. The Deferred Share Units liability increased $0.7 million and $3.4 million for the three and nine months ended September 30, 2021, when compared to the same periods of 2020, respectively, attributable to the 274% increase in the Corporation's share price since December 31, 2020. Additionally, Advantage has slightly higher G&A expense in 2021 due to increased expense related to the cash-based performance award incentive plan (see "Share-based Compensation").

Share-based Compensation

	Three months ended September 30		%	Nine months ended September 30		%
	2021	2020	change	2021	2020	change
Share-based compensation ($000)	$ 1,741	$ 1,741	- %	$ 4,343	$ 6,135	(29) %
Capitalized ($000)	(557)	(607)	(8) %	(1,490)	(2,141)	(30) %
Share-based compensation expense ($000)	$ 1,184	$ 1,134	4 %	$ 2,853	$ 3,994	(29) %
per boe	$ 0.26	$ 0.28	(7) %	$ 0.21	$ 0.32	(34) %

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 $1.2 million and $2.9 million of share-based compensation expense during the three and nine months ended September 30, 2021, respectively, and capitalized $0.6 million and $1.5 million, respectively. For the nine months ended September 30, 2021, total share-based compensation decreased by 29%, as a result of current grants of long-term compensation being balanced between 50% Performance Share Units and 50% Performance Awards (see "General and Administrative Expense") rather than entirely share-based compensation. Additionally, in the second quarter of 2021, certain Performance Share Units were settled in cash as opposed to common shares, resulting in a reclassification between share-based compensation and G&A of approximately $0.7 million.

Finance Expense and Interest Rate Risk Management

	Three months ended September 30		%	Nine months ended September 30		%
	2021	2020	change	2021	2020	change
Cash finance expense ($000)	$ 4,501	$ 5,213	(14) %	$ 15,476	$ 12,378	25 %
per boe	$ 0.98	$ 1.27	(23) %	$ 1.13	$ 1.00	13 %
Accretion expense ($000)	$ 297	$ 208	43 %	$ 857	$ 572	50 %
Total finance expense ($000)	$ 4,798	$ 5,421	(11) %	$ 16,333	$ 12,950	26 %
per boe	$ 1.04	$ 1.33	(22) %	$ 1.20	$ 1.04	15 %

Advantage realized lower cash finance expense during the three months ended September 30, 2021 as a result of decreased average outstanding bank indebtedness when compared to the same period in 2020. 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. Advantage realized higher cash finance expense during the nine months ended September 30, 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 $6.6 million in interest associated with these payments for the nine months ended September 30, 2021.

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 and losses for the three and nine months ended September 30, 2021 and 2020 are as follows:

	Three months ended September 30		Nine months ended September 30	
($000)	**2021**	**2020**	**2021**	**2020**
Realized losses on interest rate derivatives	$ (171)	$ (140)	$ (513)	$ (158)
Unrealized gains (losses) on interest rate derivatives	169	29	495	(841)
Losses on interest rate derivatives	$ (2)	$ (111)	$ (18)	$ (999)

Depreciation and Impairment Expense

	Three months ended September 30		%	Nine months ended September 30		%
	2021	2020	change	2021	2020	change
Depreciation expense ($000)	$ 26,919	$ 27,941	(4) %	$ 80,788	$ 85,672	(6) %
per boe	$ 5.85	$ 6.83	(14) %	$ 5.92	$ 6.89	(14) %
Impairment expense ($000)	$ -	$ -	-	$ -	$ 361,000	nm

The decrease in depreciation expense during the three and nine months ended September 30, 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. If the future outlook for commodity prices in North America were to continue to improve and demonstrate longer-term stability, the Corporation could recognize impairment recoveries against impairment expense which would lead to future income volatility.

Taxes

	Three months ended September 30		%	Nine months ended September 30		%
	2021	2020	change	2021	2020	change
Income tax (expense) recovery ($000)	$ (9,476)	$ 6,996	nm	$ (12,202)	$ 92,408	nm

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three and nine months ended September 30, 2021, the Corporation recognized income tax expense of $9.5 million and $12.2 million, respectively. The income tax expense for nine months ended September 30, 2021 is a result of net income before tax of $63.6 million, combined with non-deductible share-based compensation expense. As at September 30, 2021, the Corporation had a deferred income tax asset of $12.6 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 Income (Loss) and Comprehensive Income (Loss) attributable to Advantage shareholders

	Three months ended September 30		%	Nine months ended September 30		%
	2021	2020	change	2021	2020	change
Net income (loss) and comprehensive income (loss) attributable to Advantage shareholders ($000)	$ 43,188	$ (21,606)	nm	$ 51,488	$ (308,213)	nm
per share - basic	$ 0.23	$ (0.11)	nm	$ 0.27	$ (1.64)	nm
per share - diluted	$ 0.22	$ (0.11)	nm	$ 0.26	$ (1.64)	nm

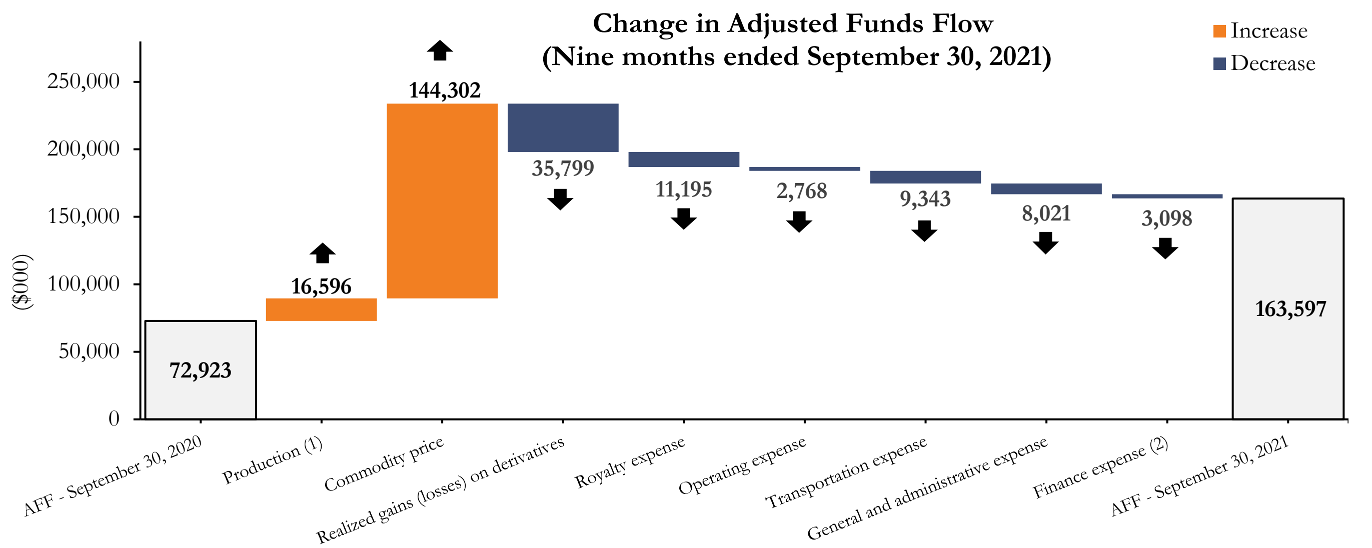
Advantage recognized net income of $43.2 million and $51.5 million for the three and nine months ended September 30, 2021. Net income and comprehensive income has increased significantly when compared to 2020, due to the increased petroleum and natural gas sales from both higher production and commodity prices, and the recognition of a $361 million non-cash impairment expense in the first quarter of 2020.

Cash Provided by Operating Activities and Adjusted Funds Flow ("AFF")

	Three months ended September 30		Nine months ended September 30	
($000, except as otherwise indicated)	**2021**	**2020**	**2021**	**2020**
Cash provided by operating activities	**$ 46,988**	**$ 25,271**	**$ 155,688**	**$ 70,454**
Expenditures on decommissioning liability	438	267	780	470
Changes in non-cash working capital	15,927	(1,967)	7,129	1,999
Adjusted funds flow (1)	**$ 63,353**	**$ 23,571**	**$ 163,597**	**$ 72,923**
Adjusted funds flow per boe (1)	$ 13.77	$ 5.76	$ 12.00	$ 5.86
Adjusted funds flow per share (1)	$ 0.33	$ 0.13	$ 0.86	$ 0.39

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

For the three and nine months ended September 30, 2021, Advantage realized adjusted funds flow of $63.4 million or $0.33 per share, and $163.6 million or $0.86 per share, respectively. The increase in adjusted funds flow was primarily due to the increase in petroleum and natural gas sales, as a result of significantly higher natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"), partially offset by increased realized losses on derivatives (see "Market Diversification and Commodity Risk Management").



(1) The change in petroleum and natural gas sales related to the change in production is determined by multiplying the prior period realized price by current period production.
(2) Finance expense excludes accretion of decommissioning liability.

Commitments and Contractual Obligations

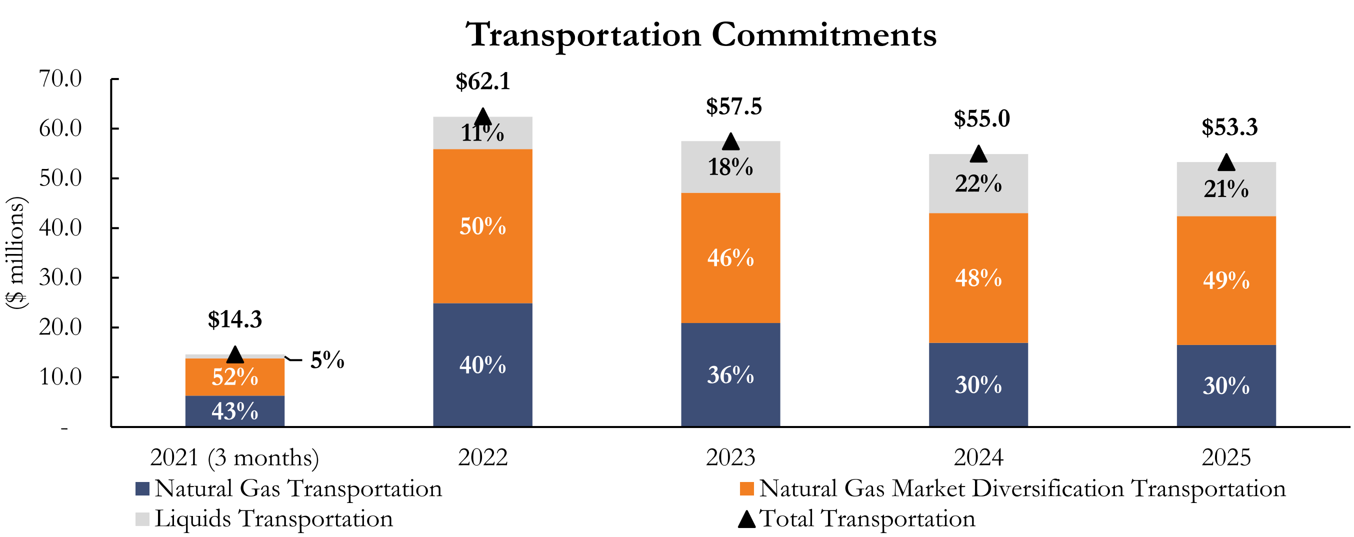
The Corporation has commitments and contractual obligations in the normal course of operations. Such commitments include operating costs for our head office lease, processing costs associated with natural gas at third-party facilities, and transportation costs for delivery of our natural gas and liquids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

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

	Payments due by period						
($ millions)	**Total**	**Three Months 2021**	**2022**	**2023**	**2024**	**2025**	**Beyond**
Building operating cost [1]	$ 2.4	$ 0.1	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.7
Processing	60.3	0.7	5.9	7.9	10.0	9.5	26.3
Transportation	444.8	14.3	62.1	57.5	55.0	53.3	202.6
Total commitments	**$ 507.5**	**$ 15.1**	**$ 68.4**	**$ 65.8**	**$ 65.4**	**$ 63.2**	**$ 229.6**
Performance Awards	$ 17.3	$ -	$ 5.6	$ 6.0	$ 5.7	$ -	$ -
Lease liability	2.5	0.1	0.4	0.4	0.4	0.4	0.8
Financing liability	165.5	3.0	12.0	12.0	12.1	12.0	114.4
Bank indebtedness [2]							
- principal	193.8	-	-	193.8	-	-	-
- interest	9.0	2.2	4.4	2.4	-	-	-
Total contractual obligations	**$ 388.1**	**$ 5.3**	**$ 22.4**	**$ 214.6**	**$ 18.2**	**$ 12.4**	**$ 115.2**
Total future payments	**$ 895.6**	**$ 20.4**	**$ 90.8**	**$ 280.4**	**$ 83.6**	**$ 75.6**	**$ 344.8**

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

(2) As at September 30, 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 2022 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)		September 30 2021		December 31 2020
Bank indebtedness (non-current)	$	193,828	$	247,105
Working capital (surplus) deficit (1)		(25,891)		4,292
Net debt (1)	**$**	**167,937**	**$**	**251,397**
Shares outstanding		190,828,976		188,112,797
Shares closing market price ($/share)	$	6.40	$	1.71
Market capitalization	**$**	**1,221,305**	**$**	**321,673**
Total capitalization	**$**	**1,389,242**	**$**	**573,070**
Net debt to adjusted funds flow (1)		**0.9**		**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 September 30, 2021, Advantage had a $350 million Credit Facility and net debt of $167.9 million, providing us with $144.7 million of liquidity after deducting letters of credit of US$9 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 $91.0 million and decrease bank indebtedness by $53.3 million with a net debt to adjusted funds flow ratio of 0.9 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. Additionally, Advantage has experienced a significant increase in its market capitalization during 2021 when compared to December 31, 2020, which provides the Corporation flexibility in managing its capital structure.

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 September 30, 2021, Advantage had bank indebtedness outstanding of $193.8 million, a decrease of $53.3 million since December 31, 2020. Advantage's Credit Facilities have 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 2022 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. On April 30, 2021, the annual redetermination of the Credit Facilities borrowing base was completed with no changes to the borrowing base of $350 million. The next semi-annual review is scheduled to occur in November 2021. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time.

Advantage had a working capital surplus of $25.9 million as at September 30, 2021, an increase of $30.2 million compared to December 31, 2020 due to higher commodity prices, 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 carbon 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. As at September 30, 2021, Advantage has incurred $9.5 million in eligible expenditures. The project to which the funding relates is expected to be completed by the second quarter of 2022.

As at September 30, 2021, Advantage had a decommissioning liability of $57.0 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 $56.5 million (December 31, 2020 – $55.2 million), with 56% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the nine months ended September 30, 2021 was $0.8 million (September 30, 2020 – $0.8 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.

Non-controlling interest ("NCI")

Entropy Inc.

At December 31, 2020, Advantage owned 100% of Entropy Inc., a private corporation engaged in commercializing modular carbon capture and storage ("CCS") technology.

On May 5, 2021, Entropy issued common shares to Advantage and Allardyce Bower Holdings Inc. ("ABC") in exchange for intangibles and intellectual property, resulting in Advantage and ABC owning 90% and 10% of Entropy, respectively. Advantage has recognized a non-controlling interest in shareholders' equity, representing the carrying value of the 10% shareholding of Entropy held by outside interests. ABC's contribution of intellectual property to Entropy resulted in Advantage recognizing an intangible asset of $2.5 million.

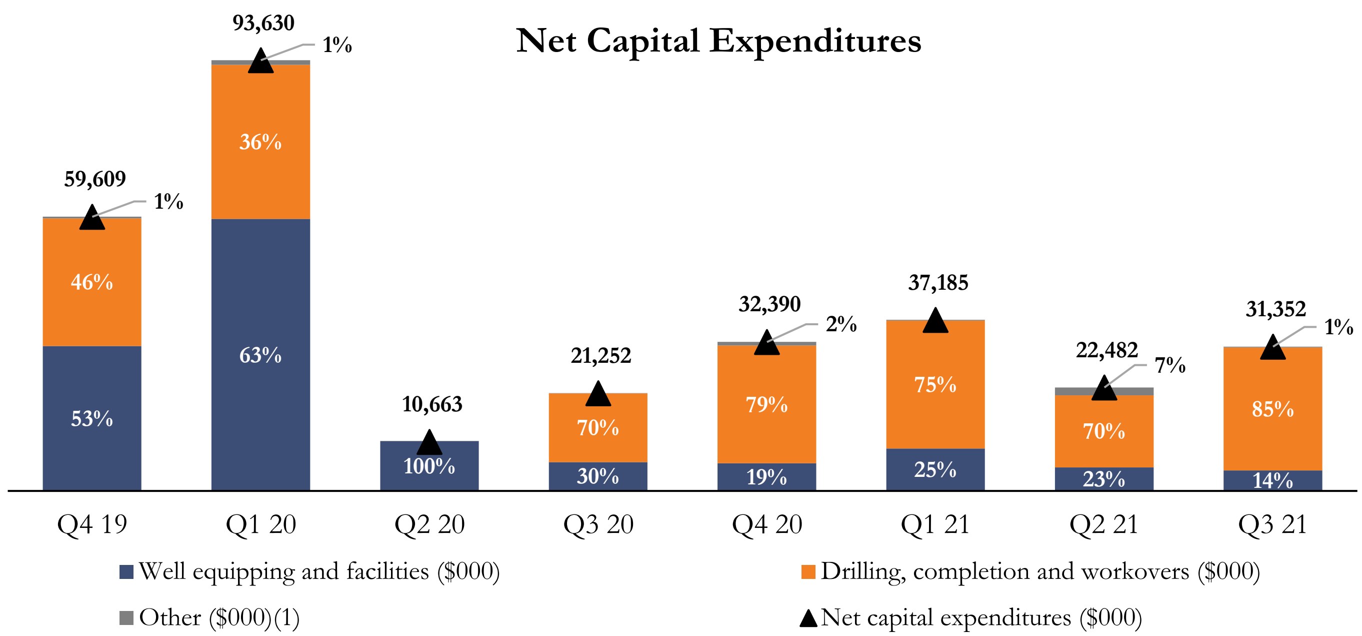
Shareholders' Equity

As at September 30, 2021, a total of 4.9 million Performance Share Units were outstanding under the Restricted and Performance Award Incentive Plan, which represents 2.6% of Advantage's total outstanding common shares. During April 2021, 1,549,658 Performance Share Units matured and were settled with the issuance of 2,716,179 common shares and $0.7 million of cash consideration. As at October 28, 2021, Advantage had 190.8 million common shares outstanding.

Cash Used in Investing Activities and Net Capital Expenditures

	Three months ended September 30		Nine months ended September 30	
($000)	**2021**	**2020**	**2021**	**2020**
Drilling, completion and workovers	$ 26,715	$ 14,933	$ 70,188	$ 48,184
Well equipping and facilities	4,451	6,269	18,780	76,215
Property acquisitions	-	-	1,473	-
Other	21	50	59	193
Expenditures on property, plant and equipment	31,187	21,252	90,500	124,592
Expenditures on exploration and evaluation assets	-	-	354	953
Expenditures on intangible assets	165	-	165	-
Net capital expenditures [(1)]	**$ 31,352**	**$ 21,252**	**$ 91,019**	**$ 125,545**
Changes in non-cash working capital	5,608	(10,032)	1,867	(4,249)
Project funding received	(20)	-	(20,043)	-
Cash used in investing activities	**$ 36,940**	**$ 11,220**	**$ 72,843**	**$ 121,296**

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



(1) Other includes expenditures on exploration and evaluation assets, expenditures on intangible assets, property acquisitions and other.

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

Advantage invested $31.4 million and $91.0 million on property, plant, and equipment, exploration and evaluation assets and intangible assets during the three and nine months ended September 30, 2021. Field activity resumed earlier than normal following spring breakup due to drier conditions enabling our program to be advanced and take advantage of increasing commodity prices in 2021 and beyond. Year to date, Advantage continued its focus on natural gas development at Glacier and natural gas and liquids development at Valhalla.

Glacier

Advantage's foundational Glacier gas property has been the focus of our 2021 capital program with 15 gross (14.4 net) wells drilled and 13 gross (13.0 net) wells completed. Drilling performance has been exceptional with the average time from spud to rig release being 9.2 days. Well performance has also been exceptional with the 13 wells completed and placed on production in 2021 achieving an average, peak IP30 rate of 9 mmcf/d, despite being choked back to minimize erosional risks and impacts on existing wells. The average payout of these wells is expected to be less than one year.

Subsequent to the third quarter, completion operations began on 9 gross (8.4 net) wells all of which will be placed on production prior to the end of the year.

Valhalla

With the early resumption of field activity, drilling at Valhalla commenced in the second quarter of 2021 with 2 gross (2.0 net) wells drilled and cased. These wells were completed and brought on production during the third quarter. The wells initial 30-day average production rates were 2,410 boe/d (consisting of 10,300 Mcf/d natural gas and 693 bbls/d condensate) and 1,995 boe/d (consisting of 9,415 Mcf/d natural gas, 426 bbls/d condensate), at 29% and 21% liquids, respectively (raw volumes measured at wellsite separator). The wells were drilled to an average measured depth of 5,290 meters with an average lateral length of 2,850 meters. Both wells are fully commissioned and flowing through Advantage infrastructure to the Valhalla facility. On an IP30 basis, both wells are among the top 10 wells drilled by Advantage in the Montney. The wells confirm Management's view that the Valhalla asset continues to be a foundational element of the Corporation's liquids-rich gas development plan.

Wembley/ Progress

Capital activity during the first half of 2021 in Wembley/Progress was minor as spending was focused at Glacier and Valhalla. Drilling will resume in Wembley later in the fourth quarter of 2021 and continue in the first quarter of 2022.

Entropy Inc.

During the nine months ended September 30, 2021, Entropy incurred $0.2 million in net capital expenditures related to the Corporation's technology development program at the University of Regina's Clean Energy Technologies Research Institute for the development and testing of proprietary carbon capture solvents.

Corporate

In the first half 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 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 Advantage's Glacier Gas Plant.

Quarterly Performance

($000, except as otherwise indicated)	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4
Financial Statement Highlights								
Sales including realized derivatives	$ 110,344	$ 88,512	$ 94,797	$ 69,930	$ 55,763	$ 48,593	$ 65,772	$ 76,921
Net income (loss) and comprehensive income (loss)	$ 43,098	$ 8,725	$ (425)	$ 24,168	$ (21,606)	$ (20,088)	$ (266,519)	$ (1,844)
per basic share [2]	$ 0.23	$ 0.04	$ (0.00)	$ 0.13	$ (0.11)	$ (0.11)	$ (1.43)	$ (0.01)
Basic weighted average shares (000)	190,829	190,501	188,113	188,113	188,113	187,901	186,911	186,911
Cash provided by operating activities	$ 46,988	$ 57,134	$ 51,566	$ 30,260	$ 25,271	$ 24,357	$ 20,826	$ 39,965
Cash provided by (used in) financing activities	$ (26,960)	$ (21,480)	$ (7,548)	$ 5,071	$ (15,436)	$ 23,492	$ 34,960	$ 20,115
Cash used in investing activities	$ (36,940)	$ (20,834)	$ (15,069)	$ (37,325)	$ (11,220)	$ (44,855)	$ (65,221)	$ (50,365)
Other Financial Highlights								
Adjusted funds flow [1]	$ 63,353	$ 46,266	$ 53,978	$ 31,738	$ 23,571	$ 17,259	$ 32,093	$ 44,452
per boe [1]	$ 13.77	$ 10.17	$ 12.04	$ 7.92	$ 5.76	$ 4.19	$ 7.59	$ 10.20
per basic share [1][2]	$ 0.33	$ 0.24	$ 0.29	$ 0.17	$ 0.13	$ 0.09	$ 0.17	$ 0.23
Net capital expenditures [1]	$ 31,352	$ 22,482	$ 37,185	$ 32,390	$ 21,252	$ 10,663	$ 93,630	$ 59,609
Working capital (surplus) deficit [1]	$ (25,891)	$ (24,520)	$ (25,924)	$ 4,292	$ 9,093	$ 3,295	$ 34,284	$ 7,996
Bank indebtedness	$ 193,828	$ 219,856	$ 240,428	$ 247,105	$ 241,161	$ 354,199	$ 330,644	$ 295,624
Net debt [1]	$ 167,937	$ 195,336	$ 214,504	$ 251,397	$ 250,254	$ 357,494	$ 364,928	$ 303,620
Operating Highlights								
Production								
Crude oil (bbls/d)	1,038	1,163	1,395	1,653	1,812	2,018	1,172	165
Condensate (bbls/d)	1,002	637	721	653	605	627	979	1,172
NGLs (bbls/d)	2,684	2,490	2,493	2,234	2,312	2,001	1,563	1,694
Total liquids production (bbls/d)	4,724	4,290	4,609	4,540	4,729	4,646	3,714	3,031
Natural gas (mcf/d)	271,804	274,328	271,262	233,949	238,315	243,749	256,463	266,035
Total production (boe/d)	50,025	50,011	49,819	43,532	44,448	45,271	46,458	47,370
Average prices (including realized derivatives)								
Natural gas ($/mcf)	$ 3.48	$ 2.81	$ 3.07	$ 2.45	$ 1.81	$ 1.72	$ 2.11	$ 2.58
Liquids ($/bbl)	$ 53.42	$ 56.91	$ 53.20	$ 37.62	$ 34.59	$ 17.56	$ 44.61	$ 47.76
Operating Netback ($/boe)								
Petroleum and natural gas sales from production	$ 29.19	$ 21.76	$ 22.16	$ 18.28	$ 14.69	$ 11.56	$ 15.18	$ 17.69
Realized gains (losses) on derivatives	$ (5.21)	$ (2.12)	$ (0.87)	$ (0.74)	$ (1.03)	$ 0.23	$ 0.38	$ (0.04)
Royalty expense	$ (1.75)	$ (1.20)	$ (1.13)	$ (0.77)	$ (0.63)	$ (0.26)	$ (0.89)	$ (0.51)
Operating expense	$ (2.38)	$ (2.21)	$ (2.45)	$ (2.68)	$ (2.35)	$ (2.43)	$ (2.28)	$ (1.89)
Transportation expense	$ (3.86)	$ (3.72)	$ (3.57)	$ (3.62)	$ (3.12)	$ (3.34)	$ (3.50)	$ (3.46)
Operating netback [1]	$ 15.99	$ 12.51	$ 14.14	$ 10.47	$ 7.56	$ 5.76	$ 8.89	$ 11.79

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

The table above highlights the Corporation's performance for the third quarter of 2021 and for the preceding seven quarters. Advantage ramped up natural gas production in the fourth quarter of 2019 in response to an increase in AECO pricing. Production decreased through 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. Accelerated natural gas production began late in 2020 due to minor equipment delays impacting the completion of new wells and a third-party facility outage, with production in the first half of 2021 significantly increasing to 50,011 boe/d and remaining steady at 50,025 boe/d for the third quarter of 2021.

Quarterly Performance (continued)

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 continued through the year, has generally led to weaker commodity prices thereby reducing sales and adjusted funds flow. Sales and adjusted funds flow increased significantly in the first, second and third quarters 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 Cash Generating units ("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.

Newly Adopted Accounting Policies

The Corporation has adopted the following accounting policies during the three and nine months ended September 30, 2021:

<u>Non-controlling interests</u>

The Corporation accounts for transactions with non-controlling interests as transactions with equity owners of the Corporation. For purchases of shares from non-controlling interests, the difference between any consideration paid and the relevant ownership acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of shares to non-controlling interests are also recorded in equity, unless the disposal results in the Corporation's loss of control of the subsidiary, in which case the gain or loss is recognized in net income and comprehensive income.

<u>Intangible assets</u>

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are recognized at cost less any accumulated amortization and impairment losses. Intangible assets with finite lives are amortized over the useful life and assessed for impairment when there is an indication that the asset may be impaired. The Corporation may incur costs associated with research and development. Expenditures during the research phase are expensed. Expenditures during the development phase are capitalized only if certain criteria are met, including technical feasibility and the intent to develop and use the technology. If these criteria are not met, the costs are expensed as incurred. The amortization expense on intangible assets is recognized in the Consolidated Statements of Comprehensive Income (Loss).

Accounting Pronouncements not yet Adopted

There have been no changes to accounting pronouncements not yet adopted during the three and nine months ended September 30, 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 September 30, 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", "free cash 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, exploration and evaluation assets and intangible 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".

Non-GAAP Measures (continued)

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.

Free Cash Flow

Advantage computes free cash flow as adjusted funds flow less net capital expenditures. Advantage uses free cash flow as an indicator of the efficiency and liquidity of Advantage's business by measuring its cash available after net capital expenditures to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares.

Net Debt to Adjusted Funds Flow

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

Operating Netback

Advantage calculates operating netback on a total and per boe basis. Operating netback is comprised of sales revenue, realized gains (losses) on derivatives and net sales of natural gas purchased from third parties, net of expenses resulting from field operations, including royalty expense 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 "Mcfe" or thousand cubic feet equivalent may be misleading, particularly if used in isolation. A boe or Mcfe conversion ratio of six thousand cubic feet of natural gas equivalent to one barrel of oil (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Abbreviations

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

bbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 Mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
GJ	- gigajoules
Mcf	- thousand cubic feet
Mcf/d	- thousand cubic feet per day
Mcfe	- thousand cubic feet equivalent (1 bbl = 6 Mcf)
Mcfe/d	- thousand cubic feet equivalent per day
MMbtu	- million British thermal units
MMbtu/d	- million British thermal units per day
MMcf	- million cubic feet
MMcf/d	- million cubic feet per day
Crude oil	- 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
Liquids	- refers to the total of crude oil, condensate and NGLs, expressed in bbls/d or in $
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; the Corporation's commodity risk management 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; timing Corporation will have realized gains (losses) on certain embedded derivatives; 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; Advantage's decommissioning liability and the timing of such costs to be incurred; expected average payout of wells at Glacier; Valhalla asset continuing to be a foundational element of the Corporation's liquids-rich gas development plans; timing to resume drilling at Wembley; 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;

Forward-Looking Information and Other Advisories (continued)

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

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

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

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

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

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

Additional Information

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

October 28, 2021

(Formerly, Advantage Oil & Gas Ltd.)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

Advantage Energy Ltd. (Formerly, Advantage Oil & Gas Ltd.)

Consolidated Statements of Financial Position

(unaudited, expressed in thousands of Canadian dollars)

	Notes		September 30 2021		December 31 2020
ASSETS					
Current assets					
Cash and cash equivalents	3	$	30,136	$	3,279
Trade and other receivables			51,745		28,491
Prepaid expenses and deposits			4,880		2,021
Derivative asset	8		2,997		6,862
Total current assets			**89,758**		**40,653**
Non-current assets					
Derivative asset	8		28,742		4,140
Exploration and evaluation assets	4		20,934		20,580
Right-of-use assets	5		1,948		2,036
Intangible assets	6		2,665		-
Property, plant and equipment	7		1,448,992		1,441,492
Deferred income tax asset			12,606		24,808
Total non-current assets			**1,515,887**		**1,493,056**
Total assets		**$**	**1,605,645**	**$**	**1,533,709**
LIABILITIES					
Current liabilities					
Trade and other accrued liabilities		$	60,870	$	38,083
Derivative liability	8		54,411		13,303
Current portion of provisions and other liabilities	10		20,304		5,632
Total current liabilities			**135,585**		**57,018**
Non-current liabilities					
Derivative liability	8		18,926		23,798
Bank indebtedness	9		193,828		247,105
Provisions and other liabilities	10		158,905		165,628
Total non-current liabilities			**371,659**		**436,531**
Total liabilities			**507,244**		**493,549**
SHAREHOLDERS' EQUITY					
Share capital	12		2,370,716		2,360,647
Contributed surplus			108,554		114,280
Deficit			(1,383,279)		(1,434,767)
Total shareholders' equity attributable to Advantage shareholders			**1,095,991**		**1,040,160**
Non-controlling interest	13		2,410		-
Total shareholders' equity			**1,098,401**		**1,040,160**
Total liabilities and shareholders' equity		**$**	**1,605,645**	**$**	**1,533,709**

Commitments (note 18)

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd. (Formerly, Advantage Oil & Gas Ltd.)
Consolidated Statements of Comprehensive Income (Loss)
(unaudited, expressed in thousands of Canadian dollars, except per share amounts)

	Notes	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Revenues					
Petroleum and natural gas sales from production	16	$ 134,354	$ 60,063	$ 332,780	$ 171,882
Royalty expense		(8,059)	(2,566)	(18,602)	(7,407)
Petroleum and natural gas revenue		126,295	57,497	314,178	164,475
Losses on derivatives	8	(6,342)	(27,099)	(52,989)	(23,807)
Total revenues and other income		**119,953**	**30,398**	**261,189**	**140,668**
Expenses					
Operating expense		10,967	9,615	32,023	29,255
Transportation expense		17,754	12,754	50,672	41,329
General and administrative expense		5,757	2,135	14,920	6,899
Share-based compensation expense	14	1,184	1,134	2,853	3,994
Depreciation expense	5,6,7	26,919	27,941	80,788	85,672
Impairment expense	7	-	-	-	361,000
Exploration and evaluation expense	4	-	-	-	190
Finance expense		4,798	5,421	16,333	12,950
Total expenses		**67,379**	**59,000**	**197,589**	**541,289**
Income (loss) before taxes and non-controlling interest		**52,574**	**(28,602)**	**63,600**	**(400,621)**
Income tax (expense) recovery	11	(9,476)	6,996	(12,202)	92,408
Net income (loss) and comprehensive income (loss) before non-controlling interest		**$ 43,098**	**$ (21,606)**	**$ 51,398**	**$ (308,213)**
Net income (loss) and comprehensive income (loss) attributable to:					
Advantage shareholders		$ 43,188	$ (21,606)	$ 51,488	$ (308,213)
Non-controlling interest	13	(90)	-	(90)	-
		$ 43,098	**$ (21,606)**	**$ 51,398**	**$ (308,213)**
Net income (loss) per share attributable to Advantage shareholders	15				
Basic		$ 0.23	$ (0.11)	$ 0.27	$ (1.64)
Diluted		$ 0.22	$ (0.11)	$ 0.26	$ (1.64)

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd. (Formerly, Advantage Oil & Gas Ltd.)
Consolidated Statements of Changes in Shareholders' Equity
(unaudited, expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Deficit	Non-controlling interest	Total shareholders' equity
Balance, December 31, 2020	$ 2,360,647	$ 114,280	$ (1,434,767)	$ -	$ **1,040,160**
Net income and comprehensive income	-	-	51,488	(90)	**51,398**
Share-based compensation (note 14(b))	-	5,025	-	-	**5,025**
Settlement of Performance Share Units	10,069	(10,751)	-	-	**(682)**
Issuance of Entropy common shares to non-controlling interest (note 13)	-	-	-	2,500	**2,500**
Balance, September 30, 2021	**$ 2,370,716**	**$ 108,554**	**$ (1,383,279)**	**$ 2,410**	**$ 1,098,401**

	Share capital	Contributed surplus	Deficit	Non-controlling interest	Total shareholders' equity
Balance, December 31, 2019	$ 2,349,703	$ 117,116	$ (1,150,722)	$ -	$ **1,316,097**
Net loss and comprehensive loss	-	-	(308,213)	-	**(308,213)**
Share-based compensation (note 14(b))	-	6,135	-	-	**6,135**
Settlement of Performance Share Units	10,944	(10,944)	-	-	**-**
Balance, September 30, 2020	$ **2,360,647**	$ **112,307**	$ **(1,458,935)**	$ **-**	$ **1,014,019**

See accompanying Notes to the Condensed Consolidated Financial Statements

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

	Notes	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Operating Activities					
Income (loss) before taxes and non-controlling interest		$ 52,574	$ (28,602)	$ 63,600	$ (400,621)
Add (deduct) items not requiring cash:					
Unrealized (gains) losses on derivatives	8	(17,621)	22,890	15,499	22,116
Share-based compensation expense	14	1,184	1,134	2,853	3,994
Depreciation expense	5,6,7	26,919	27,941	80,788	85,672
Impairment expense	7	-	-	-	361,000
Exploration and evaluation expense	4	-	-	-	190
Accretion of decommissioning liability	10	297	208	857	572
Expenditures on decommissioning liability	10	(438)	(267)	(780)	(470)
Changes in non-cash working capital	17	(15,927)	1,967	(7,129)	(1,999)
Cash provided by operating activities		**46,988**	**25,271**	**155,688**	**70,454**
Financing Activities					
Decrease in bank indebtedness	9	(26,028)	(113,038)	(53,277)	(54,463)
Principal repayment of lease liability	10	(72)	(65)	(215)	(188)
Principal repayment of financing liability	10	(860)	(786)	(2,496)	(786)
Net proceeds from plant disposition	10	-	98,453	-	98,453
Cash provided by (used in) financing activities		**(26,960)**	**(15,436)**	**(55,988)**	**43,016**
Investing Activities					
Payments on property, plant and equipment	7,17	(36,795)	(11,220)	(92,367)	(120,343)
Payments on exploration and evaluation assets	4	-	-	(354)	(953)
Payments on intangible assets	6	(165)	-	(165)	-
Project funding received	10	20	-	20,043	-
Cash used in investing activities		**(36,940)**	**(11,220)**	**(72,843)**	**(121,296)**
Increase (decrease) in cash and cash equivalents		(16,912)	(1,385)	26,857	(7,826)
Cash and cash equivalents, beginning of period		47,048	6,658	3,279	13,099
Cash and cash equivalents, end of period		**$ 30,136**	**$ 5,273**	**$ 30,136**	**$ 5,273**

See accompanying Notes to the Condensed Consolidated Financial Statements

1. Business and structure of Advantage Energy Ltd.

On May 18, 2021, Advantage Oil & Gas Ltd. changed its name to Advantage Energy Ltd. as approved by its shareholders. Advantage Energy Ltd. and its subsidiaries (together "Advantage" or the "Corporation") is a low-carbon energy producer 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 October 28, 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 8.

(c) Functional and presentation currency

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

(d) Basis of consolidation

These condensed consolidated financial statements include the accounts of the Corporation and all subsidiaries over which it has control, including Entropy Inc. ("Entropy"), a private Canadian corporation of which Advantage owns 90% (note 13). All inter-corporate balances, income and expenses resulting from inter-corporate transactions are eliminated.

2. Basis of preparation (continued)

(e) New significant accounting policies

Non-controlling interests

The Corporation accounts for transactions with non-controlling interests as transactions with equity owners of the Corporation. For purchases of shares from non-controlling interests, the difference between any consideration paid and the relevant ownership acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of shares to non-controlling interests are also recorded in equity, unless the disposal results in the Corporation's loss of control of the subsidiary, in which case the gain or loss is recognized in net income and comprehensive income.

Intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are recognized at cost less any accumulated amortization and impairment losses. Intangible assets with finite lives are amortized over the useful life and assessed for impairment when there is an indication that the asset may be impaired. The Corporation may incur costs associated with research and development. Expenditures during the research phase are expensed. Expenditures during the development phase are capitalized only if certain criteria are met, including technical feasibility and the intent to develop and use the technology. If these criteria are not met, the costs are expensed as incurred. The amortization expense on intangible assets is recognized in the Consolidated Statements of Comprehensive Income (Loss).

3. Cash and cash equivalents

	September 30 2021	December 31 2020
Cash at financial institutions	$ 30,136	$ 3,279

Cash at financial institutions earns interest at floating rates based on daily deposit rates. As at September 30, 2021 cash at financial institutions included US$9.8 million (December 31, 2020 - US$0.9 million). Included in cash and cash equivalents as at September 30, 2021 is $15.8 million held solely for project expenditures related to reducing carbon emissions. The Corporation only deposits cash with major financial institutions of high-quality credit ratings.

4. Exploration and evaluation assets

Balance at December 31, 2019	**$**	**20,703**
Additions		983
Lease expiries		(190)
Transferred to property, plant and equipment (note 7)		(916)
Balance at December 31, 2020	**$**	**20,580**
Additions		354
Balance at September 30, 2021	**$**	**20,934**

5. Right-of-use assets

Cost		Buildings		Other		Total
Balance at December 31, 2019 and December 31, 2020	**$**	**2,318**	**$**	**186**	**$**	**2,504**
Additions		-		153		153
Balance at September 30, 2021	**$**	**2,318**	**$**	**339**	**$**	**2,657**

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		213		28		241
Balance at September 30, 2021	**$**	**609**	**$**	**100**	**$**	**709**

Net book value		Buildings		Other		Total
At December 31, 2020	$	1,922	$	114	$	2,036
At September 30, 2021	**$**	**1,709**	**$**	**239**	**$**	**1,948**

6. Intangible assets

Cost		
Balance at December 31, 2020	**$**	-
Additions (note 13)		2,665
Balance at September 30, 2021	**$**	**2,665**

Accumulated amortization		
Balance at December 31, 2020	**$**	-
Amortization		-
Balance at September 30, 2021	**$**	**-**

Net book value		
At December 31, 2020	$	-
At September 30, 2021	**$**	**2,665**

7. Property, plant and equipment

Cost		Petroleum & Natural Gas Properties		Furniture & Equipment		Total
Balance at December 31, 2019	**$**	**2,647,964**	**$**	**6,442**	**$**	**2,654,406**
Additions		156,702		250		156,952
Capitalized share-based compensation (note 14(b))		2,830		-		2,830
Changes in decommissioning liability (note 10(e))		2,904		-		2,904
Transferred from exploration and evaluation assets (note 4)		916		-		916
Balance at December 31, 2020	**$**	**2,811,316**	**$**	**6,692**	**$**	**2,818,008**
Additions		90,442		58		90,500
Capitalized share-based compensation (note 14(b))		1,490		-		1,490
Changes in decommissioning liability (note 10(e))		(3,943)		-		(3,943)
Balance at September 30, 2021	**$**	**2,899,305**	**$**	**6,750**	**$**	**2,906,055**

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		80,370		177		80,547
Balance at September 30, 2021	**$**	**1,451,608**	**$**	**5,455**	**$**	**1,457,063**

Net book value		Petroleum & Natural Gas Properties		Furniture & Equipment		Total
At December 31, 2020	$	1,440,078	$	1,414	$	1,441,492
At September 30, 2021	**$**	**1,447,697**	**$**	**1,295**	**$**	**1,448,992**

During the nine months ended September 30, 2021, Advantage capitalized general and administrative expenditures directly related to development activities of $5.8 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 and nine months ended September 30, 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 and nine months ended September 30, 2021.

8. Financial risk management

As at September 30, 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 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.

8. 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 income (loss).

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Realized gains (losses) on derivatives				
Natural gas	$ (19,045)	$ (5,388)	$ (28,263)	$ (7,343)
Crude oil	(4,965)	1,088	(10,864)	5,589
Foreign exchange	218	231	2,150	221
Interest rate	(171)	(140)	(513)	(158)
Total	**$ (23,963)**	**$ (4,209)**	**$ (37,490)**	**$ (1,691)**
Unrealized gains (losses) on derivatives				
Natural gas	$ (7,278)	$ (22,827)	$ (33,127)	$ (25,669)
Crude oil	4,650	(1,557)	(3,757)	3,321
Natural gas embedded derivative	22,793	-	25,348	-
Foreign exchange	(2,713)	1,465	(4,458)	1,073
Interest rate	169	29	495	(841)
Total	**$ 17,621**	**$ (22,890)**	**$ (15,499)**	**$ (22,116)**
Gains (losses) on derivatives				
Natural gas	$ (26,323)	$ (28,215)	$ (61,390)	$ (33,012)
Crude oil	(315)	(469)	(14,621)	8,910
Natural gas embedded derivative	22,793	-	25,348	-
Foreign exchange	(2,495)	1,696	(2,308)	1,294
Interest rate	(2)	(111)	(18)	(999)
Total	**$ (6,342)**	**$ (27,099)**	**$ (52,989)**	**$ (23,807)**

8. Financial risk management (continued)

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

		September 30 2021		December 31 2020
Derivative type				
Natural gas derivative liability	$	(62,779)	$	(29,652)
Crude oil derivative liability		(5,811)		(2,054)
Natural gas embedded derivative asset		28,742		3,394
Foreign exchange derivative asset		(1,443)		3,015
Interest rate derivative liability		(307)		(802)
Net derivative liability	**$**	**(41,598)**	**$**	**(26,099)**
Consolidated statement of financial position classification				
Current derivative asset	$	2,997	$	6,862
Non-current derivative asset		28,742		4,140
Current derivative liability		(54,411)		(13,303)
Non-current derivative liability		(18,926)		(23,798)
Net derivative liability	**$**	**(41,598)**	**$**	**(26,099)**

8. Financial risk management (continued)

(a) Commodity price risk

The Corporation's commodity derivative contracts are classified as Level 2 within the fair value hierarchy. As at September 30, 2021, the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - AECO			
Fixed price swap	April 2021 to October 2021	4,739 Mcf/d	$2.75/Mcf
Fixed price swap	November 2021 to March 2022	4,739 Mcf/d	$4.48/Mcf
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	20,000 Mcf/d	US $2.88/Mcf
Fixed price swap	May 2021 to October 2021	5,000 Mcf/d	US $2.95/Mcf
Fixed price swap	June 2021 to October 2021	15,000 Mcf/d	US $3.05/Mcf
Fixed price swap	July 2021 to October 2021	5,000 Mcf/d	US $3.26/Mcf
Fixed price swap	November 2021 to March 2022	55,000 Mcf/d	US $3.44/Mcf
Fixed price swap	April 2022 to October 2022	20,000 Mcf/d	US $3.32/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	October 2021 to October 2022	20,000 Mcf/d	Henry Hub less US $1.20/Mcf
Basis swap	November 2022 to December 2024	40,000 Mcf/d	Henry Hub less US $1.191/Mcf
Crude oil - WTI NYMEX			
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

8. 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 September 30, 2021 the fair value of the natural gas embedded derivative resulted in an asset of $28.7 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 September 30, 2021, the implied inflation rate in the 5-year PJM power forecast averaged 1% 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 $1.4 million. Had the PJM electricity power forecast increased/decreased by 10%, this would have resulted in a $29.2 million increase, or a $27.3 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 September 30, 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	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
Average rate currency swap	June 2021 to May 2023	US $ 2,000,000/month	1.2025
Average rate currency swap	August 2021 to July 2022	US $ 1,000,000/month	1.2499

(c) Interest rate risk

The Corporation's interest rate derivative contracts are classified as Level 2 within the fair value hierarchy. As at September 30, 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%

8. Financial risk management (continued)

(d) Capital management

Advantage's capital structure as at September 30, 2021 and December 31, 2020 is as follows:

		September 30 2021		December 31 2020
Bank indebtedness (non-current) (note 9)	$	193,828	$	247,105
Working capital (surplus) deficit (1)		(25,891)		4,292
Net debt (2)	**$**	**167,937**	**$**	**251,397**
Shares outstanding (note 12)		190,828,976		188,112,797
Share closing market price ($/share)	$	6.40	$	1.71
Market Capitalization		1,221,305		321,673
Total Capitalization	**$**	**1,389,242**	**$**	**573,070**

(1) Working capital 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.

9. Bank indebtedness

		September 30 2021		December 31 2020
Revolving credit facility	$	194,717	$	248,000
Discount on bankers' acceptance and other fees		(889)		(895)
Balance, end of period	**$**	**193,828**	**$**	**247,105**

On April 30, 2021, the Credit Facilities were renewed with no changes to the borrowing base of $350 million, comprised of a $30 million extendible revolving operating loan facility from one financial institution and a $320 million extendible revolving loan facility from a syndicate of financial institutions. The revolving period for the Credit Facilities will end in June 2022 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$9 million outstanding at September 30, 2021 (December 31, 2020 - US$15 million). The Corporation did not have any financial covenants at September 30, 2021 and December 31, 2020.

10. Provisions and other liabilities

		September 30 2021		December 31 2020
Performance Awards (note 14(c))	$	8,483	$	4,620
Deferred revenue (a)		6,603		6,603
Project funding (b)		10,510		-
Lease liability (c)		2,217		2,279
Financing liability (d)		94,368		96,864
Decommissioning liability (e)		57,028		60,894
Balance, end of period	**$**	**179,209**	**$**	**171,260**
Current portion of provisions and other liabilities	$	20,304	$	5,632
Provisions and other liabilities	$	158,905	$	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 million in funding to be utilized solely for project expenditures related to reducing carbon 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 second quarter of 2022.

A reconciliation of the project funding is as follows:

		September 30, 2021
Balance, beginning of the year	$	-
Project funding received		20,000
Interest earned		43
Project expenditures incurred		(9,533)
Balance, end of period	**$**	**10,510**

10. Provisions and other liabilities (continued)

(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 as follows:

		September 30, 2021		December 31, 2020
Balance, beginning of the year	$	2,279	$	2,537
Additions		153		-
Interest expense		72		102
Lease payments		(287)		(360)
Balance, end of period	**$**	**2,217**	**$**	**2,279**
Current lease liability	$	358	$	256
Non-current lease liability	$	1,859	$	2,023

(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 as follows:

		September 30, 2021		December 31, 2020
Balance, beginning of the year	$	96,864	$	-
Additions, net of transaction cost		-		98,453
Interest expense		6,513		4,483
Financing payments		(9,009)		(6,072)
Balance, end of period	**$**	**94,368**	**$**	**96,864**
Current financing liability	$	3,613	$	3,376
Non-current financing liability	$	90,755	$	93,488

10. Provisions and other liabilities (continued)

(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 1.98% (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 September 30, 2021. As at September 30, 2021, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was $56.5 million (December 31, 2020 – $55.2 million).

A reconciliation of the decommissioning liability is as follows:

	September 30, 2021	December 31, 2020
Balance, beginning of the year	$ 60,894	$ 58,273
Accretion expense	857	797
Liabilities incurred	1,387	1,575
Plant disposition	-	(625)
Change in estimates	(1,457)	(690)
Effect of change in risk-free rate and inflation rate factor	(3,873)	2,644
Liabilities settled	(780)	(1,080)
Balance, end of period	**$ 57,028**	**$ 60,894**
Current decommissioning liability	$ 1,214	$ 2,000
Non-current decommissioning liability	$ 55,814	$ 58,894

(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 September 30, 2021:

	Payments due by period						
($ millions)	**Total**	**Three months 2021**	**2022**	**2023**	**2024**	**2025**	**Beyond**
Performance Awards	$ 17.3	$ -	$ 5.6	$ 6.0	$ 5.7	$ -	$ -
Lease liability	2.5	0.1	0.4	0.4	0.4	0.4	0.8
Financing liability	165.5	3.0	12.0	12.0	12.1	12.0	114.4
Total fixed payments	**$ 185.3**	**$ 3.1**	**$ 18.0**	**$ 18.4**	**$ 18.2**	**$ 12.4**	**$ 115.2**

11. Income taxes

	Three months ended September 30				Nine months ended September 30			
		2021		2020		2021		2020
Income tax (expense) recovery	$	(9,476)	$	6,996	$	(12,202)	$	92,408

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.

12. 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	188,112,797	$	2,360,647
Shares issued on Performance Share Unit settlements	2,716,179		-
Contributed surplus transferred on Performance Share Unit settlements	-		10,069
Balance at September 30, 2021	**190,828,976**	**$**	**2,370,716**

13. Non-controlling interest ("NCI")

Entropy

At December 31, 2020, Advantage owned 100% of Entropy, a private corporation engaged in commercializing carbon capture and storage ("CCS") technology.

On May 5, 2021, Entropy issued common shares to Allardyce Bower Holdings Inc. ("ABC") in exchange for intellectual property, resulting in Advantage and ABC owning 90% and 10% of Entropy, respectively. Advantage has recognized a non-controlling interest in shareholders' equity, representing the carrying value of the 10% shareholding of Entropy held by outside interests.

14. 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. As at September 30, 2021, no Restricted Share Units have been granted. 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.

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**
Granted	1,247,026
Settled	(1,549,658)
Forfeited	(60,282)
Balance at September 30, 2021	**4,880,684**

During April 2021, 1,549,658 Performance Share Units matured and were settled with the issuance of 2,716,179 common shares and $0.7 million of cash consideration.

(b) Share-based compensation expense

Share-based compensation recognized for the three and nine months ended September 30, 2021 and 2020 is as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Share-based compensation	1,741	1,741	5,025	6,135
Capitalized	(557)	(607)	(1,490)	(2,141)
Cash settled awards	-	-	(682)	-
Share-based compensation expense	**$ 1,184**	**$ 1,134**	**$ 2,853**	**$ 3,994**

14. 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 liability (note 10) until eventually settled in cash.

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

		Nine months ended September 30, 2021		Year ended December 31, 2020
Balance, beginning of the year	$	4,620	$	1,252
Performance Award expense		3,817		3,339
Interest expense		46		29
Balance, end of period	**$**	**8,483**	**$**	**4,620**
Current	$	4,609	$	-
Non-current	$	3,874	$	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	89,615
Settled	(90,377)
Balance at September 30, 2021	**628,568**

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

		Nine months ended September 30, 2021		Year ended December 31, 2020
Balance, beginning of the year	$	1,076	$	1,215
Granted		313		364
Revaluation of outstanding Deferred Share Units		2,954		(503)
Settled		(320)		-
Balance, end of period	**$**	**4,023**	**$**	**1,076**

15. Net income (loss) per share attributable to Advantage shareholders

The calculations of basic and diluted net income (loss) per share are derived from both net income (loss) attributable to Advantage shareholders and weighted average shares outstanding, calculated as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net income (loss) attributable to Advantage shareholders				
Basic and diluted	$ 43,188	$ (21,606)	$ 51,488	$ (308,213)
Weighted average shares outstanding				
Basic	190,828,976	188,112,797	189,824,089	187,643,423
Performance Share Units[1]	8,526,599	-	8,526,599	-
Diluted	199,355,575	188,112,797	198,350,688	187,643,423
Net income (loss) per share attributable to Advantage shareholders				
Basic	$ 0.23	$ (0.11)	$ 0.27	$ (1.64)
Diluted	$ 0.22	$ (0.11)	$ 0.26	$ (1.64)

(1) Performance Share Units are excluded from the diluted calculation when the Corporation is in a net loss position (note 14(a)).

16. Revenues

Advantage's revenue is comprised of natural gas, crude oil, condensate and NGLs sales to multiple customers. For the three and nine months ended September 30, 2021 and 2020, petroleum and natural gas sales from production was as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Natural gas	$ 106,174	$ 45,012	$ 260,314	$ 134,333
Crude oil	8,440	7,086	24,386	15,962
Condensate	7,025	2,764	16,286	9,065
NGLs	12,715	5,201	31,794	12,522
Total	**$ 134,354**	**$ 60,063**	**$ 332,780**	**$ 171,882**

At September 30, 2021, receivables from contracts with customers, which are included in trade and other receivables, were $50.1 million (December 31, 2020 – $27.1 million).

17. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended September 30		Nine months ended September 30	
	2021	**2020**	**2021**	**2020**
Source (use) of cash:				
Trade and other receivables	$ (17,999)	$ (4,766)	$ (23,254)	$ 6,780
Prepaid expense and deposits	(1,756)	(396)	(2,859)	(2,242)
Trade and other accrued liabilities	1,472	9,575	22,787	(11,267)
Performance Awards	1,481	982	3,863	2,375
Deferred revenue	-	6,604	-	6,604
Project funding	(4,733)	-	(9,533)	-
	$ (21,535)	**$ 11,999**	**$ (8,996)**	**$ 2,250**
Related to operating activities	$ (15,927)	$ 1,967	$ (7,129)	$ (1,999)
Related to financing activities	-	-	-	-
Related to investing activities	(5,608)	10,032	(1,867)	4,249
	$ (21,535)	**$ 11,999**	**$ (8,996)**	**$ 2,250**
Cash interest paid	$ 4,756	$ 3,250	$ 15,482	$ 11,841
Cash income taxes paid	$ -	$ -	$ -	$ -

18. Commitments

At September 30, 2021 Advantage had commitments relating to building operating cost of $2.4 million, processing commitments of $60.3 million and transportation commitments of $444.8 million. The estimated remaining payments are as follows:

	Payments due by period						
($ millions)	**Total**	**Three months 2021**	**2022**	**2023**	**2024**	**2025**	**Beyond**
Building operating cost [(1)]	$ 2.4	$ 0.1	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 0.7
Processing	60.3	0.7	5.9	7.9	10.0	9.5	26.3
Transportation	444.8	14.3	62.1	57.5	55.0	53.3	202.6
Total commitments	**$ 507.5**	**$ 15.1**	**$ 68.4**	**$ 65.8**	**$ 65.4**	**$ 63.2**	**$ 229.6**

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

ABBREVIATIONS

Crude Oil and Natural Gas Liquids

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

Natural Gas

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

Other

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

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Stephen E. Balog (1)(2)(3)(4)
Deirdre M. Choate(1)(4)
Paul G. Haggis (1)(2)(3)(4)
Norman W. MacDonald(1)(2)
Andy J. Mah
Ronald A. McIntosh (2)(4)
Donald M. Clague (1)(2)(3)

(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
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