

2021 Fourth Quarter Report

Financial Highlights

(\$000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Financial Statement Highlights				
Natural gas and liquids sales	159,255	73,203	492,035	245,085
Net income (loss) and comprehensive income (loss) per basic share ⁽²⁾	359,956 1.90	24,168 0.13	411,354 2.17	(284,045) (1.51)
Basic weighted average shares (000)	190,829	188,113	190,077	187,761
Cash provided by operating activities	67,464	30,260	223,152	100,714
Cash provided by (used in) financing activities	(27,423)	5,071	(83,411)	48,087
Cash used in investing activities	(44,939)	(37,325)	(117,782)	(158,621)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾ per boe ⁽¹⁾ per basic share ⁽¹⁾⁽²⁾	71,227 16.15 0.37	31,738 7.92 0.17	234,824 13.01 1.24	104,661 6.37 0.56
Net capital expenditures ⁽¹⁾	58,384	32,390	149,403	157,935
Free cash flow ⁽¹⁾	12,843	(652)	85,421	(53,274)
Working capital (surplus) deficit ⁽¹⁾	(2,092)	4,292	(2,092)	4,292
Bank indebtedness	167,345	247,105	167,345	247,105
Net debt ⁽¹⁾	165,253	251,397	165,253	251,397
Operating Highlights				
Production				
Crude oil (bbls/d)	816	1,653	1,101	1,664
Condensate (bbls/d)	1,012	653	844	715
NGLs (bbls/d)	2,524	2,234	2,548	2,029
Total liquids production (bbls/d)	4,352	4,540	4,493	4,408
Natural gas (Mcf/d)	261,530	233,949	269,710	243,081
Total production (boe/d)	47,940	43,532	49,445	44,922
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	4.17	2.45	3.38	2.02
Liquids (\$/bbl)	54.70	41.29	50.92	37.43
Operating Netback (\$/boe)				
Natural gas and liquids sales ⁽¹⁾	36.11	18.28	27.26	14.91
Realized losses on derivatives ⁽¹⁾	(8.41)	(0.74)	(4.13)	(0.28)
Royalty expense ⁽¹⁾	(2.02)	(0.77)	(1.53)	(0.64)
Operating expense ⁽¹⁾	(2.92)	(2.68)	(2.49)	(2.43)
Transportation expense ⁽¹⁾	(4.48)	(3.62)	(3.90)	(3.39)
Operating netback ⁽¹⁾	18.28	10.47	15.21	8.17

⁽¹⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

⁽²⁾ Based on basic weighted average shares outstanding.

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MESSAGE TO SHAREHOLDERS

Advantage Energy Ltd. ("Advantage" or the "Corporation") achieved record results during 2021, while capital spending remained modest. Advantage's long history of disciplined capital deployment continued, with every well drilled since the second half of 2020 achieving payout in under one year and many achieving payout in under 5 months. The Corporation has a line-of-sight to eliminate net debt during the third quarter (based on current strip commodity prices) and intends to initiate a share buyback program in second quarter pending regulatory approval.

Advantage's affiliate Entropy Inc. continues to make progress on its previously announced financing (see News Release dated December 30, 2021) and remains on-track to close during the first quarter of 2022.

In order to maximize shareholder returns, Advantage's priority is growing adjusted funds flow per share^(a) while maintaining a strong balance sheet and enhancing profitability through all phases of the commodities cycle. With commodity pricing remaining strong, production spiking, long-term demand likely to continue to grow, decades of high-quality inventory and significant existing capacity at Advantage-owned facilities, Advantage is well positioned to continue generating significant shareholder value.

Operational Update

Advantage expects 2022 average production to increase to between 52,000 boe/d and 55,000 boe/d based on the Corporation's 2022 capital program (see News Release dated December 6, 2021). In March, five days of downtime are planned at Glacier for a plant turnaround and to complete final construction of the Phase 1 CCS project.

In anticipation of gas supply shortages and elevated pricing, Advantage accelerated \$10 million of spending from January into December. As a result, January production was approximately 57,000 boe/d, with the Glacier Gas Plant periodically exceeding 375 mmcf/d (gross raw). Drilling focus has now shifted to oil and condensate targets at Wembley, Valhalla and Progress, with minimal new Glacier volumes expected to come onstream for the remainder of 2022.

At Wembley, construction of the trunk-line tying Advantage's oil battery to Keyera's Pipestone Processing Facility is nearing completion, on-time and on-budget with 2022 costs of \$10 million. Once complete, Advantage will have access to a total of 40 mmcf/d of firm processing capacity in the area. Production at Wembley is expected to grow through 2022, with 6 recently-drilled wells coming on production in the second quarter and drilling of one additional pad toward the end of the year.

At Progress, a new compressor station which was partially constructed prior to the pandemic is nearing completion, on-time and on-budget with 2022 costs of \$12 million. In addition to increasing system capacity for Advantage wells, the compressor will service firm-contracted third-party volumes of 10 mmcf/d generating \$5.5 million of processing revenue on an annualized basis. These volumes are incremental to the existing 11 mmcf/d of third-party gas processed through Advantage's owned infrastructure.

The Corporation has hedged 22% of its natural gas production for first quarter of 2022, 36% for summer 2022, 27% for winter 2022/23 and 8% for summer 2023.

Share Buyback Program

As Advantage believes there may be times when the market price of its common shares does not fully reflect the underlying value of its business, or when buying back shares may provide superior returns versus acquiring third-party assets. The Corporation intends to launch a share buyback program during the second quarter, subject to receiving regulatory approval and compliance with applicable laws. The primary goals of the buyback program are to provide returns to shareholders in a tax efficient manner, to improve per share metrics and to help maintain an efficient capital structure.

Indigenous Education Scholarship Program

Advantage is pleased to support Indigenous students in communities near Advantage's operations in Alberta. Advantage aims to provide students with funding to pursue post-secondary education opportunities to benefit both the students and Alberta's energy industry. Annual scholarships will be open to all students but primarily awarded to students pursuing studies in engineering, operations, geosciences, environmental studies, and trades related to the energy industry. Applications for Advantage's Indigenous Education Scholarship program will be accepted between March 1st to July 15th of each year and scholarships will be announced prior to August 15th. To apply for the Scholarship Award, please email scholarship@advantageog.com for an application form and further instructions.

Board Retirement

As a part of Advantage's board succession planning, Mr. Ron McIntosh plans to retire on May 5, 2022, after 24 years of service with Advantage and predecessor companies. The Advantage team thanks him deeply for his dedication and wishes him all the best in his retirement. The new Chair of the Board will be appointed after Advantage's annual general and special meeting on May 5, 2022.

Looking Forward

In order to maximize shareholder returns, Advantage's priority is growing adjusted funds flow per share^(a) while maintaining a strong balance sheet. The capital program for the second half of 2022 will focus on oil-weighted growth which delivers outsized adjusted funds flow growth per unit of production growth, at current strip commodity pricing. While total production for 2022 is expected to grow by approximately 8%, relative adjusted funds flow is expected to grow by over 25%, assuming the same commodity prices.

At current strip commodity prices, Advantage expects 2022 AFF^(a) to be more than double what it was in 2021. We are on-track to generate significant free cash flow^(a) of over \$140 million in the first half of 2022 and approach zero net debt^(a) in the third quarter. Advantage's decision to advance \$10 million in capital spending from early 2022 into December 2021 has significantly benefited the Corporation with average production of approximately 57,000 boe/d in January 2022, coinciding with elevated gas prices, resulting in payout^(a) of new wells in under 5 months.

Advantage's 2022 capital program (\$170 million to \$200 million) is weighted towards the first quarter with spending of approximately \$76 million or 40% of the total 2022 budget. Production is expected to average between 52,000 boe/d and 55,000 boe/d in 2022 (see News Release dated December 6, 2021). In March, five days of downtime are planned at Glacier for a plant turnaround and to complete final construction of the Phase 1 CCS project, with production expected to average 52,000 boe/d during the first quarter.

The Corporation has \$1.4 billion of tax pools which are expected to provide cash tax deferrals for several years.

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

(a) Specified financial measure which is not a standardized measure under International Financial Reporting Standards ("IFRS") and may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures" for the composition of such specified financial measure, an explanation of how such specified financial measure provides useful information to a reader and the purposes for which management of Advantage uses the specified financial measure, and where required, a reconciliation of the specified financial measure to the most directly comparable IFRS measure

RESERVES

Advantage engaged our independent qualified reserves evaluator Sproule Associates Ltd. ("Sproule") to evaluate our year-end reserves as of December 31, 2021 in accordance with National Instrument 51-101 and the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook").

Reserves and production information included herein is stated on a gross working interest basis (before royalty burdens and excluding royalty interests) unless noted otherwise. Certain tables may not add due to rounding. In addition to the information disclosed in this annual report, more detailed information on our oil and gas reserves, including our reserves on a net interest basis (after royalty burdens and including royalty interests) is included in Advantage's Annual Information Form dated February 24, 2022 and is available at www.advantageog.com and www.sedar.com.

Highlights – Gross Working Interest Reserves

	December 31 2021	December 31 2020 ⁽⁴⁾
Proved plus probable reserves (mboe)	553,365	532,034
Net Present Value of future net revenue of 2P reserves discounted at 10%, before tax (\$000) ⁽¹⁾	3,353,076	2,191,072
Net Asset Value per Share discounted at 10%, before tax ⁽²⁾⁽⁵⁾	16.55	9.77
Reserve Life Index (proved plus probable - years) ⁽³⁾	31.6	33.5
Reserves per share (proved plus probable - boe) ⁽²⁾	2.90	2.83
Bank indebtedness per boe of reserves (proved plus probable)	0.30	0.46

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

⁽²⁾ Based on 190.8 million shares outstanding at December 31, 2021 and 188.1 million at December 31, 2020.

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

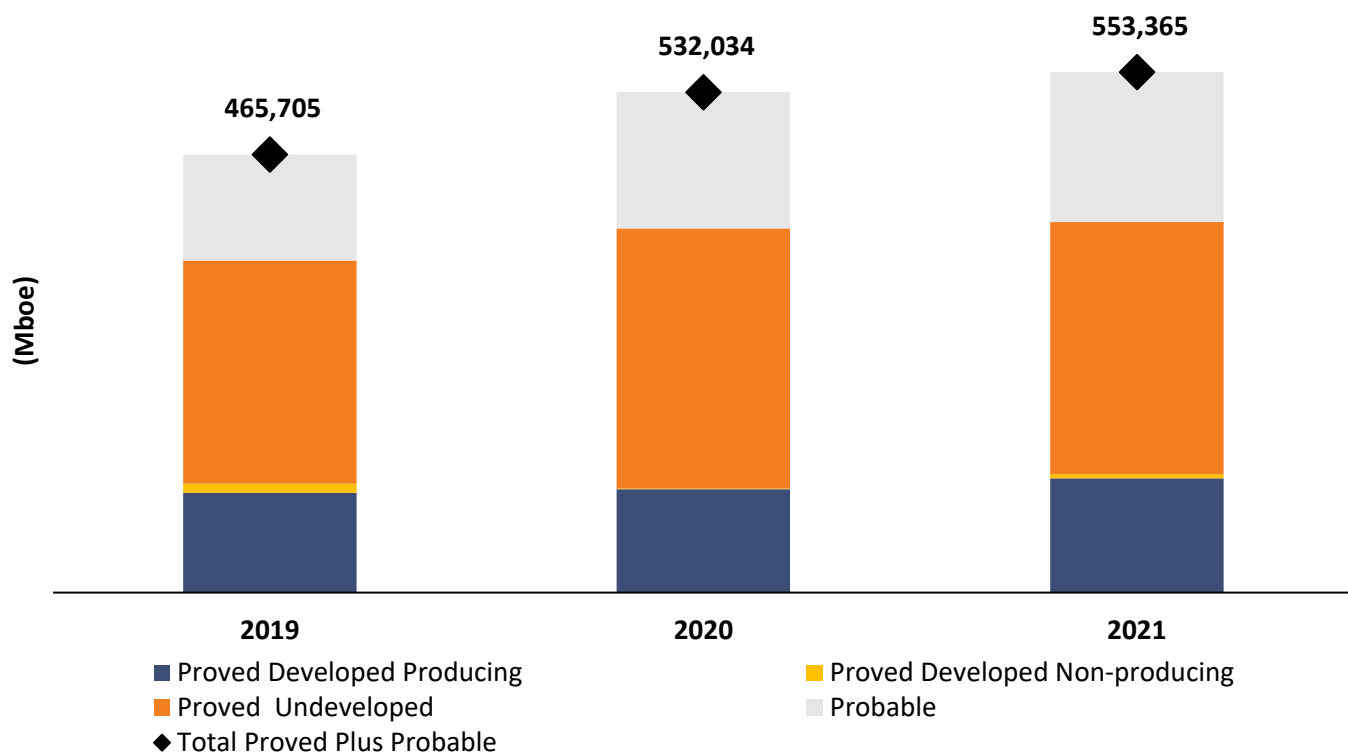
⁽⁴⁾ Reserves based upon an evaluation by Sproule with an effective date of December 31, 2020 contained in a report of Sproule dated February 23, 2021 using Sproule's product price forecast effective December 31, 2020.

⁽⁵⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

Corporation Gross (before royalties) Working Interest Reserves Summary as at December 31, 2021

	Light Crude Oil and Medium Crude Oil (Mbbl)	Conventional Natural Gas (Mmcf)	Natural Gas Liquids (Mbbbl)	Total Oil Equivalent (Mboe)
Proved				
Developed Producing	1,252	681,611	6,445	121,299
Developed Non-producing	23	24,113	405	4,447
Undeveloped	7,080	1,471,397	15,860	268,173
Total Proved	8,355	2,177,121	22,709	393,918
Probable	9,212	839,142	10,379	159,447
Total Proved Plus Probable	17,566	3,016,263	33,088	553,365

**Total Oil Equivalent Corporation Gross (before royalties)
Working Interest Reserves Summary**

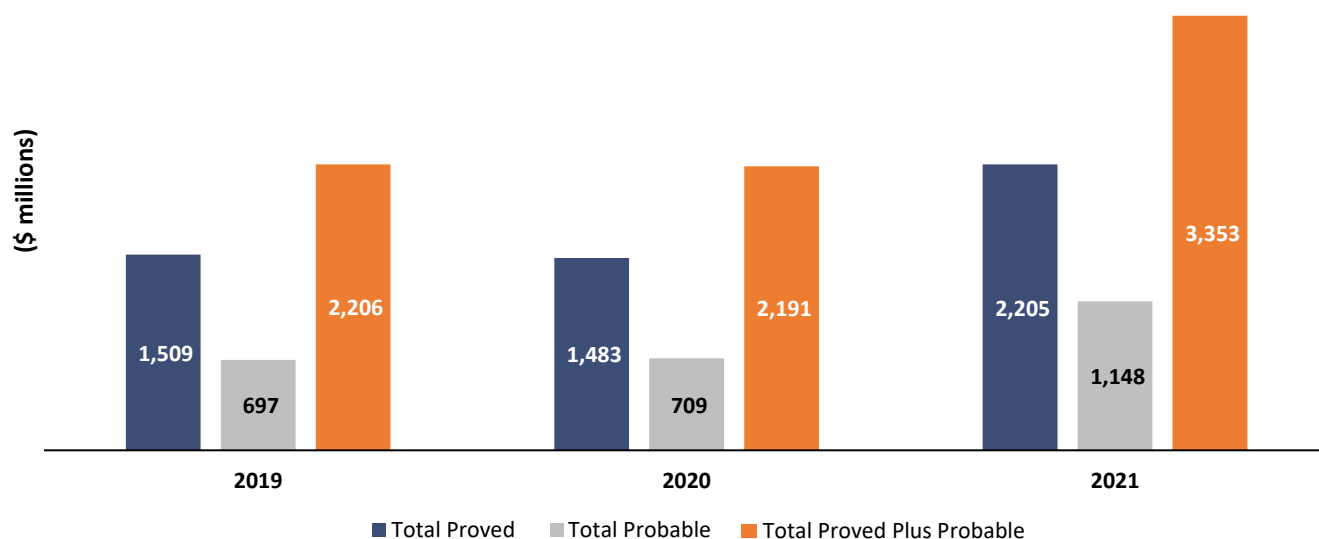


Corporation Net Present Value of Future Net Revenue using IQRE Average price and cost forecasts⁽¹⁾⁽²⁾⁽³⁾

(\$000)	Before Income Taxes Discounted at		
	0%	10%	15%
Proved			
Developed Producing	1,762,965	1,051,069	884,897
Developed Non-producing	96,017	53,724	45,536
Undeveloped	3,843,452	1,100,003	667,220
Total Proved	5,702,434	2,204,796	1,597,653
Probable	3,269,713	1,148,280	821,846
Total Proved Plus Probable	8,972,147	3,353,076	2,419,499

- (1) Advantage's light crude oil and medium crude oil, conventional natural gas and natural gas liquid reserves were evaluated using the average of the forecasts ("IQRE Average Forecast") prepared by McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants and Sproule effective December 31, 2021, prior to the provision for income taxes, interests, debt services charges and general and administrative expenses. It should not be assumed that the discounted future net revenue estimated by Sproule represents the fair market value of the reserves.
- (2) Assumes that development of reserves will occur, without regard to the likely availability to the Corporation of funding required for that development.
- (3) Future Net Revenue incorporates Managements' estimates of required abandonment and reclamation costs, including expected timing such costs will be incurred, associated with all wells, facilities and infrastructure.
- (4) Table may not add due to rounding.

**Net Present Value of Future Net Revenue
Before Income Taxes Discounted at 10%**



IQRE Average Forecasts and Assumptions

The net present value of future net revenue at December 31, 2021 was based upon light and medium oil, conventional natural gas and natural gas liquid pricing assumptions, which was computed by using the IQRE Average Forecast effective December 31, 2021. These forecasts are adjusted for reserves quality, transportation charges and the provision of any applicable sales contracts. The price assumptions used over the next seven years are summarized in the table below:

Year	Canadian Light Sweet Crude Oil 40° API (\$Cdn/bbl)	AECO-C Spot (\$Cdn/MMbtu)	Edmonton Pentanes Plus (\$Cdn/bbl)	Edmonton Butane (\$Cdn/bbl)	Edmonton Propane (\$Cdn/bbl)
2022	86.82	3.56	91.85	57.49	43.38
2023	80.73	3.21	85.53	50.17	35.92
2024	78.01	3.05	82.98	48.53	34.62
2025	79.57	3.11	84.63	49.50	35.31
2026	81.16	3.17	86.33	50.49	36.02
2027	82.78	3.23	88.05	51.50	36.74
2028	84.44	3.30	89.82	52.53	37.47

Year	Operating Cost Inflation Rate %/year	Capital Cost Inflation Rate %/year	Exchange Rate (\$US/\$Cdn)⁽³⁾
2022	0.00	0.00	0.80
2023	2.33	2.33	0.80
2024	2.00	2.00	0.80
2025	2.00	2.00	0.80
2026	2.00	2.00	0.80
2027	2.00	2.00	0.80
2028	2.00	2.00	0.80

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

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

(\$000, except per share amounts)	Before Income Taxes Discounted at		
	0%	10%	15%
Net asset value per share ⁽¹⁾ - December 31, 2020	\$ 33.27	\$ 9.77	\$ 6.26
Net present value proved and probable reserves	8,972,147	3,353,076	2,419,499
Undeveloped land ⁽²⁾	20,713	20,713	20,713
Working capital and other ⁽³⁾⁽⁴⁾	44,993	44,993	44,993
Financing liability	(93,488)	(93,488)	(93,488)
Bank indebtedness	(167,345)	(167,345)	(167,345)
Net asset value - December 31, 2021 ⁽³⁾	8,777,020	3,157,949	2,224,372
Net asset value per share ⁽¹⁾⁽³⁾ - December 31, 2021	\$ 45.99	\$ 16.55	\$ 11.66

⁽¹⁾ Based on 190.8 million shares outstanding at December 31, 2021 and 188.1 million at December 31, 2020.

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

⁽³⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

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

Company Gross (before royalties) Working Interest Reserves Reconciliation

Proved	Light Crude Oil and Medium Crude Oil (Mbbbl)	Conventional Natural Gas (Mmcf)	Natural Gas Liquids (Mbbbl)	Total Oil Equivalent (Mboe)
Opening balance December 31, 2020	8,245	2,142,386	21,714	387,023
Extensions and improved recovery ⁽¹⁾	231	91,760	816	16,341
Technical revisions ⁽²⁾	180	21,058	1,216	4,905
Discoveries	-	-	-	-
Acquisitions	-	2,715	11	463
Dispositions	-	-	-	-
Economic factors ⁽³⁾	101	17,646	191	3,232
Production	(402)	(98,444)	(1,238)	(18,048)
Closing balance at December 31, 2021	8,355	2,177,121	22,709	393,918

Proved Plus Probable	Light Crude Oil and Medium Crude Oil (Mbbbl)	Conventional Natural Gas (Mmcf)	Natural Gas Liquids (Mbbbl)	Total Oil Equivalent (Mboe)
Opening balance December 31, 2020	14,083	2,929,142	29,760	532,034
Extensions and improved recovery ⁽¹⁾	4,044	194,885	2,504	39,030
Technical revisions ⁽²⁾	(262)	(22,954)	1,923	(2,165)
Discoveries	-	-	-	-
Acquisitions	-	3,463	13	590
Dispositions	-	-	-	-
Economic factors ⁽³⁾	103	10,171	126	1,924
Production	(402)	(98,444)	(1,238)	(18,048)
Closing balance at December 31, 2021	17,566	3,016,263	33,088	553,365

⁽¹⁾ Reserve additions for Infill Drilling, Extensions and Improved Recovery are combined and reported as "Extensions and Improved Recovery". Extensions and Improved Recovery changes: (i) Revisions to the Glacier development plan with well optimization that combined or added proved or proved and probable future drilling locations mainly on lands acquired in 2021; (ii) As per COGE Handbook guidance: Glacier/Valhalla/Progress future proved locations were scheduled to be developed within seven (two including a plant expansion plus five) years and probable future locations were developed within eight years of the required ten years for probable reserves; and (iii) Wembley/Pipestone added probable future locations resulting in an increase in the Light Crude Oil and Medium Crude Oil category.

⁽²⁾ Technical revisions changes: (i) Increased well performance of existing and future drilling locations and (ii) minor upward adjustments to NGL yields for gas processed through the Glacier Gas Plant.

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

⁽⁴⁾ Table may not add due to rounding.

Corporation Finding and Development Cost (“F&D”)

Corporation 2021 F&D Cost – Gross (before royalties) Working Interest Reserves Including Future Development Capital⁽¹⁾⁽²⁾⁽³⁾

	Proved	Proved Plus Probable
Net capital expenditures, excluding intangible assets (\$000) ⁽⁴⁾	148,912	148,912
Net change in Future Development Capital (\$000)	14,087	80,305
Total capital (\$000)	162,999	229,217
Total mboe, end of year	393,918	553,365
Total mboe, beginning of year	387,023	532,034
Production, mboe	(18,047)	(18,047)
Reserve additions, mboe	24,942	39,378
2021 F&D cost (\$/boe) ⁽⁴⁾	\$ 6.54	\$ 5.82
2020 F&D cost (\$/boe) ⁽⁴⁾	\$ 3.63	\$ 2.80
Three-year average F&D cost (\$/boe) ⁽⁴⁾	\$ 4.47	\$ 4.40

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

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

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

⁽⁴⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".



(Formerly, Advantage Oil & Gas Ltd.)

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS
For the three months and years ended December 31, 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 February 24, 2022, 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 months and year ended December 31, 2021 and should be read in conjunction with the December 31, 2021 audited consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

This MD&A contains specified financial measures such as non-GAAP financial measures, non-GAAP financial ratios, capital management measures, supplementary financial measures and forward-looking information. Readers are advised to read this MD&A in conjunction with both the "Specified Financial Measures" and "Forward-Looking Information and Other Advisories" found at the end of this MD&A.

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Financial Statement Highlights				
Natural gas and liquids sales	159,255	73,203	492,035	245,085
Net income (loss) and comprehensive income (loss)	359,956	24,168	411,354	(284,045)
per basic share ⁽²⁾	1.90	0.13	2.17	(1.51)
Basic weighted average shares (000)	190,829	188,113	190,077	187,761
Cash provided by operating activities	67,464	30,260	223,152	100,714
Cash provided by (used in) financing activities	(27,423)	5,071	(83,411)	48,087
Cash used in investing activities	(44,939)	(37,325)	(117,782)	(158,621)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾	71,227	31,738	234,824	104,661
per boe ⁽¹⁾	16.15	7.92	13.01	6.37
per basic share ⁽¹⁾⁽²⁾	0.37	0.17	1.24	0.56
Net capital expenditures ⁽¹⁾	58,384	32,390	149,403	157,935
Free cash flow ⁽¹⁾	12,843	(652)	85,421	(53,274)
Working capital (surplus) deficit ⁽¹⁾	(2,092)	4,292	(2,092)	4,292
Bank indebtedness	167,345	247,105	167,345	247,105
Net debt ⁽¹⁾	165,253	251,397	165,253	251,397

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Operating Highlights

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Operating				
Production				
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Condensate (bbls/d)	1,012	653	844	715
NGLs (bbls/d)	2,524	2,234	2,548	2,029
Total liquids production (bbls/d)	4,352	4,540	4,493	4,408
Natural gas (Mcf/d)	261,530	233,949	269,710	243,081
Total production (boe/d)	47,940	43,532	49,445	44,922
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	4.17	2.45	3.38	2.02
Liquids (\$/bbl)	54.70	41.29	50.92	37.43
Operating Netback (\$/boe)				
Natural gas and liquids sales	36.11	18.28	27.26	14.91
Realized losses on derivatives	(8.41)	(0.74)	(4.13)	(0.28)
Royalty expense	(2.02)	(0.77)	(1.53)	(0.64)
Operating expense	(2.92)	(2.68)	(2.49)	(2.43)
Transportation expense	(4.48)	(3.62)	(3.90)	(3.39)
Operating netback ⁽¹⁾	18.28	10.47	15.21	8.17

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Corporate Update

2022 Guidance

On December 6, 2021, the Corporation announced its 2022 budget (see News Release dated December 6, 2021). Advantage's 2022 capital program will be focused on growing adjusted funds flow per share by continuing to drill high rate-of-return targets in areas with existing infrastructure capacity. An escalating emphasis will be placed on increasing liquids revenue and making infrastructure investments that either increase third-party processing revenue or establish carbon revenue for Entropy. With a current expected payout ratio of less than 0.50, Advantage plans to dedicate free cash flow towards debt reduction. The below table summarizes Advantage's 2022 guidance:

Forward Looking Information⁽¹⁾	2022 Guidance
Cash Used in Investing Activities ⁽²⁾ (\$ millions)	170 to 200
Average Production (boe/d)	52,000 to 55,000
Liquids Production (bbls/d)	5,400 to 5,800
Royalty Rate (%)	7 to 9
Operating Expense (\$/boe)	2.45
Transportation Expense (\$/boe)	4.35
G&A/Finance Expense (\$/boe)	1.55

⁽¹⁾ Forward-looking statements and information representing Management estimates. Please see "Forward-Looking Information and Other Advisories".

⁽²⁾ Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed between years and other differences are immaterial.

2021 Guidance Update

The Corporation's 2021 financial and operational results were largely within guidance expectations. The below table summarizes Advantage's 2021 guidance compared to actual 2021 financial and operational results:

	2021 Guidance	2021 Actual	% Variance from 2021 Guidance
Net capital expenditures (\$ millions) ⁽³⁾⁽⁵⁾	140 to 150	149.4	-
Average Production (boe/day) ⁽²⁾	48,000 to 51,000	49,445	-
Liquids Production (% of total production) ⁽¹⁾	8 to 9	9.1	0.1
Royalty Rate (%) ⁽¹⁾	3 to 5	5.6	0.6
Operating Expense (\$/boe) ⁽¹⁾	2.55	2.49	(2)
Transportation Expense (\$/boe) ⁽¹⁾	4.15	3.90	(6)
G&A/Finance Expense (\$/boe) ⁽¹⁾⁽⁴⁾	2.00	2.20	10

Notes:

⁽¹⁾ See News Release dated October 29, 2020 for initial forward looking information.

⁽²⁾ See News Release dated February 25, 2021 for revised forward looking information.

⁽³⁾ See News Release dated August 31, 2021 for revised forward looking information.

⁽⁴⁾ Finance expense excludes accretion of decommissioning liability.

⁽⁵⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

Corporate Update (continued)

2021 Guidance Update (continued)

Advantage incurred a royalty rate that was 0.6% above our 2021 range, which was a result of the increased pricing environment for natural gas. The Corporation incurred transportation expense that was 6% below 2021 guidance, which was largely due to lower-than-expected pipeline tolls. The Corporation incurred G&A and finance expense that was 10% above 2021 guidance, which was due to a significant increase in the valuation of the Deferred Share Units liability as a result of the 333% increase in share price, which accounted for an additional \$0.20/boe in G&A expense.

Entropy Inc.

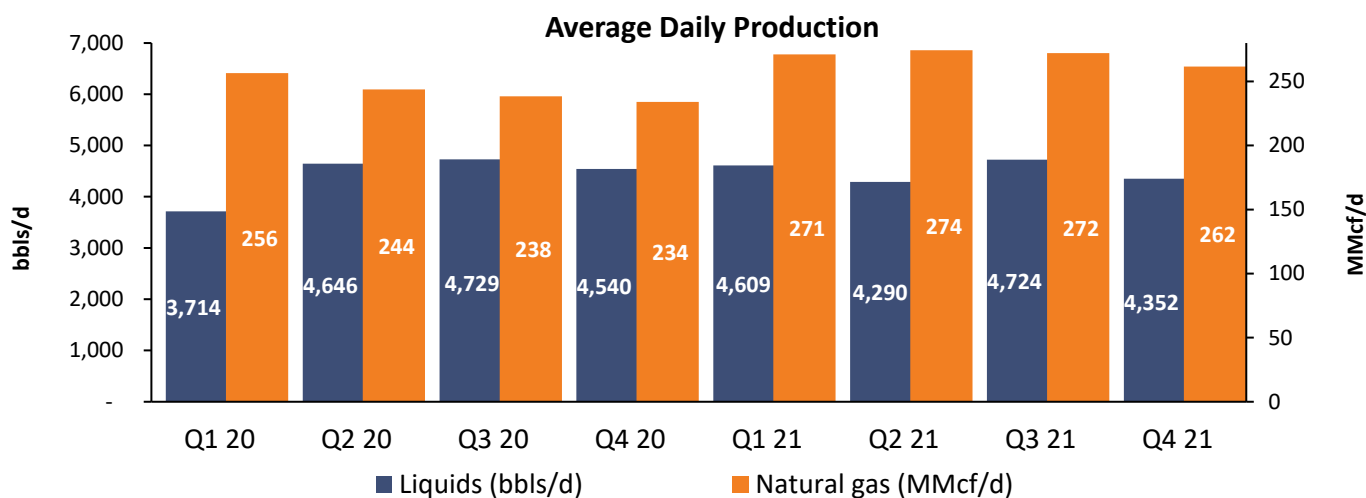
In March 2021, Advantage created Entropy Inc. (“Entropy”), a private cleantech company focused on commercializing energy-transition technologies. Entropy’s Modular Carbon Capture and Storage (“MCCS”) technology can be retrofitted to most point-source industrial emissions, including sectors that are difficult to decarbonize like power generation, blue hydrogen, liquified natural gas, oil and gas processing, and production of cement and steel. Combining Entropy’s technology and world-class solvent, Entropy23™, Entropy expects to play an important role in the effort to decarbonize. Entropy plans to commit capital to build carbon capture and storage (“CCS”) facilities in exchange for virtually all associated environmental attributes (carbon credits, clean fuel regulation credits, incentive tax credits, etc.)

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.

On December 30, 2021, Entropy and a leading energy transition investor agreed to the terms of an exclusive, non-binding financing agreement expected to provide sufficient capital for the execution of Entropy's near-term growth plan, including a structured initial commitment of \$300 million, which is expected to be completed in 2022.

Production

Average Daily Production	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
Crude oil (bbls/d)	816	1,653	(51)	1,101	1,664	(34)
Condensate (bbls/d)	1,012	653	55	844	715	18
NGLs (bbls/d)	2,524	2,234	13	2,548	2,029	26
Total liquids production (bbls/d)	4,352	4,540	(4)	4,493	4,408	2
Natural gas (Mcf/d)	261,530	233,949	12	269,710	243,081	11
Total production (boe/d)	47,940	43,532	10	49,445	44,922	10
Liquids (% of total production)	9	10		9	10	
Natural gas (% of total production)	91	90		91	90	



For the three months ended December 31, 2021, Advantage recorded total production averaging 47,940 boe/d, while achieving record annual total production of 49,445 boe/d for the year ended December 31, 2021, increasing 10% compared to the same periods of the prior year.

Natural gas production for the three months and year ended December 31, 2021 averaged 262 MMcf/d and 270 MMcf/d, respectively, increases of 12% and 11% compared to the same periods of the prior year. Advantage's natural gas production increased as a result of 22 gross (21.4 net) wells brought onstream at Glacier, and 2 gross (2.0 net) wells brought onstream at Valhalla, with 9 gross (8.4 net) natural gas wells being brought onstream in the fourth quarter of 2021. Natural gas production decreased in the fourth quarter of 2021 from the third quarter of 2021 due to unplanned "firm service" restrictions on TC Energy's NGTL system.

Liquids production for the three months and year ended December 31, 2021 averaged 4,352 bbls/d and 4,493 bbls/d, respectively, a decrease of 4% and an increase of 2% compared to the same periods of the prior year. Liquids production has remained relatively flat, with associated liquids from natural gas drilling offsetting normal declines.

Advantage expects total annual production to increase to between 52,000 and 55,000 boe/d in 2022 based on the Corporation's planned 2022 capital program (see "Corporate Update"). In the first quarter of 2022, Advantage planned and budgeted downtime at the Glacier Gas Plant, as is occasionally required for preventative maintenance, and to complete final construction and installation of the Phase 1 CCS project. This downtime will result in first quarter 2022 production being at the low end of our provided annual production range.

Commodity Prices and Marketing

Average Realized Prices ⁽²⁾	Three months ended			Year ended		
	December 31 2021	December 31 2020	% Change	December 31 2021	December 31 2020	% Change
Natural gas						
Excluding derivatives (\$/Mcf)	5.44	2.67	104	3.97	2.16	84
Including derivatives (\$/Mcf)	4.17	2.45	70	3.38	2.02	67
Liquids						
Crude oil (\$/bbl)	90.89	46.91	94	77.66	37.92	105
Condensate (\$/bbl)	96.02	50.27	91	81.89	46.18	77
NGLs (\$/bbl)	54.39	27.04	101	47.77	24.35	96
Total liquids excluding derivatives (\$/bbl)	70.91	37.62	88	61.50	33.01	86
Total liquids including derivatives (\$/bbl)	54.70	41.29	32	50.92	37.43	36
Average Benchmark Prices						
Natural gas ⁽¹⁾						
AECO daily (\$/Mcf)	4.66	2.64	77	3.62	2.23	62
AECO monthly (\$/Mcf)	4.93	2.76	79	3.57	2.22	61
Empress daily (\$/Mcf)	5.02	2.62	92	3.88	2.25	72
Henry Hub (\$US/MMbtu)	5.32	2.47	115	3.97	1.99	99
Emerson 2 daily (\$US/MMbtu)	4.30	2.23	93	3.41	1.84	85
Dawn daily (\$US/MMbtu)	4.65	2.25	107	3.61	1.87	93
Chicago Citygate (\$US/MMbtu)	5.86	2.48	136	3.78	1.98	91
Ventura (\$US/MMbtu)	5.63	2.45	130	3.66	1.87	96
Liquids						
WTI (\$US/bbl)	77.17	42.66	81	67.96	39.40	72
MSW Edmonton (\$/bbl)	93.26	50.64	84	80.33	46.08	74
Average Exchange rate (\$US/\$CDN)	0.7937	0.7695	3	0.7976	0.7478	7

⁽¹⁾ GJ converted to Mcf on the basis of 1 Mcf = 1.055056 GJ and 1 Mcf = 1 MMbtu.

⁽²⁾ Average realized prices in this table are considered specified financial measures which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

Liquids

Advantage's realized liquids price excluding derivatives for the three months and year ended December 31, 2021 was \$70.91/bbl and \$61.50/bbl, respectively, increases of 89% and 86% compared to the same periods of the prior year. Realized crude oil, condensate and NGL prices excluding derivatives all increased significantly for the three months and year ended December 31, 2021, due to significantly improved WTI prices, with continued global economic recovery from the COVID-19 pandemic demand reduction. The price that Advantage receives for crude oil and condensate production is largely driven by global supply and demand and the Edmonton light sweet oil and condensate price differentials. Approximately 64% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attracts higher market prices than other NGLs.

Natural gas

Advantage's realized natural gas price excluding derivatives for the three months and year ended December 31, 2021 was \$5.44/Mcf and \$3.97/Mcf, respectively, which was a 104% increase and an 84% increase compared to the same periods of the prior year. 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 also have market exposure at Dawn, Empress, Emerson, Chicago and Ventura.

Commodity Prices and Marketing (continued)

Advantage's natural gas exposure consists of the AECO, Empress, Emerson, Dawn, Chicago and Ventura markets. Advantage holds physical transportation beyond AECO to Empress, Emerson and Dawn, incurring additional transportation expense to deliver production to these markets (see "Transportation Expense"). Our Chicago and Ventura contracts are netback arrangements where the Corporation incurs a fixed differential with the net amount being recorded to revenue.

The following table outlines the Corporation's 2022 forward-looking natural gas market exposure, and 2021 actual natural gas market exposure, excluding hedging.

Sales Markets	2022 ⁽²⁾		2021	
	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)
AECO	132.6	46	101.6	38
Empress	43.1	15	25.3	9
Emerson	4.5	2	6.7	2
Dawn	75.1	26	72.8	27
Chicago	17.1	6	48.3	18
Ventura	15.0	5	15.0	6
Total	287.4⁽³⁾	100	269.7	100

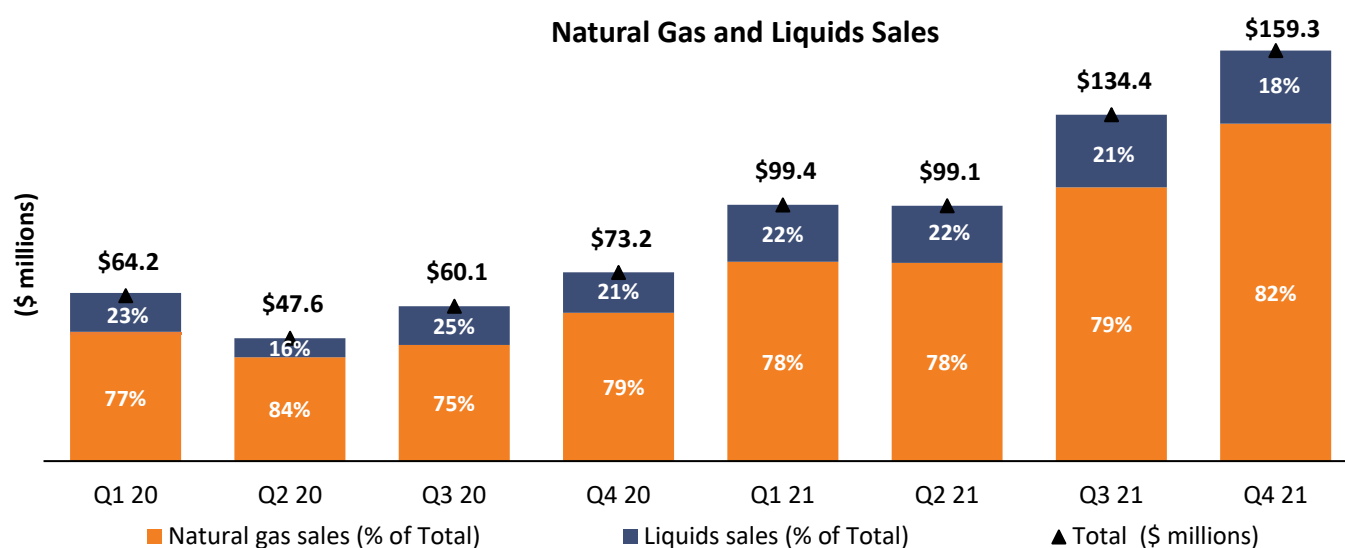
⁽¹⁾ All volumes contracted converted to Mcf on the basis of 1 Mcf = 1.055056 GJ and 1 Mcf = 1 MMbtu.

⁽²⁾ Natural gas market exposure based on contracts in-place at December 31, 2021.

⁽³⁾ Represents the midpoint of our 2022 guidance for natural gas production volumes (see New Release dated December 6, 2021).

Natural gas and liquids sales

(\$000, except as otherwise indicated)	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
Crude oil	6,823	7,134	(4)	31,209	23,096	35
Condensate	8,940	3,020	196	25,226	12,085	109
NGLs	12,629	5,558	127	44,423	18,080	146
Liquids	28,392	15,712	81	100,858	53,261	89
Natural gas	130,863	57,491	128	391,177	191,824	104
Natural gas and liquids sales	159,255	73,203	118	492,035	245,085	101
per boe	36.11	18.28	98	27.26	14.91	83



Natural gas and liquids sales for the three months and year ended December 31, 2021, increased by \$86.1 million or 118% and \$247.0 million or 101%, respectively, compared to the same corresponding periods of 2020.

For the year ended December 31, 2021, natural gas sales increased by \$199.4 million or 104%, compared to 2020, due to an 84% increase in realized gas prices (see “Commodity Prices and Marketing”), accompanied with an 11% increase in natural gas production volumes (see “Production”). Liquids sales increased by \$47.6 million, or 89%, due to an 86% increase in realized liquids prices (see “Commodity Prices and Marketing”), accompanied with a 2% increase in liquids production volumes (see “Production”).

For the three months ended December 31, 2021, natural gas sales increased by \$73.4 million or 128%, compared to the corresponding period in 2020, due to a 104% increase in realized gas prices (see “Commodity Prices and Marketing”), accompanied with a 12% increase in natural gas production volumes (see “Production”). Fourth quarter liquids sales increased by \$12.7 million, or 81%, due to an 88% increase in realized liquids prices (see “Commodity Prices and Marketing”), offset by a 4% decrease in liquids production volumes (see “Production”).

Financial Risk Management

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

The Corporation enters into financial risk management derivative contracts to manage the Corporation's exposure to commodity price risk, foreign exchange risk and interest rate risk. A summary of realized and unrealized derivative gains and losses for the three months and year ended December 31, 2021, and 2020 are as follows:

	Three months ended		Year ended	
	December 31		December 31	
	2021	2020	2021	2020
Realized gains (losses) on derivatives				
Natural gas	(30,646)	(4,805)	(58,909)	(12,148)
Crude oil	(6,489)	1,532	(17,353)	7,121
Foreign exchange	218	475	2,368	696
Interest rate	(171)	(151)	(684)	(309)
Total	(37,088)	(2,949)	(74,578)	(4,640)
Unrealized gains (losses) on derivatives				
Natural gas	49,607	27,023	16,480	1,354
Crude oil	5,831	(4,097)	2,074	(776)
Natural gas embedded derivative	28,957	3,394	54,305	3,394
Foreign exchange	(67)	1,942	(4,525)	3,015
Interest rate	171	39	666	(802)
Total	84,499	28,301	69,000	6,185
Gains (losses) on derivatives				
Natural gas	18,961	22,218	(42,429)	(10,794)
Crude oil	(658)	(2,565)	(15,279)	6,345
Natural gas embedded derivative	28,957	3,394	54,305	3,394
Foreign exchange	151	2,417	(2,157)	3,711
Interest rate	-	(112)	(18)	(1,111)
Total	47,411	25,352	(5,578)	1,545

Financial Risk Management (continued)

Natural gas

For the three months and year ended December 31, 2021, Advantage realized net losses on natural gas derivatives of \$30.6 million and \$58.9 million, respectively, due to the settlement of contracts with average derivative contract prices that were below average market prices. During the year ended December 31, 2021, the Corporation took advantage of periods of significant widening of the AECO/Henry Hub basis and unwound positions of the Corporation's AECO/Henry Hub differential basis swaps for proceeds of \$1.1 million. The Corporation would have incurred an additional \$0.5 million in realized losses for the year ended December 31, 2021 if the positions were not unwound.

For the three months and year ended December 31, 2021, Advantage recognized a net unrealized gain on natural gas derivatives of \$49.6 million and \$16.5 million, respectively. For the three months and year ended December 31, 2021, the change in the fair value of our outstanding derivative contracts was due to the Corporation prudently unwinding a portion of our AECO/Henry Hub basis differential contracts, accompanied with the timing of 2021 fixed AECO and Henry Hub contracts concluding, while entering new Henry Hub fixed contracts at increased prices.

Crude oil

For the three months and year ended December 31, 2021, Advantage realized net losses on crude oil derivatives of \$6.5 million and \$17.4 million, respectively, due to the settlement of contracts with average derivative contract prices that were below average market prices as a result of the increase in WTI prices in 2021. For the three months and year ended December 31, 2021, Advantage recognized a net unrealized gain on crude oil derivatives of \$5.8 million and \$2.1 million, respectively. The increased valuation of our crude oil derivative contracts is due to timing of 2021 contracts concluding, while entering new crude oil contracts that have increased fixed WTI prices.

Natural gas embedded derivative

During the year ended December 31, 2020, Advantage entered into a long-term gas supply agreement under which Advantage will supply 25,000 MMBtu/d of natural gas for a 10-year period, commencing in early 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM power prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US \$2.50/MMBtu. The Corporation will have unrealized gain (losses) on the embedded derivative based on movements in the forward curve for PJM power prices. The Corporation will not have realized gains (losses) on the embedded derivative until the Corporation begins delivering natural gas in 2023. For the year ended December 31, 2021, the Corporation's embedded derivative resulted in an unrealized gain on the natural gas embedded derivative of \$54.3 million as a result of strengthening PJM power prices.

Foreign exchange

For the three months and year ended December 31, 2021, Advantage realized a gain on foreign exchange derivatives of \$0.2 million and \$2.4 million, respectively, while recognizing an unrealized loss of \$2.2 million. The \$2.2 million unrealized loss is a result of the value of the Canadian dollar being higher than the Corporation's average hedged foreign exchange rate position at December 31, 2021.

Interest rate

For the three months and year ended December 31, 2021, Advantage realized losses on interest rate derivatives of \$0.2 million and \$0.7 million, respectively, while recognizing unrealized gains of \$0.2 million and \$0.7 million, respectively. The \$0.7 million unrealized gain is a result of interest rates being lower than the Corporation's average hedged interest rate position at December 31, 2021.

Financial Risk Management (continued)

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, foreign exchange rates and interest rates as compared to the valuation assumptions. Remaining derivative contracts will settle between January 1, 2022 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.

As at December 31, 2021 and February 24, 2022, the Corporation had the following commodity, interest rate and foreign exchange derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - AECO			
Fixed price swap	November 2021 to March 2022	4,739 Mcf/d	Cdn \$4.48/Mcf
Natural gas - Henry Hub NYMEX			
Fixed price swap	November 2021 to March 2022	55,000 Mcf/d	US \$3.44/Mcf
Fixed price swap	April 2022 to October 2022	55,000 Mcf/d	US \$3.62/Mcf
Fixed price swap	April 2022 to October 2022	50,000 Mcf/d	US \$4.54/Mcf ⁽¹⁾
Fixed price swap	November 2022 to March 2023	85,000 Mcf/d	US \$4.67/Mcf ⁽¹⁾
Fixed price swap	April 2023 to October 2023	25,000 Mcf/d	US \$3.35/Mcf ⁽¹⁾
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	November 2022 to December 2024	40,000 Mcf/d	Henry Hub less US \$1.19/Mcf
Crude oil - WTI NYMEX			
Fixed price swap	January 2022 to June 2022	500 bbls/d	US \$75.00/bbl

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%
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
Average rate currency swap	March 2022 to February 2023	US \$ 1,500,000/month	1.2719 ⁽¹⁾

⁽¹⁾ Contract entered into subsequent to December 31, 2021.

Royalty Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
Royalty expense (\$'000)	8,928	3,067	191	27,530	10,474	163
per boe	2.02	0.77	162	1.53	0.64	139
Royalty rate (%) ⁽¹⁾	5.6	4.2	1.4	5.6	4.3	1.3

⁽¹⁾ Percentage of natural gas and liquids sales.

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

Royalty expense for the three months and year ended December 31, 2021 increased by \$5.9 million and \$17.1 million, respectively, increases of 191% and 163%. The increase in royalty expense for each period was largely due to higher natural gas royalties from the significant increase in AECO natural gas prices.

Operating Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
Operating expense (\$'000)	12,870	10,750	20	44,893	40,005	12%
per boe	2.92	2.68	9	2.49	2.43	2%

Operating expense for the three months and year ended December 31, 2021 increased by \$2.1 million and \$4.9 million, respectively, increases of 20% and 12%. For the three months ended December 31, 2021, the Corporation had an increase in operating expense largely due to the 10% increase in total production and additional cost required to maintain production and infrastructure during the period of severe cold weather that occurred in the quarter. For the year ended December 31, 2021, operating expense increased relative to the 10% increase in total production, as there were no significant changes in operating expense per boe when compared to 2020.

Advantage expects 2022 annual operating expense per boe to remain consistent at \$2.45/boe (see “Corporate Update”).

Transportation Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
Natural gas (\$000)	18,019	13,266	36	64,876	49,414	31
Liquids (\$000)	1,749	1,222	43	5,564	6,403	(13)
Total transportation expense (\$000)	19,768	14,488	36	70,440	55,817	26
per boe	4.48	3.62	24	3.90	3.39	15

Transportation expense represents the cost of transporting our natural gas and liquids production to the sales points, including associated fuel costs. Transportation expense for the three months and year ended December 31, 2021 increased by \$5.3 million and \$14.6 million, respectively, increases of 36% and 26%. The increase in transportation expense for both periods was largely due to the Corporation having additional transportation associated with physical deliveries to Dawn, Empress and Emerson that began in November of 2020, accounting for \$12.0 million of the yearly increase in natural gas transportation when compared to 2020. (see "Commodity Prices and Marketing"). Production transported to these markets generally results in premium realized prices as experience by the Corporation in 2021. In addition, the Corporation also incurred higher NGTL fuel costs tied to the increase in AECO, accounting for \$2.9 million of the yearly increase when compared to 2020.

Advantage expects 2022 annual transportation expense per boe to increase to \$4.35/boe (see "Corporate Update"), largely due expected NGTL toll increases, accompanied with additional firm Empress service beginning in April 2022.

Operating Netback

	Three months ended			
	December 31			
	2021		2020	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	159,255	36.11	73,203	18.28
Realized losses on derivatives	(37,088)	(8.41)	(2,949)	(0.74)
Royalty expense	(8,928)	(2.02)	(3,067)	(0.77)
Operating expense	(12,870)	(2.92)	(10,750)	(2.68)
Transportation expense	(19,768)	(4.48)	(14,488)	(3.62)
Operating netback⁽¹⁾	80,601	18.28	41,949	10.47

	Year ended			
	December 31			
	2021		2020	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	492,035	27.26	245,085	14.91
Realized losses on derivatives	(74,578)	(4.13)	(4,640)	(0.28)
Royalty expense	(27,530)	(1.53)	(10,474)	(0.64)
Operating expense	(44,893)	(2.49)	(40,005)	(2.43)
Transportation expense	(70,440)	(3.90)	(55,817)	(3.39)
Operating netback⁽¹⁾	274,594	15.21	134,149	8.17

⁽¹⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

Operating Netback (continued)

For the three months and year ended December 31, 2021, Advantage's operating netback increased by 92% and 105%, respectively, or \$7.81/boe and \$7.04/boe. The increase in the Corporation's operating netback per boe for both periods was primarily due to the increase in natural gas and liquids sales as a result of significantly increased natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This increase was partially offset by realized losses on derivatives similarly due to significantly increased natural gas and crude oil benchmark prices (see "Financial Risk Management").

General and Administrative Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
General and administrative expense (\$000)	4,940	4,416	12	19,860	11,315	76
per boe	1.12	1.10	2	1.10	0.69	59
Employees at December 31				42	39	8

General and administrative ("G&A") expense for the three months and year ended December 31, 2021 increased by \$0.5 million and \$8.5 million, respectively, increases of 12% and 75%. For the year ended December 31, 2021, the Corporation's G&A increased primarily due to the higher valuation of the Deferred Share Units liability included in G&A which is revalued each reporting period, accounting for \$4.1 million of the G&A increase when compared to 2020 as a result of the 333% increase in share price. Additionally, Advantage had an increase of \$1.9 million in G&A expense incurred under the cash-based performance award incentive plan when compared to 2020 (see "Share-based Compensation"). The remaining G&A increase is primarily a result of increased staffing levels in 2021.

Share-based Compensation

	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
Share-based compensation (\$000)	1,761	1,973	(11)	6,104	8,108	(25)
Capitalized (\$000)	(561)	(689)	(19)	(2,051)	(2,830)	(28)
Share-based compensation expense (\$000)	1,200	1,284	(7)	4,053	5,278	(23)
per boe	0.27	0.32	(16)	0.22	0.32	(31)

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 \$4.1 million of share-based compensation expense during the three months and year ended December 31, 2021, respectively, and capitalized \$0.6 million and \$2.1 million, respectively. For the year ended December 31, 2021, total share-based compensation decreased by 25%, 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

	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
Cash finance expense (\$000)	4,434	5,795	(24)	19,910	18,173	10
per boe	1.01	1.45	(30)	1.10	1.11	(1)
Accretion expense (\$000)	251	225	(12)	1,108	797	39
Total finance expense (\$000)	4,685	6,020	(22)	21,018	18,970	11
per boe	1.06	1.50	(29)	1.16	1.15	1

Advantage realized lower cash finance expense during the three months ended December 31, 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 year ended December 31, 2021, due to the 15-year volume commitment agreement in the Glacier Gas Plant which is treated as a financing transaction. Payments relating to the financing liability began July 1, 2020, and the Corporation incurred \$8.8 million in interest expense associated with these payments for the year ended December 31, 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%. See "Financial Risk Management" for a summary of realized and unrealized interest rate derivative gains and losses.

Depreciation and Impairment Expense (Recovery)

	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
Depreciation expense (\$000)	25,998	25,224	3	106,786	110,896	(4)
per boe	5.89	6.30	(7)	5.92	6.74	(12)
Impairment expense (recovery) (\$000)	(340,653)	-	nm	(340,653)	361,000	nm

The decrease in depreciation expense during 2021 was attributable to a lower net book value associated with the Corporation's natural gas and liquids properties subsequent to booking an impairment in the first quarter of 2020, offset by increased production in 2021 (see "Production").

For the three months ended December 31, 2021, the Corporation identified an indicator of impairment recovery as a result of a recovery in forward commodity prices for natural gas and crude oil. The Corporation performed an impairment reversal test on the Corporation's previously impaired Greater Glacier ("Cash Generating Unit") CGU using after-tax discounted future cash flows of proved and probable reserves, utilizing a discount rate of 10%, which resulted in a full impairment recovery of \$340.7 million (net of depreciation).

Taxes

	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
Income tax expense (recovery) (\$000)	108,890	9,138	nm	121,092	(83,270)	nm
Effective tax rate (%)	23.2	27.4		22.7	22.7	

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the year ended December 31, 2021, the Corporation recognized a deferred income tax expense of \$121.1 million. The expense for the year ended December 31, 2021 is a result of generating income before taxes and non-controlling interest of \$411.4 million which was largely driven by the \$340.7 million impairment recovery recognized in the fourth quarter. As at December 31, 2021, the Corporation had a deferred income tax liability of \$96.3 million.

The estimated tax pools available at December 31, 2021 are as follows:

(\$ millions)

Canadian development expenses	199.9
Canadian exploration expenses	68.0
Canadian oil and gas property expenses	12.8
Non-capital losses	727.6
Undepreciated capital cost	213.4
Capital losses	146.6
Scientific research and experimental development expenditures	32.6
Other	6.5
	1,407.4

Net Income (Loss) and Comprehensive Income (Loss) attributable to Advantage shareholders

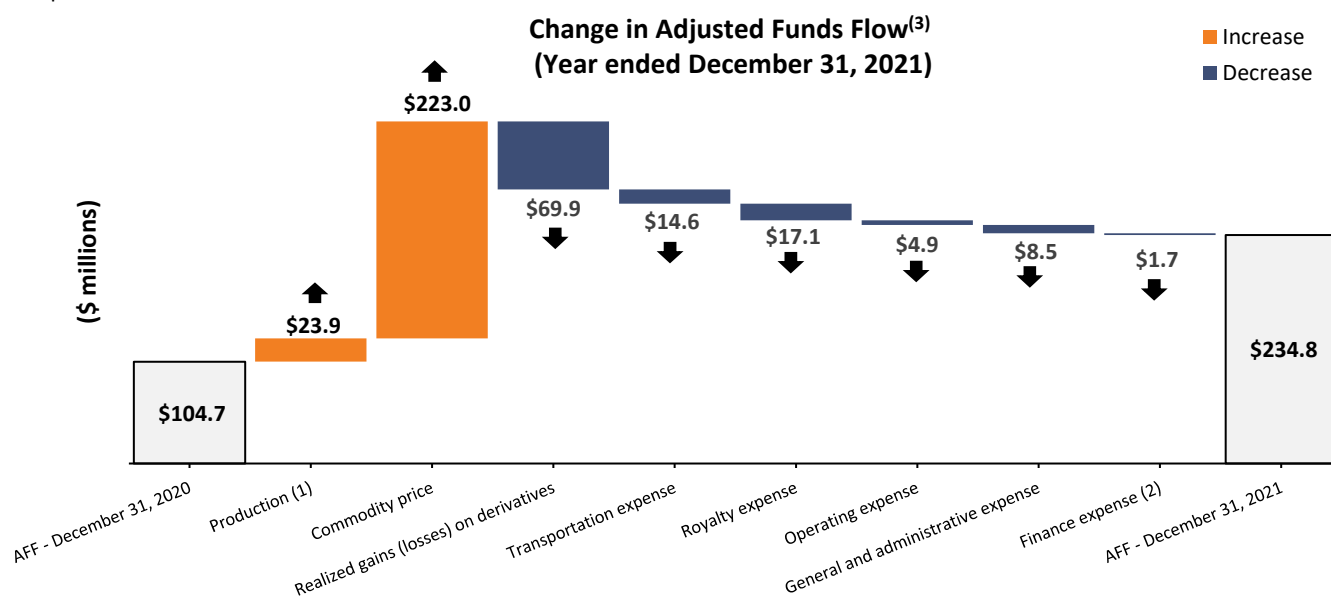
	Three months ended			Year ended		
	December 31		%	December 31		%
	2021	2020	Change	2021	2020	Change
Net income (loss) and comprehensive income (loss) attributable to Advantage shareholders (\$000)	360,035	24,168	nm	411,523	(284,045)	nm
per share - basic	1.90	0.13	nm	2.17	(1.51)	nm
per share - diluted	1.81	0.12	nm	2.07	(1.51)	nm

Advantage recognized net income attributable to Advantage shareholders of \$360.0 million and \$411.5 million for the three months and year ended December 31, 2021, respectively. For the year ended December 31, 2021, net income and comprehensive income attributable to Advantage shareholders was higher when compared to 2020 largely due to the non-cash impairment recovery of \$340.7 million offset by a deferred tax expense of \$121.1 million. Additionally, the Corporation had increased unrealized gains on derivatives compared to the same periods of 2020 due to the increase in the embedded derivative (see "Financial Risk Management").

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

(\$000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Cash provided by operating activities	67,464	30,260	223,152	100,714
Expenditures on decommissioning liability	253	610	1,033	1,080
Changes in non-cash working capital	3,510	868	10,639	2,867
Adjusted funds flow ⁽¹⁾	71,227	31,738	234,824	104,661
Adjusted funds flow per boe ⁽¹⁾	16.15	7.92	13.01	6.37
Adjusted funds flow per share ⁽¹⁾	0.37	0.17	1.24	0.56

⁽¹⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".



⁽¹⁾ The change in natural gas and liquids 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.

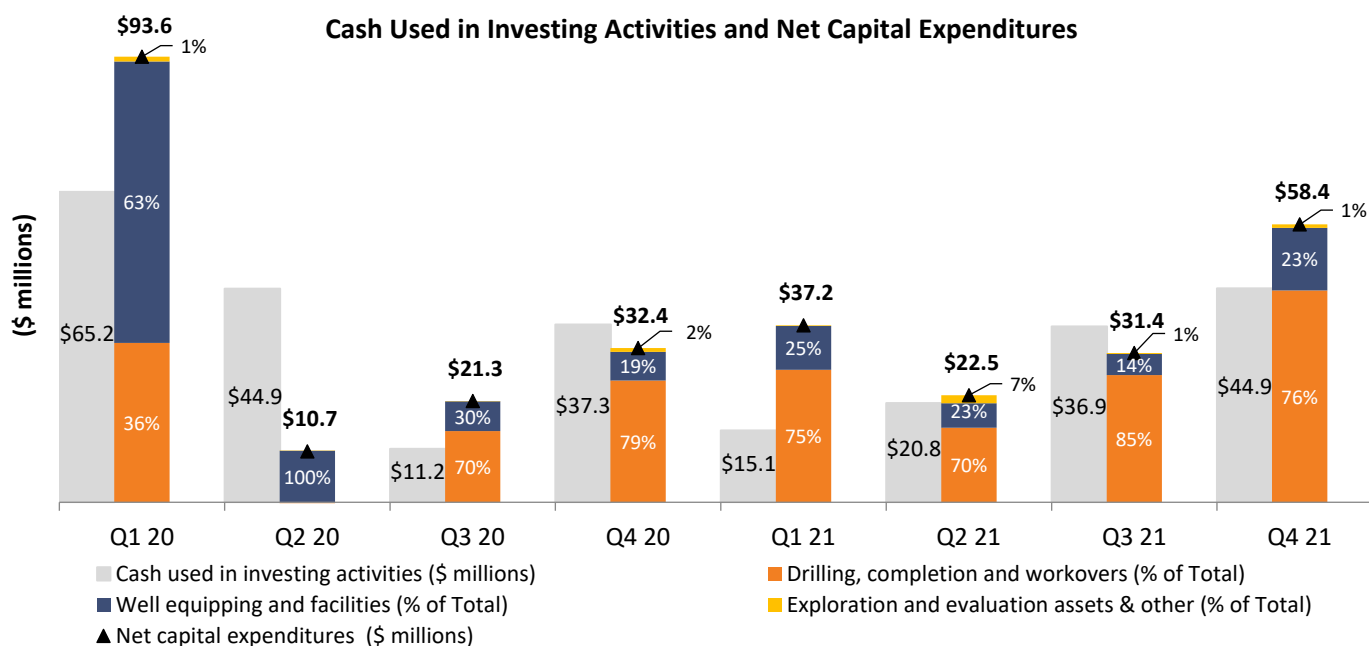
⁽³⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

For the three months and year ended December 31, 2021, Advantage realized cash provided by operating activities of \$67.5 and \$223.2 million, respectively, increases of \$37.2 million and \$122.4 million when compared to the same periods of 2020. After adjusting for or non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of \$71.2 million and \$234.8 million, increases of \$39.5 million and \$130.2 million when compared to the same periods of 2020. The increase in cash provided by operating activities and adjusted funds flow for the three months and year ended December 31, 2021 was largely due to the increase in natural gas and liquids sales as a result of both significantly higher natural gas and crude oil benchmark prices and increased total production (see “Commodity Prices and Marketing” and “Production”). This increase was partially offset by increased realized losses on derivatives (see “Financial Risk Management”).

Cash Used in Investing Activities and Net Capital Expenditures

(\$000)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Drilling, completion and workovers	44,509	25,584	114,697	73,768
Well equipping and facilities	13,132	5,998	31,912	82,213
Property acquisitions	72	-	1,545	-
Other	22	778	81	971
Expenditures on property, plant and equipment	57,735	32,360	148,235	156,952
Expenditures on exploration and evaluation assets	323	30	677	983
Expenditures on intangible assets	326	-	491	-
Net capital expenditures ⁽¹⁾	58,384	32,390	149,403	157,935
Changes in non-cash working capital	(13,431)	4,935	(11,564)	686
Project funding received	(14)	-	(20,057)	-
Cash used in investing activities	44,939	37,325	117,782	158,621

⁽¹⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".



Advantage invested \$58.4 million and \$149.4 million on property, plant, and equipment, exploration and evaluation assets and intangible assets during the three months and year ended December 31, 2021. On August 31, 2021, Advantage announced an increase in our 2021 capital program by \$20 million to a guidance range of \$140 million to \$150 million (see New Release dated August 31, 2021). The additional capital optimized fourth quarter 2021 operational continuity and is delivering higher production into the winter markets.

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

Advantage continued its focus on natural gas development at Glacier and natural gas and liquids development at Valhalla through much of 2021, with the drilling program shifting to oil development in Wembley during the fourth quarter of 2021.

Glacier

Advantage's foundational Glacier gas property has been the focus of our 2021 capital program with 20 gross (17.4 net) wells drilled and 27 gross (24.4 net) wells completed. Drilling performance resulted in the average time from spud to rig release being 9.1 days. Well performance has also been exceptional with the 22 gross (21.4 net) wells placed on production in 2021 achieving an average, peak IP30 rate of 9840 Mcf/d, despite being choked back to minimize erosional risks and impacts on existing wells.

Valhalla

Advantage drilled 2 gross (2.0 net) wells in Valhalla during 2021. 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 10.3 MMcf/d natural gas and 693 bbls/d condensate) and 1,995 boe/d (consisting of 9.4 MMcf/d natural gas, 426 bbls/d condensate), at 29% and 21% liquids, respectively (raw volumes measured at wellsite separator). Both wells are flowing through Advantage infrastructure to our Glacier facility. The wells confirm Management's view that the Valhalla asset will play a critical role in the Corporation's liquids-rich gas development plan.

Wembley/ Progress

At Wembley, development of this oil-weighted property resumed in the fourth quarter of 2021 and continues in the first quarter of 2022. Six wells being drilled will be completed during first quarter of 2022 and placed on production in the second quarter of 2022.

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 inventory of drill locations for 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.

As of December 31, 2021, Advantage has incurred \$20 million of cost related to the construction of the Phase 1 CCS project which was offset by funding from the Government of Alberta's *Industrial Energy Efficiency and Carbon Capture Utilization and Storage Program*.

Entropy Inc.

During the year, Entropy incurred \$0.5 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.

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

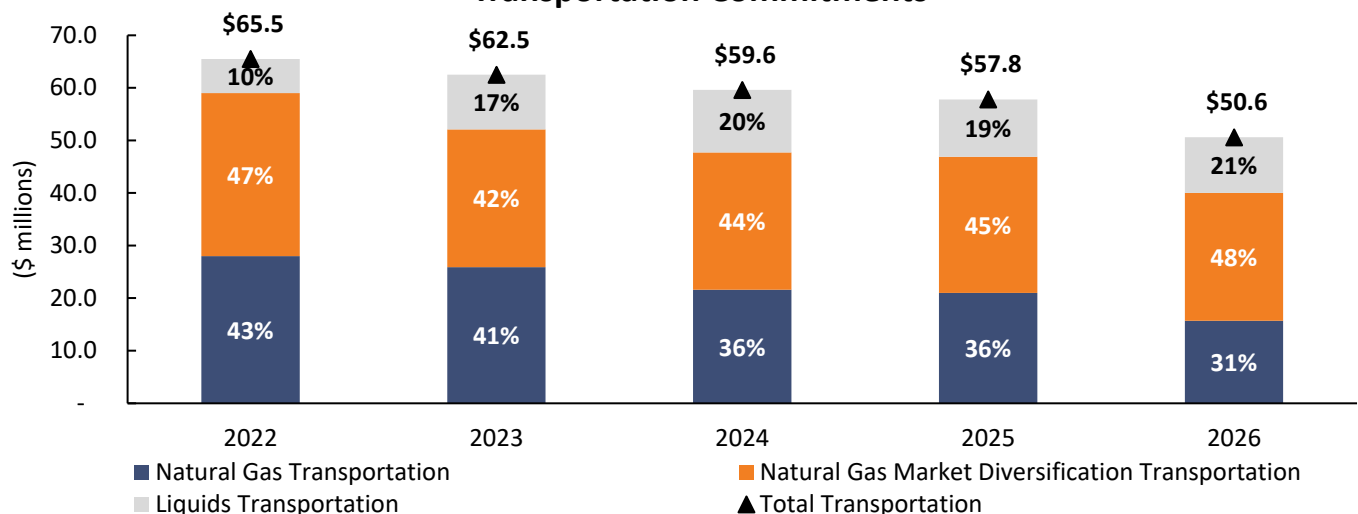
The following table is a summary of the Corporation's remaining commitments and contractual obligations. Advantage has no guarantees or off-balance sheet arrangements other than as disclosed.

(\$ millions)	Payments due by period						
	Total	2022	2023	2024	2025	2026	Beyond
Building operating cost ⁽¹⁾	2.3	0.4	0.4	0.4	0.4	0.4	0.3
Processing	59.6	5.9	7.9	10.0	9.5	7.0	19.3
Transportation	455.0	65.5	62.5	59.6	57.8	50.6	159.0
Total commitments	516.9	71.8	70.8	70.0	67.7	58.0	178.6
Performance Awards	17.3	5.6	6.0	5.7	-	-	-
Lease liability	2.4	0.4	0.4	0.4	0.4	0.4	0.4
Financing liability	162.5	12.0	12.0	12.1	12.0	12.0	102.4
Bank indebtedness ⁽²⁾							
- principal	168.0	-	168.0	-	-	-	-
- interest	6.2	5.0	1.2	-	-	-	-
Total contractual obligations	356.4	23.0	187.6	18.2	12.4	12.4	102.8
Total future payments	873.3	94.8	258.4	88.2	80.1	70.4	281.4

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

(2) As at December 31, 2021 the Corporation's bank indebtedness was governed by a credit facility agreement with a syndicate of financial institutions. Under the terms of the agreement, the facility is reviewed semi-annually, with the next review scheduled in May 2022. 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.

Transportation Commitments



Liquidity and Capital Resources

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

(\$000, except as otherwise indicated)	Year ended December 31, 2021	Year ended December 31, 2020
Bank indebtedness (non-current)	167,345	247,105
Working capital (surplus) deficit ⁽¹⁾	(2,092)	4,292
Net debt ⁽¹⁾	165,253	251,397
Shares outstanding	190,828,976	188,112,797
Shares closing market price (\$/share)	7.41	1.71
Market capitalization	1,414,043	321,673
Total capitalization	1,579,296	573,070
Net debt to adjusted funds flow ratio ⁽¹⁾	0.7	2.4

⁽¹⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

As at December 31, 2021, Advantage had a \$350 million Credit Facility of which \$171.2 million or 49% was available after deducting letters of credit of US\$9 million outstanding (see "Bank Indebtedness, Credit Facilities and Other Liabilities"). The Corporation's adjusted funds flow was utilized to fund our capital expenditure program of \$149.4 million and decrease bank indebtedness by \$79.8 million with a net debt to adjusted funds flow ratio of 0.7 times. Advantage continues to be focused on strengthening the balance sheet, maintaining a disciplined commodity risk management program, and increasing available liquidity such that it is well positioned to continue successfully executing its multi-year development plan. 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 December 31, 2021, Advantage had bank indebtedness outstanding of \$167.3 million, a decrease of \$79.8 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 AER is not less than 2.0. The borrowing base for the Credit Facilities is determined by the banking syndicate through an evaluation of our reserve estimates based upon their independent commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. In November 2021, the semi-annual redetermination of the Credit Facilities borrowing base was completed with no changes to the borrowing base of \$350 million, comprised of a \$30 million extendible revolving operating loan facility from one financial institution and a \$320 million extendible revolving loan facility from a syndicate of financial institutions. The next annual review is scheduled to occur in May 2022. 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 \$2.1 million as at December 31, 2021, an increase in the surplus of \$6.4 million compared to December 31, 2020 due to increased receivables tied to higher commodity prices and differences in the timing of capital expenditures and related payments. Our working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits, trade 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 2020, Advantage closed the sale of a 12.5% interest in the Corporation's 400 MMcf/d Glacier Gas Plant for proceeds of \$100 million (before transaction costs) and entered into a 15-year take-or-pay volume commitment agreement with the purchaser for 50 MMcf/d capacity at a fee of \$0.66/Mcf. The volume commitment agreement is treated as a financing transaction where Advantage is obligated to make fixed payments to the purchaser over the course of the 15-year term. The effective interest rate associated with the financing transaction is 9.1%. For the year ended December 31, 2021, the Corporation made cash payments of \$12.0 million (December 31, 2020 - \$6.1 million) under the take-or-pay volume commitment agreement.

In the first quarter of 2021, the Corporation received a \$20.0 million grant under the Government of Alberta's *Industrial Energy Efficiency and Carbon Capture Utilization and Storage Program* 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 December 31, 2021, Advantage has incurred \$20.0 million in eligible expenditures on the Phase 1 CCS project, which is expected to be completed by the second quarter of 2022.

As at December 31, 2021, Advantage had a decommissioning liability of \$62.5 million (December 31, 2020 - \$60.9 million) for the future abandonment and reclamation of the Corporation's natural gas and liquids 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 \$57.6 million (December 31, 2020 - \$55.2 million), with 56% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the year ended December 31, 2021 was \$1.0 million (December 31, 2020 - \$1.1 million). Advantage continues to maintain an industry leading LMR of 25.6, demonstrating that the Corporation has no issues addressing its abandonment, remediation, and reclamation obligations.

Non-controlling interest (“NCI”)

At December 31, 2020, Advantage owned 100% of Entropy Inc., a private corporation engaged in commercializing energy-transition technologies.

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 consolidates 100% of Entropy and 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 the recognition of an intangible asset of \$2.5 million.

For the year ended December 31, 2021, the net loss and comprehensive loss attributed to non-controlling interest was \$0.2 million (December 31, 2020 - nil).

Shareholders’ Equity

As at December 31, 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. As at February 24, 2022, Advantage had 190.8 million common shares outstanding.

Annual Financial Information

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

	Year ended December 31, 2021	Year ended December 31, 2020	Year ended December 31, 2019
Total sales (\$000) ⁽¹⁾	492,035	245,085	251,279
Net income (loss) (\$000)	411,354	(284,045)	(24,654)
Per share - basic	2.17	(1.51)	(0.13)
Per share - diluted	2.07	(1.51)	(0.13)
Total assets (\$000)	1,994,990	1,533,709	1,818,454
Long-term financial liabilities (\$000) ⁽²⁾	260,833	343,969	295,624

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

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

Quarterly Performance

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(\$000, except as otherwise indicated)								
Financial Statement Highlights								
Natural gas and liquids sales	159,255	134,354	99,053	99,373	73,203	60,063	47,634	64,185
Net income (loss) and comprehensive income (loss)	359,956	43,098	8,725	(425)	24,168	(21,606)	(20,088)	(266,519)
per basic share ⁽²⁾	1.90	0.23	0.04	0.00	0.13	(0.11)	(0.11)	(1.43)
Basic weighted average shares (000)	190,829	190,829	190,501	188,113	188,113	188,113	187,901	186,911
Cash provided by operating activities	67,464	46,988	57,134	51,566	30,260	25,271	24,357	20,826
Cash provided by (used in) financing activities	(27,423)	(26,960)	(21,480)	(7,548)	5,071	(15,436)	23,492	34,960
Cash used in investing activities	(44,939)	(36,940)	(20,834)	(15,069)	(37,325)	(11,220)	(44,855)	(65,221)
Other Financial Highlights								
Adjusted funds flow ⁽¹⁾	71,227	63,353	46,266	53,978	31,738	23,571	17,259	32,093
per boe ⁽¹⁾	16.15	13.77	10.17	12.04	7.92	5.76	4.19	7.59
per basic share ⁽¹⁾⁽²⁾	0.37	0.33	0.24	0.29	0.17	0.13	0.09	0.17
Net capital expenditures ⁽¹⁾	58,384	31,352	22,482	37,185	32,390	21,252	10,663	93,630
Free cash flow ⁽¹⁾	12,843	32,001	23,784	16,793	(652)	2,319	6,596	(61,537)
Working capital (surplus) deficit ⁽¹⁾	2,092	(25,891)	(24,520)	(25,924)	4,292	9,093	3,295	34,284
Bank indebtedness	167,345	193,828	219,856	240,428	247,105	241,161	354,199	330,644
Net debt ⁽¹⁾	165,253	167,937	195,336	214,504	251,397	250,254	357,494	364,928
Operating Highlights								
Production								
Crude oil (bbls/d)	816	1,038	1,163	1,395	1,653	1,812	2,018	1,172
Condensate (bbls/d)	1,012	1,002	637	721	653	605	627	979
NGLs (bbls/d)	2,524	2,684	2,490	2,493	2,234	2,312	2,001	1,563
Total liquids production (bbls/d)	4,352	4,724	4,290	4,609	4,540	4,729	4,646	3,714
Natural gas (mcf/d)	261,530	271,804	274,328	271,262	233,949	238,315	243,749	256,463
Total production (boe/d)	47,940	50,025	50,011	49,819	43,532	44,448	45,271	46,458
Average prices (including realized derivatives)								
Natural gas (\$/mcf)	4.17	3.48	2.81	3.07	2.45	1.81	1.72	2.11
Liquids (\$/bbl)	54.70	53.42	56.91	53.20	37.62	34.59	17.56	44.61
Operating Netback (\$/boe)								
Natural gas and liquids sales	36.11	29.19	21.76	22.16	18.28	14.69	11.56	15.18
Realized gains (losses) on derivatives	(8.41)	(5.21)	(2.12)	(0.87)	(0.74)	(1.03)	0.23	0.38
Royalty expense	(2.02)	(1.75)	(1.20)	(1.13)	(0.77)	(0.63)	(0.26)	(0.89)
Operating expense	(2.92)	(2.38)	(2.21)	(2.45)	(2.68)	(2.35)	(2.43)	(2.28)
Transportation expense	(4.48)	(3.86)	(3.72)	(3.57)	(3.62)	(3.12)	(3.34)	(3.50)
Operating netback ⁽¹⁾	18.28	15.99	12.51	14.14	10.47	7.56	5.76	8.89

(1) Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

(2) Based on basic weighted average shares outstanding.

The table above highlights the Corporation's performance for the fourth quarter of 2021 and for the preceding seven quarters. 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 strengthened. New natural gas production came onstream 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 for the second quarter and remaining steady at 50,025 boe/d for the third quarter of 2021. Production decreased in the fourth quarter of 2021 due to unplanned "firm service" restrictions on TC Energy's NGTL system.

Quarterly Performance (continued)

Natural gas and liquids sales and adjusted funds flow was impacted by the decrease in commodity prices due to the COVID-19 pandemic which escalated at the end of the first quarter of 2020 and continued through the year. Natural gas and liquids sales and adjusted funds flow increased significantly in the first through fourth quarter of 2021 as a result of increased natural gas production accompanied with strong natural gas benchmark prices. Cash provided by operating activities experienced greater fluctuations than adjusted funds flow due to changes in non-cash working capital, which primarily resulted from the amount and timing of trade payable settlements and accounts receivable collections. 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. This impairment charge was recovered in the fourth quarter of 2021, attributed to the significant improvement in commodity prices, resulting in a significant increase to net income in the fourth quarter.

Climate change-related risk and opportunities

Advantage is committed to positive action on emissions reduction. Advantage's Scope 1 and 2 emissions are expected to be reduced by approximately 20% starting in the second quarter of 2022 with the installation of the Phase I CCS equipment at the Glacier Gas Plant with a further 40% reduction once Phase II is complete (planned for mid-2023). Advantage intends to achieve "net zero" Scope 1 and 2 emissions as early as 2025. In order to accomplish this, Advantage's subsidiary Entropy Inc. is pursuing a carbon capture and storage business plan that will result in negative carbon emissions in excess of Advantage's emissions, assuming that appropriate capitalization and commercial agreements are achieved, and that Advantage retains a controlling ownership of Entropy. For further informational on the Corporation's sustainability results and targets, please view our sustainability report on the Corporation's website: <https://www.advantageog.com/sustainability>.

Capital Expenditures

Advantage has multiple capital projects planned at the Glacier Gas Plant to be constructed through its subsidiary Entropy, that once completed, will lead to the Corporation progressing with its greenhouse gas ("GHG") reduction targets. Phase 1 which is currently under construction is expected to be onstream in the second quarter of 2022 and will reduce the Corporation's emissions by approximately 47,000 tonnes CO₂e/year at a capital cost of \$27 million. Advantage received a grant of \$20 million in 2021 under the Government of Alberta's *Industrial Energy Efficiency and Carbon Capture Utilization and Storage Program* to be used for the construction of the Phase 1 CCS project, with Advantage providing the remaining \$7 million of capital.

Phase 2 is expected to be onstream in the second quarter of 2023 and will reduce the Corporation's emissions by 136,000 tonnes CO₂e/year at a capital cost estimated at approximately \$49 million. Upon completion of Phase 2, Advantage will have achieved a new class of low emissions energy which the Corporation plans to market as "blue natural gas". Entropy is expected to incur the capital cost for the Phase 2 project.

Carbon Emissions Reporting and Taxes

All of Advantage's production is in Alberta and governed by legislation regulating carbon emissions targets, reporting and taxes. Facilities that exceed 100,000 tonnes of GHG emissions annually are subject to various emission regulations under the Technology Innovation and Emissions Reduction Regulation ("TIER") for large industrial emitters. The Glacier Gas Plant has been subject to TIER or predecessor regulations since 2015. Due to our Glacier Gas Plant's emission efficiency relative to other plants and including its carbon capture and sequestration program, we have generated carbon credits every year through 2020 and have incurred minimal payment obligations.

Impact of the COVID-19 Pandemic

Advantage's business and financial condition could be materially and adversely affected by the continuing COVID -19 pandemic. COVID-19 and variant strains of the virus has led to ongoing uncertainty surrounding demand for commodities, leading to volatile prices and currency exchange rates. The Corporation's operations and business are particularly sensitive to a reduction in the demand for, and prices of crude oil, NGLs and natural gas. Additionally, the Corporation's operations may face challenges due to disruptions to global supply chains, labor shortages; shelter-in-place declarations and quarantine orders where the Corporation has operations. The potential direct and indirect impacts of the COVID-19 pandemic have been considered in Management's estimates and assumptions at period end and have been reflected in the Consolidated Financial Statements for the year ended December 31, 2021.

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 natural gas and liquids properties. After tax discounted cashflows are used to ensure the carrying amount of the Corporation's natural gas and liquids properties are recoverable. The discount rate used is subject to judgement and may impact the carrying value of the Corporation's natural gas and liquids properties. The reserve estimates are also used to assess the borrowing base for the Credit Facilities. Revision or changes in the reserve estimates can have either a positive or a negative impact on asset values, net income (loss), comprehensive income (loss) and the borrowing base of the Corporation.

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

Critical Accounting Estimates (continued)

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

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

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

Changes in Accounting Policies

There have been no changes in accounting policies during the year ended December 31, 2021.

Accounting Pronouncements not yet Adopted

A description of additional accounting standards and interpretations that will be adopted in future periods can be found in the notes to the Consolidated Financial Statements for the year ended December 31, 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, has evaluated the effectiveness of the Corporation's DC&P as at December 31, 2021. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the DC&P are effective as of the end of the year, in all material respects.

Evaluation of Internal Controls over Financial Reporting

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

Management of Advantage, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Corporation's ICFR as at December 31, 2021. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the ICFR are effective as of the end of the year, in all material respects.

Advantage's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during our most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our ICFR.

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

Specified Financial Measures

Throughout this MD&A and in other documents disclosed by the Corporation, Advantage discloses certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss) and comprehensive income (loss), cash provided by operating activities, and cash used in investing activities, as indicators of Advantage's performance.

Non-GAAP Financial Measures

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, support future capital expenditures plans, or return capital to shareholders. 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. A reconciliation of the most directly comparable financial measure has been provided below:

(\$000)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Cash provided by operating activities	67,464	30,260	223,152	100,714
Expenditures on decommissioning liability	253	610	1,033	1,080
Changes in non-cash working capital	3,510	868	10,639	2,867
Adjusted funds flow	71,227	31,738	234,824	104,661

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 and excludes cash receipts on government grants. A reconciliation of the most directly comparable financial measure has been provided below:

(\$000)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Cash used in investing activities	44,939	37,325	117,782	158,621
Changes in non-cash working capital	13,431	(4,935)	11,564	(686)
Project funding received	14	-	20,057	-
Net capital expenditures	58,384	32,390	149,403	157,935

Specified Financial Measures (continued)

Non-GAAP Financial Measures (continued)

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. A reconciliation of the most directly comparable financial measure has been provided below:

(\$000)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Cash provided by operating activities	67,464	30,260	223,152	100,714
Cash used in investing activities	(44,939)	(37,325)	(117,782)	(158,621)
Changes in non-cash working capital	(9,921)	5,803	(925)	3,553
Expenditures on decommissioning liability	253	610	1,033	1,080
Project funding received	(14)	-	(20,057)	-
Free cash flow	12,843	(652)	85,421	(53,274)

Operating Netback

Operating netback is comprised of sales revenue and 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. The composition of operating netback is as follows:

(\$000)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Natural gas and liquids sales	159,255	73,203	492,035	245,085
Realized losses on derivatives	(37,088)	(2,949)	(74,578)	(4,640)
Royalty expense	(8,928)	(3,067)	(27,530)	(10,474)
Operating expense	(12,870)	(10,750)	(44,893)	(40,005)
Transportation expense	(19,768)	(14,488)	(70,440)	(55,817)
Operating netback	80,601	41,949	274,594	134,149

Specified Financial Measures (continued)

Non-GAAP Ratios

Adjusted Funds Flow per Share

Adjusted funds flow per share is derived by dividing adjusted funds flow by the basic weighted average shares outstanding of the Corporation. Management believes that adjusted funds flow per share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

(\$000, except as otherwise indicated)	Three months ended		Year ended	
	December 31		December 31	
	2021	2020	2021	2020
Adjusted funds flow	71,227	31,738	234,824	104,661
Weighted average shares outstanding (000)	190,829	188,113	190,077	187,761
Adjusted funds flow per share (\$/share)	0.37	0.17	1.24	0.56

Adjusted Funds Flow per BOE

Adjusted funds flow per boe is derived by dividing adjusted funds flow by the total production in boe for the reporting period. Adjusted funds flow per boe is a useful ratio that allows users to compare the Corporation's adjusted funds flow against other competitor corporations with different rates of production.

(\$000, except as otherwise indicated)	Three months ended		Year ended	
	December 31		December 31	
	2021	2020	2021	2020
Adjusted funds flow	71,227	31,738	234,824	104,661
Total production (boe/d)	47,940	43,532	49,445	44,922
Days in period	92	92	365	366
Total production (000 boe)	4,410	4,005	18,047	16,441
Adjusted funds flow per BOE (\$/boe)	16.15	7.92	13.01	6.37

Operating netback per BOE

Operating netback per boe is derived by dividing each component of the operating netback by the total production in boe for the reporting period. Operating netback per boe provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells against other competitor corporations with different rates of production.

(\$000, except as otherwise indicated)	Three months ended		Year ended	
	December 31		December 31	
	2021	2020	2021	2020
Operating netback	80,600	41,949	274,593	134,149
Total production (boe/d)	47,940	43,532	49,445	44,922
Days in period	92	92	365	366
Total production (000 boe)	4,410	4,005	18,047	16,441
Operating netback per BOE (\$/boe)	18.28	10.47	15.21	8.17

Specified Financial Measures (continued)

Non-GAAP Ratios (continued)

Payout Ratio

Payout ratio is calculated by dividing net capital expenditures by adjusted funds flow. Advantage uses payout ratio 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.

(\$000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2021	2020	2021	2020
Net capital expenditures	58,384	32,390	149,403	157,935
Adjusted funds flow	71,227	31,738	234,824	104,661
Payout ratio	0.8	1.0	0.6	1.5

Net Debt to Adjusted Funds Flow Ratio

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.

(\$000, except as otherwise indicated)	Year ended December 31	
	2021	2020
Net Debt	165,253	251,397
Adjusted funds flow (prior four quarters)	234,824	104,661
Net debt to adjusted funds flow ratio	0.7	2.4

Capital Management Measures

Working capital

Working capital is a capital management financial measure that provides Management and users with a measure of the Corporation's short-term operating liquidity. By excluding short term derivatives and the current portion of provision and other liabilities, Management and users can determine if the Corporation's energy operations are sufficient to cover the short-term operating requirements. Working capital is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

A summary of working capital as at December 31, 2021 and December 31, 2020 is as follows:

	December 31 2021	December 31 2020
Cash and cash equivalents	25,238	3,279
Trade and other receivables	54,769	28,491
Prepaid expenses and deposits	3,483	2,021
Trade and other accrued liabilities	(81,398)	(38,083)
Working capital surplus (deficit)	2,092	(4,292)

Specified Financial Measures (continued)

Net Debt

Net debt is a capital management financial measure that provides Management and users with a measure to assess the Corporation's liquidity. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

A summary of the reconciliation of net debt as at December 31, 2021 and December 31, 2020 is as follows:

	December 31 2021	December 31 2020
Bank indebtedness (non-current) (note 12)	167,345	247,105
Working capital (surplus) deficit	(2,092)	4,292
Net debt	165,253	251,397

Supplementary Financial Measures

Average Realized Prices

The Corporation discloses multiple average realized prices within the MD&A (see "Commodity Prices and Marketing"). The determination of these prices are as follows:

"Natural gas excluding derivatives" is comprised of natural gas sales, as determined in accordance with IFRS, divided by the Corporation's natural gas production.

"Natural gas including derivatives" is comprised of natural gas sales, including realized gains (losses) on natural gas derivatives, as determined in accordance with IFRS, divided by the Corporation's natural gas production.

"Crude Oil" is comprised of crude oil sales, as determined in accordance with IFRS, divided by the Corporation's crude oil production.

"Condensate" is comprised of condensate sales, as determined in accordance with IFRS, divided by the Corporation's condensate production.

"NGLs" is comprised of NGLs sales, as determined in accordance with IFRS, divided by the Corporation's NGLs production.

"Total liquids excluding derivatives" is comprised of crude oil, condensate and NGLs sales, as determined in accordance with IFRS, divided by the Corporation's crude oil, condensate and NGLs production.

"Total liquids including derivatives" is comprised of crude oil, condensate and NGLs sales, including realized gains (losses) on crude oil derivatives as determined in accordance with IFRS, divided by the Corporation's crude oil, condensate and NGLs production.

Specified Financial Measures (continued)

Dollars per BOE figures

Throughout the MD&A, the Corporation presents certain financial figures, in accordance with IFRS, stated in dollars per boe. These figures are determined by dividing the applicable financial figure as prescribed under IFRS by the Corporation's total production for the respective period. Below is a list of figures which have been presented in the MD&A in \$ per boe:

- Cash finance expense per boe
- Depreciation expense per boe
- Finance expense per boe
- General and administrative expense per boe
- Natural gas and liquids sales per boe
- Operating expense per boe
- Realized losses on derivatives per boe
- Royalty expense per boe
- Share-based compensation expense per boe
- Transportation expense per boe

Sustaining Capital

Sustaining capital is management's estimate of the net capital expenditures required to drill, complete, equip and tie-in new wells to existing infrastructure thereby offsetting the corporate decline rate and maintain production at existing levels.

Conversion Ratio

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

Abbreviations

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

bbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 Mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
GJ	- gigajoules
Mcf	- thousand cubic feet
Mcf/d	- thousand cubic feet per day
Mcfe	- thousand cubic feet equivalent (1 bbl = 6 Mcf)
Mcfe/d	- thousand cubic feet equivalent per day
MMbtu	- million British thermal units
MMbtu/d	- million British thermal units per day
MMcf	- million cubic feet
MMcf/d	- million cubic feet per day
Crude oil	- Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
"NGLs" & "condensate"	- Natural Gas Liquids as defined in National Instrument 51-101
Natural gas	- Conventional Natural Gas as defined in National Instrument 51-101
Liquids	- Total of crude oil, condensate and NGLs
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
CCS	- Carbon Capture and Storage
MCCS	- Modular Carbon Capture and Storage
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 revised guidance for 2021, and the additional capital's ability to deliver higher production into the winter markets; the focus of Advantage's 2022 capital program and its ability to grow adjusted funds flow per share, increase liquids revenue and make infrastructure investments that increase third-party processing revenue or establish carbon revenue for Entropy; the Corporation's expected payout ratio; that the Corporation will dedicate free cash flow towards debt reduction; guidance for 2022 including the cash used in investing activities, average production, liquids production (% of total production), royalty rate, operating expense, transportation expense and G&A/finance expense; that Entropy's non-binding financing agreement will lead to a completed financing and the anticipated timing and benefits to be derived therefrom; anticipated production rates in 2022; the Corporation's forecasted 2022 natural gas market exposure including the anticipated effective production rate; rate; the Corporation's expected number of wells to be drilled in the first quarter of 2022 and placed on production in the second quarter of 2022; the Corporation's hedging activities and the benefits to be derived therefrom; future commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; the Corporation's ability to ensure that it is properly diversified to multiple markets; the terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the anticipated benefits to be derived therefrom; the Corporation's anticipated 2022 annual operating expense per boe and transportation expense per boe; estimated tax pools; the Corporation's anticipated; terms of the Corporation's Credit Facilities, including timing of the next review of the Credit Facilities and the Corporation's expectations regarding extension of the Credit Facilities at each annual review; the Corporation's ability to strengthen its balance sheet, maintain a disciplined commodity risk management program and increase available liquidity; the Corporation's expectations that it is well positioned to continue successfully executing its multi-year development plan; expectations that Advantage's increase in market capitalization will provide the Corporation with flexibility in managing its capital structure; 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 and the means for satisfying such future obligations; expectations that the Phase 1 CCS project will be completed by the second quarter of 2022; the Corporation's anticipated reductions in Scope 1 and 2 emissions and the anticipated timing thereof; the Corporation's expectations that it will achieve "net zero" Scope 1 and 2 emissions by 2025; the benefits to be derived from Entropy's planned capital projects and the expectation that they will result in completed CCS projects and the anticipated timing thereof; that the Phase 2 CCS project will come on-stream and the anticipated benefits to be derived therefrom and the anticipated timing thereof; 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

Forward-Looking Information and Other Advisories (continued)

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; the number of wells to be drilled in the first quarter of 2022 and placed on production in the second quarter of 2022 will be less than anticipated 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; that the Glacier CCS project will not come on-stream when expected; that Advantage will not be able to achieve "net zero" emissions by 2025; that Entropy's existing planned capital projects will not result in completed CCS projects; the price of and market for carbon credits and offsets; current and future carbon prices and royalty regimes; that Entropy's non-binding financing may not be completed on the anticipated terms or at all; 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 Entropy's non-binding financing agreement will lead to a completed financing; that Entropy's planned capital projects will lead to completed CCS projects; 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.

Forward-Looking Information and Other Advisories (continued)

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 information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to, the Corporation's expected payout ratio; the Corporation's anticipated cash used in investing activities; anticipated average production, liquids production, royalty rate, operating expenses, transportation expenses and G&A/finance expenses in 2022; and the Corporation's expected 2022 annual operating expense per boe and transportation expense per boe; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Corporation's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change.

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 "Specified Financial Measures" section of this MD&A for additional disclosure on "operating netback".

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

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

Additional Information

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

February 24, 2022



(Formerly, Advantage Oil & Gas Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021 and 2020



Independent auditor's report

To the Shareholders of Advantage Energy Ltd. (formerly, Advantage Oil & Gas Ltd.)

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Advantage Energy Ltd. (formerly, Advantage Oil & Gas Ltd.) and its subsidiaries (together, the "Corporation") as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="261 485 865 604">The impact of proved and probable reserves on net property, plant and equipment (“PP&E”) for the Corporation’s natural gas and liquids properties</p> <p data-bbox="261 642 865 793"><i>Refer to note 3 – Significant accounting policies, note 4 – Significant accounting judgments, estimates and assumptions and note 10 – Property, plant and equipment to the consolidated financial statements.</i></p> <p data-bbox="261 831 865 1144">The Corporation has \$1,826.7 million of net natural gas and liquids properties as at December 31, 2021. Depreciation expense for these properties was \$106.2 million for the year then ended. Natural gas and liquids properties are depreciated using the units-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production.</p> <p data-bbox="261 1182 865 1780">At each reporting date, the Corporation assesses the carrying amounts of PP&E to determine whether there is any indication of impairment or impairment reversal. If any such indication exists, the asset’s recoverable amount is estimated. PP&E assets are tested for impairment or impairment reversal by comparing the carrying values to their recoverable amounts. For the purpose of impairment and impairment reversal testing of PP&E, assets are grouped into cash generating units (“CGUs”) and recoverable amounts are determined based on their fair values less costs of disposition. Management estimated the fair value less costs of disposition using the after-tax discounted future cash flows of proved and probable reserves. The proved and probable reserves are prepared by the Corporation’s independent qualified reserve evaluators (“management’s experts”).</p>	<p data-bbox="899 485 1507 541">Our approach to addressing the matter included the following procedures, among others:</p> <ul data-bbox="899 579 1511 1829" style="list-style-type: none"><li data-bbox="899 579 1511 1081">• The work of management’s experts was used in performing the procedures to evaluate the reasonableness of the proved and probable reserves used to determine depreciation expense and the recoverable amounts of PP&E for the Corporation’s natural gas and liquids properties. As a basis for using this work, the competence, capabilities and objectivity of management’s experts were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management’s experts, tests of the data used by management’s experts and an evaluation of their findings.<li data-bbox="899 1098 1511 1829">• Tested how management determined the recoverable amount of the Corporation’s CGUs and depreciation expense, which included the following:<ul data-bbox="948 1245 1511 1829" style="list-style-type: none"><li data-bbox="948 1245 1511 1339">– Evaluated the appropriateness of the methods used by management in making these estimates.<li data-bbox="948 1356 1511 1413">– Tested the data used in determining these estimates.<li data-bbox="948 1430 1511 1829">– Evaluated the reasonableness of significant assumptions used by management in developing the underlying estimates, including:<ul data-bbox="997 1577 1511 1829" style="list-style-type: none"><li data-bbox="997 1577 1511 1829">○ Future commodity prices, expected production volumes, quantities of reserves, future development costs and operating costs by considering the past performance of the Corporation’s CGUs and whether these assumptions were consistent with evidence obtained in other areas of the audit.



Key audit matter	How our audit addressed the key audit matter
<p>As at December 31, 2021, there were indicators of impairment reversal identified in the Corporation's Greater Glacier CGU. As a result of the impairment reversal tests performed, the Corporation recognized an impairment reversal to the Greater Glacier Area CGU of \$340.7 million.</p> <p>Significant assumptions developed by management used to determine the recoverable amount of the CGUs include future commodity prices, expected production volumes, quantities of reserves, discount rate, future development costs and operating costs.</p> <p>We determined that this is a key audit matter due to (i) the significant judgments made by management, including the use of management's experts, when developing the after-tax discounted future cash flows of proved and probable reserves; (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures relating to the significant assumptions; and (iii) the audit effort that involved the use of professionals with specialized skill and knowledge in the field of valuation.</p>	<ul style="list-style-type: none"> ○ Future commodity prices by comparing forecasts with other reputable third party industry forecasts. ○ The discount rate, through the assistance of professionals with specialized skill and knowledge in the field of valuation. ● Recalculated the units-of-production rates used to calculate depreciation expense.

Other information

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other



than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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



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

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 24, 2022

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

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Notes	December 31 2021	December 31 2020
ASSETS			
Current assets			
Cash and cash equivalents	5	25,238	3,279
Trade and other receivables	6	54,769	28,491
Prepaid expenses and deposits		3,483	2,021
Derivative asset	11	282	6,862
Total current assets		83,772	40,653
Non-current assets			
Derivative asset	11	57,699	4,140
Exploration and evaluation assets	7	20,713	20,580
Right-of-use assets	8	1,879	2,036
Intangible assets	9	2,991	-
Property, plant and equipment	10	1,827,936	1,441,492
Deferred income tax asset	14	-	24,808
Total non-current assets		1,911,218	1,493,056
Total assets		1,994,990	1,533,709
LIABILITIES			
Current liabilities			
Trade and other accrued liabilities		81,398	38,083
Derivative liability	11	2,765	13,303
Current portion of provisions and other liabilities	13	11,224	5,632
Total current liabilities		95,387	57,018
Non-current liabilities			
Derivative liability	11	12,315	23,798
Bank indebtedness	12	167,345	247,105
Provisions and other liabilities	13	163,541	165,628
Deferred income tax liability	14	96,284	-
Total non-current liabilities		439,485	436,531
Total liabilities		534,872	493,549
SHAREHOLDERS' EQUITY			
Share capital	15	2,370,716	2,360,647
Contributed surplus		110,315	114,280
Deficit		(1,023,244)	(1,434,767)
Total shareholders' equity attributable to Advantage shareholders		1,457,787	1,040,160
Non-controlling interest	16	2,331	-
Total shareholders' equity		1,460,118	1,040,160
Total liabilities and shareholders' equity		1,994,990	1,533,709

Commitments (note 24)

See accompanying Notes to the Consolidated Financial Statements

On behalf of the Board of Directors of Advantage Energy Ltd.:

Paul G. Haggis, Director: (signed) "Paul G. Haggis"

Michael Belenkie, Director: (signed) "Michael Belenkie"

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

Consolidated Statements of Comprehensive Income (Loss)

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

	Notes	Year ended December 31	
		2021	2020
Revenues			
Natural gas and liquids sales	19	492,035	245,085
Royalty expense		(27,530)	(10,474)
Natural gas and liquids revenue		464,505	234,611
Gains (losses) on derivatives	11	(5,578)	1,545
Total revenues		458,927	236,156
Expenses			
Operating expense		44,893	40,005
Transportation expense		70,440	55,817
General and administrative expense	20	19,860	11,315
Share-based compensation expense	17	4,053	5,278
Depreciation expense	8,10	106,786	110,896
Impairment expense (recovery)	10	(340,653)	361,000
Exploration and evaluation expense	7	84	190
Finance expense	21	21,018	18,970
Total expenses (recovery)		(73,519)	603,471
Income (loss) before taxes and non-controlling interest		532,446	(367,315)
Income tax (expense) recovery	14	(121,092)	83,270
Net income (loss) and comprehensive income (loss) before non-controlling interest		411,354	(284,045)
Net income (loss) and comprehensive income (loss) attributable to:			
Advantage shareholders		411,523	(284,045)
Non-controlling interest	16	(169)	-
		411,354	(284,045)
Net income (loss) per share attributable to Advantage shareholders			
Basic	18	\$ 2.17	\$ (1.51)
Diluted	18	\$ 2.07	\$ (1.51)

See accompanying Notes to the Consolidated Financial Statements

Advantage Energy Ltd. (Formerly, Advantage Oil & Gas Ltd.)
Consolidated Statements of Changes in Shareholders' Equity
(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	-	-	411,523	(169)	411,354
Share-based compensation (note 17(b))	-	6,786	-	-	6,786
Settlement of Performance Share Units	10,069	(10,751)	-	-	(682)
Issuance of Entropy common shares to non-controlling interest (note 16)	-	-	-	2,500	2,500
Balance, December 31, 2021	2,370,716	110,315	(1,023,244)	2,331	1,460,118

	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	-	-	(284,045)	-	(284,045)
Share-based compensation (note 17(b))	-	8,108	-	-	8,108
Settlement of Performance Share Units	10,944	(10,944)	-	-	-
Balance, December 31, 2020	2,360,647	114,280	(1,434,767)	-	1,040,160

See accompanying Notes to the Consolidated Financial Statements

Advantage Energy Ltd. (Formerly, Advantage Oil & Gas Ltd.)**Consolidated Statements of Cash Flows**

(Expressed in thousands of Canadian dollars)

		Year ended December 31	
	Notes	2021	2020
Operating Activities			
Income (loss) before taxes and non-controlling interest		532,446	(367,315)
Add (deduct) items not requiring cash:			
Unrealized gains on derivatives	11	(69,000)	(6,185)
Share-based compensation expense	17(b)	4,053	5,278
Depreciation expense	8,10	106,786	110,896
Impairment expense (recovery)	10	(340,653)	361,000
Exploration and evaluation expense	7	84	190
Accretion of decommissioning liability	13	1,108	797
Expenditures on decommissioning liability	13	(1,033)	(1,080)
Changes in non-cash working capital	23	(10,639)	(2,867)
Cash provided by operating activities		223,152	100,714
Financing Activities			
Decrease in bank indebtedness	12	(79,760)	(48,519)
Principal repayment of lease liability	13	(275)	(258)
Principal repayment of financing liability	13	(3,376)	(1,589)
Net proceeds from financing liability transaction	13	-	98,453
Cash provided by (used in) financing activities		(83,411)	48,087
Investing Activities			
Payments on property, plant and equipment	10,23	(136,671)	(157,638)
Payments on exploration and evaluation assets	7	(677)	(983)
Payments on intangible assets	9	(491)	-
Project funding received	13	20,057	-
Cash used in investing activities		(117,782)	(158,621)
Increase (decrease) in cash and cash equivalents		21,959	(9,820)
Cash and cash equivalents, beginning of year		3,279	13,099
Cash and cash equivalents, end of year		25,238	3,279

See accompanying Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

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

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 consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”).

The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of February 24, 2022, the date the Board of Directors approved the statements.

(b) Basis of measurement

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

The methods used to measure fair values of derivative instruments are discussed in note 11. The methods used to measure the fair value of the Corporation’s natural gas and liquids properties are discussed in note 10.

(c) Functional and presentation currency

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

3. Significant accounting policies

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

(a) Cash and cash equivalents

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

3. Significant accounting policies (continued)

(b) Basis of consolidation

(i) Subsidiaries

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

These 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 16). All inter-corporate balances, income and expenses resulting from inter-corporate transactions are eliminated.

(ii) Joint arrangements

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

(c) Financial instruments

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

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

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

Derivative assets and liabilities

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

Impairment of Financial Assets

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

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

(i) Recognition and measurement

Exploration and evaluation costs

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

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

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

3. Significant accounting policies (continued)

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

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

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

Property, plant and equipment

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

(ii) Subsequent costs

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

(iv) Depletion and depreciation

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

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

Natural gas processing plants	50 years
Furniture & equipment	5 years

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

3. Significant accounting policies (continued)

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

(iv) Dispositions

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

(v) Impairment and impairment reversal

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

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

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

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

3. Significant accounting policies (continued)

(e) 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).

(f) Decommissioning liability

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

(g) Leases

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

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

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

3. Significant accounting policies (continued)

(h) Long-term compensation

(i) Share-based compensation

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

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

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

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

(ii) Performance Awards

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

(iii) Deferred Share Units ("DSU")

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

3. Significant accounting policies (continued)

(i) Revenue

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

(j) Income tax

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

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

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

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

(k) Net income (loss) per share attributable to Advantage shareholders

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

3. Significant accounting policies (continued)

(l) Non-controlling interest

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.

(m) Government grants and investment tax credits

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

4. Significant accounting judgments, estimates and assumptions

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

(a) Reserves base

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

(b) Determination of cash generating unit

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

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

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

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

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

(d) Derivative assets and liabilities

Derivative assets and liabilities are recorded at their fair values at the reporting date, with gains and losses recognized directly into comprehensive 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 market prices as compared to the valuation assumptions. For embedded derivatives, Management determines the definition of the host contract and the separate embedded derivative. The judgments made in determining the host contract can influence the fair value of the embedded derivative.

(e) Share-based compensation

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

(f) Decommissioning liability

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

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

(g) Leases

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

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

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

(h) Income taxes

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

5. Cash and cash equivalents

	December 31 2021	December 31 2020
Cash at financial institutions	25,238	3,279

Cash at financial institutions earn interest at floating rates based on daily deposit rates. As at December 31, 2021 cash at financial institutions included US\$6.3 million (December 31, 2020 - US\$0.9 million). Included in cash and cash equivalents as at December 31, 2021 is \$8.5 million held solely for project expenditures related to reducing carbon emissions, associated with the project funding grant. The Corporation only deposits cash with major financial institutions of high-quality credit ratings.

6. Trade and other receivables

	December 31 2021	December 31 2020
Trade receivables	49,887	27,114
Receivables from joint venture partners	4,882	577
Other	-	800
	54,769	28,491

7. Exploration and evaluation assets

Balance at December 31, 2019	20,703
Additions	983
Lease expiries	(190)
Transferred to property, plant and equipment (note 10)	(916)
Balance at December 31, 2020	20,580
Additions	677
Lease expiries	(84)
Transferred to property, plant and equipment (note 10)	(460)
Balance at December 31, 2021	20,713

8. Right-of-use assets

Cost	Buildings	Other	Total
Balance at December 31, 2019 and December 31, 2020	2,318	186	2,504
Additions	-	169	169
Expired leases	-	(35)	(35)
Balance at December 31, 2021	2,318	320	2,638
Accumulated depreciation			
Balance at December 31, 2019	112	38	150
Depreciation	284	34	318
Balance at December 31, 2020	396	72	468
Depreciation	285	41	326
Expired leases	-	(35)	(35)
Balance at December 31, 2021	681	78	759
Net book value			
At December 31, 2020	1,922	114	2,036
At December 31, 2021	1,637	242	1,879

9. Intangible assets

Cost		
Balance at December 31, 2020		-
Intellectual property acquisition (note 16)		2,500
Research and development additions		491
Balance at December 31, 2021		2,991
Accumulated amortization		
Balance at December 31, 2020		-
Amortization		-
Balance at December 31, 2021		-
Net book value		
At December 31, 2020		-
At December 31, 2021		2,991

The Corporation has not incurred amortization on its intangible assets in 2021 as the assets are not available for use. Amortization will commence upon the project which the cost relates to being placed in-service in 2022.

10. Property, plant and equipment

Cost	Natural gas and liquids 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 17(b))	2,830	-	2,830
Changes in decommissioning liability (note 13(e))	2,904	-	2,904
Transferred from exploration and evaluation assets (note 7)	916	-	916
Balance at December 31, 2020	2,811,316	6,692	2,818,008
Additions	148,154	81	148,235
Capitalized share-based compensation (note 17(b))	2,051	-	2,051
Changes in decommissioning liability (note 13(e))	1,505	-	1,505
Transferred from exploration and evaluation assets (note 7)	460	-	460
Balance at December 31, 2021	2,963,486	6,773	2,970,259
Accumulated depreciation			
Balance at December 31, 2019	899,868	5,070	904,938
Depreciation	110,370	208	110,578
Impairment expense	361,000	-	361,000
Balance at December 31, 2020	1,371,238	5,278	1,376,516
Depreciation	106,227	233	106,460
Impairment reversal	(340,653)	-	(340,653)
Balance at December 31, 2021	1,136,812	5,511	1,142,323
Net book value			
At December 31, 2020	1,440,078	1,414	1,441,492
At December 31, 2021	1,826,674	1,262	1,827,936

During the year ended December 31, 2021, Advantage capitalized general and administrative expenditures directly related to development activities of \$7.8 million, included in additions (year ended December 31, 2020 - \$5.4 million).

Advantage included future development costs of \$2.0 billion (December 31, 2020 - \$1.9 billion) in property, plant and equipment costs subject to depreciation.

10. Property, plant and equipment (continued)

2021: Impairment recovery assessment

At December 31, 2021, there were indicators of impairment recovery identified in the Corporation's Greater Glacier CGU as a result of improved forward commodity prices for natural gas and crude oil.

The Corporation performed an impairment reversal test using an after-tax discounted future cash flow of proved and probable reserves⁽¹⁾, utilizing an inflation rate of 2% and a discount rate of 10%. The following table summarizes the price forecast used in the Corporation's discounted cash flow estimates as of December 31, 2021:

Year	WTI (\$US/bbl)	Henry Hub (\$US/MMbtu)	AECO (\$Cdn/MMbtu)	Exchange Rate (\$US/\$Cdn)
2022	72.83	3.85	3.56	0.80
2023	68.78	3.44	3.21	0.80
2024	66.76	3.17	3.05	0.80
2025	68.09	3.24	3.11	0.80
2026	69.45	3.30	3.17	0.80
2027	70.84	3.37	3.23	0.80
2028	72.26	3.44	3.30	0.80
2029	73.70	3.50	3.36	0.80
2030	75.18	3.58	3.43	0.80
2031	76.68	3.65	3.50	0.80
2032	78.21	3.72	3.57	0.80
Thereafter	+2% per year	+2% per year	+2% per year	0.80

⁽¹⁾ Sproule Associates Limited ("Sproule") conducted an Independent Qualified Reserves Evaluation, effective December 31, 2021, which was prepared in accordance with definitions, standards, and procedures in the Canadian Oil and Gas Evaluation Handbook and NI 51-101. The Independent Qualified Reserves Evaluation was computed using the average of the price forecasts by McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants and Sproule effective January 1, 2022.

As a result of the impairment recovery test performed, the Corporation determined that the recoverable amount of the Greater Glacier CGU exceeded the carrying amount, and a full impairment recovery of \$340.7 million (net of depreciation) was recognized. The estimated recoverable amount of the Greater Glacier CGU was \$2.5 billion.

As at December 31, 2021, a 1% increase in the assumed discount rate, or a 5% decrease in the future cash flows of proved and probable reserves while holding all other assumptions constant, would have no impact on the impairment recovery recorded at December 31, 2021.

10. Property, plant and equipment (continued)

2020: Impairment assessment

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

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

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

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

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

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

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

11. Financial risk management

As at December 31, 2021, there were no significant differences between the carrying amounts reported on the consolidated statement of financial position and the estimated fair values of the Corporation's financial instruments due to the short terms to maturity and the floating interest rate on a portion of the Corporation's bank indebtedness.

Fair value is determined following a three-level hierarchy:

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

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

Level 3: Fair value is determined using inputs that are not observable. The Corporation's natural gas embedded derivative is categorized as level 3 in the fair value hierarchy as the long-term portion of the PJM forward price is an unobservable input. Fair value less costs of disposition used to determine the recoverable amounts of Advantage's Greater Glacier CGU at December 31, 2021 and December 31, 2020 were classified as Level 3 in the fair value hierarchy as certain key assumptions were not based on observable market data, but rather, Management's best estimates.

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

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

11. Financial risk management (continued)

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

	Year ended December 31	
	2021	2020
Realized gains (losses) on derivatives		
Natural gas	(58,909)	(12,148)
Crude oil	(17,353)	7,121
Foreign exchange	2,368	696
Interest rate	(684)	(309)
Total	(74,578)	(4,640)
Unrealized gains (losses) on derivatives		
Natural gas	16,480	1,354
Crude oil	2,074	(776)
Natural gas embedded derivative	54,305	3,394
Foreign exchange	(4,525)	3,015
Interest rate	666	(802)
Total	69,000	6,185
Gains (losses) on derivatives		
Natural gas	(42,429)	(10,794)
Crude oil	(15,279)	6,345
Natural gas embedded derivative	54,305	3,394
Foreign exchange	(2,157)	3,711
Interest rate	(18)	(1,111)
Total	(5,578)	1,545

11. Financial risk management (continued)

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

	December 31 2021	December 31 2020
Derivative type		
Natural gas derivative liability	(13,172)	(29,652)
Crude oil derivative asset (liability)	20	(2,054)
Natural gas embedded derivative asset	57,699	3,394
Foreign exchange derivative asset (liability)	(1,510)	3,015
Interest rate derivative liability	(136)	(802)
Net derivative asset (liability)	42,901	(26,099)
Consolidated statement of financial position classification		
Current derivative asset	282	6,862
Non-current derivative asset	57,699	4,140
Current derivative liability	(2,765)	(13,303)
Non-current derivative liability	(12,315)	(23,798)
Net derivative asset (liability)	42,901	(26,099)

(a) Credit risk

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

	December 31 2021	December 31 2020
Trade and other receivables	54,769	28,491
Deposits	1,858	911
Derivative assets	57,981	11,002
	114,608	40,404

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

11. Financial risk management (continued)

(a) Credit risk (continued)

Substantially all of the Corporation's trade and other receivables are due from customers concentrated in the North American oil and gas industry. As such, trade and other receivables are subject to normal industry credit risks. As at December 31, 2021, \$0.2 million of trade and other receivables are outstanding for 90 days or more (December 31, 2020 – \$0.3). The Corporation believes the entire balance is collectible, and in some instances has the ability to mitigate risk through withholding production or offsetting payables with the same parties. At December 31, 2021, the average expected credit loss for trade and other receivables was 0.60% (December 31, 2020 – 0.58%). At December 31, 2021, the Corporation did not record an expected credit loss against trade and other receivables (December 31, 2020 – nil).

The Corporation's most significant customer, a North American oil and natural gas marketer, accounts for \$22.3 million of the trade and other receivables at December 31, 2021 (December 31, 2020 – \$11.5 million).

(b) Liquidity risk

The Corporation is subject to liquidity risk attributed from trade and other accrued liabilities, derivative liabilities, lease liabilities, financing liabilities, performance awards and bank indebtedness. Trade and other accrued liabilities are all due within one year of the Consolidated Statement of Financial Position date. The Corporation's Performance Awards are all payable within one to three years of the Consolidated Statement of Financial Position date. The Corporation's lease liability and financing liability are settled in a systematic basis over their respective terms and will be settled over the next 6 and 13 years, respectively. Advantage does not anticipate any problems in satisfying these obligations from cash provided by operating activities and the existing credit facilities.

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

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

11. Financial risk management (continued)

(b) Liquidity risk (continued)

The timing of cash outflows relating to financial liabilities as at December 31, 2021 and 2020 are as follows:

December 31, 2021	Less than one year	One to three years	Beyond	Total
Trade and other accrued liabilities	81,398	-	-	81,398
Derivative liability	2,765	12,315	-	15,080
Performance Awards	5,107	4,863	-	9,970
Lease liability	364	728	1,081	2,173
Financing liability	3,696	7,742	82,050	93,488
Bank indebtedness - principal	-	168,000	-	168,000
- interest ⁽¹⁾	5,038	1,217	-	6,255
	98,368	194,865	83,131	376,364

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

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

The Corporation's bank indebtedness does not have specific maturity dates. It is governed by credit facility agreements with a syndicate of financial institutions (note 12). Under the terms of the agreements, the facilities are reviewed annually, with the next review scheduled in May 2022. The facilities are revolving and are extendible at each annual review for a further 364-day period at the option of the syndicate. If not extended, the credit facilities are converted at that time into one-year term facilities, with the principal payable at the end of such one-year term. Management fully expects that the facilities will be extended at each annual review.

11. Financial risk management (continued)

(c) Commodity price risk

Advantage's derivative assets and liabilities are subject to price risk as their fair values are based on assumptions regarding forward market prices. The Corporation enters into non-financial derivatives to manage price risk exposure relative to actual commodity production and does not utilize derivative instruments for speculative purposes. Changes to price assumptions can have a significant effect on the fair value of the derivative assets and liabilities and thereby impact earnings. The estimated impact to net income (loss) for the year ended December 31, 2021 resulting from a 10% change to significant price assumptions is as follows:

Price Assumptions	Net Income (Loss) Impact (\$ millions)	
	+10%	(10)%
Forward AECO natural gas price	(0.1)	0.1
Forward Henry Hub natural gas price	(4.2)	3.1
Forward basis differential between Henry Hub and AECO	(6.2)	6.8
Forward WTI crude oil price	(0.6)	0.7
Forward PJM electricity price	29.0	(31.7)

11. Financial risk management (continued)

(c) Commodity price risk

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

Description of Derivative	Term	Volume	Price
Natural gas - AECO			
Fixed price swap	November 2021 to March 2022	4,739 Mcf/d	Cdn \$4.48/Mcf
Natural gas - Henry Hub NYMEX			
Fixed price swap	November 2021 to March 2022	55,000 Mcf/d	US \$3.44/Mcf
Fixed price swap	April 2022 to October 2022	55,000 Mcf/d	US \$3.62/Mcf
Fixed price swap	April 2022 to October 2022	50,000 Mcf/d	US \$4.54/Mcf ⁽¹⁾
Fixed price swap	November 2022 to March 2023	85,000 Mcf/d	US \$4.67/Mcf ⁽¹⁾
Fixed price swap	April 2023 to October 2023	25,000 Mcf/d	US \$3.35/Mcf ⁽¹⁾
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	April 2023 to December 2024	40,000 Mcf/d	Henry Hub less US \$1.19/Mcf
Crude oil - WTI NYMEX			
Fixed price swap	January 2022 to June 2022	500 bbls/d	US \$75.00/bbl

⁽¹⁾ Contract entered into subsequent to December 31, 2021.

Natural Gas - Embedded Derivative

Advantage entered into a long-term natural gas supply agreement under which Advantage will supply 25,000 MMBtu/d of natural gas for a 10-year period, commencing in early 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US \$2.50/MMBtu. The Corporation will realize gains or losses when the price received under the contract deviates from US \$2.50/MMBtu. As at December 31, 2021 the fair value of the natural gas embedded derivative resulted in an asset of \$57.7 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 December 31, 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 \$1.5 million.

11. Financial risk management (continued)

(d) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the outstanding bank indebtedness fluctuates with the interest rates posted by the lenders. The Corporation is exposed to interest rate risk and has entered into fixed interest rate swaps to mitigate interest rate risk. Had the borrowing rate been different by 100 basis points throughout the year ended December 31, 2021, net income and comprehensive income would have changed by \$1.6 million (December 31, 2020 – \$2.3 million) based on the average debt balance outstanding during the year.

The Corporation's interest rate derivative contracts are classified as Level 2 within the fair value hierarchy. As at December 31, 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%

As at December 31, 2021 the fair value of the interest rate derivatives outstanding resulted in a liability of \$0.1 million (December 31, 2020 – \$0.8 million liability). The fair value of the interest rate derivatives has been allocated to current and non-current assets and liabilities based on the expected timing of cash settlements.

(e) Foreign exchange risk

Foreign exchange risk is the risk that future cash flows will fluctuate as a result of changes in the CAD/USD exchange rate. While the majority of the Corporation's natural gas and liquids sales are settled in Canadian dollars, certain natural gas and oil prices where the Corporation markets its natural gas and liquids production are denominated in US dollars. The Corporation has entered into average rate currency swaps to mitigate the Corporation's exposure to foreign exchange risk. Had the CAD/USD foreign exchange rate been different by \$0.02 throughout the year ended December 31, 2021, net income and comprehensive income would have changed by \$2.6 million (December 31, 2020 – \$4.9 million).

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

Description of Derivative	Term	Notional Amount	Rate
Forward rate - CAD/USD			
Average rate currency swap	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
Average rate currency swap	March 2022 to February 2023	US \$ 1,500,000/month	1.2719 ⁽¹⁾

⁽¹⁾ Contract entered into subsequent to December 31, 2021.

11. Financial risk management (continued)

(e) Foreign exchange risk (continued)

As at December 31, 2021 the fair value of the foreign exchange derivatives outstanding resulted in an liability of \$1.5 million (December 31, 2020 – \$3.0 million asset). The fair value of the foreign exchange derivatives has been allocated to current and non-current assets and liabilities based on the expected timing of cash settlements.

(f) Capital management

The Corporation manages its capital with the following objectives:

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

Advantage monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The capital structure of the Corporation is composed of working capital (cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued payables), financing liabilities, bank indebtedness, and share capital. Advantage may manage its capital structure by issuing new shares, repurchasing outstanding shares, obtaining additional financing either through bank indebtedness or convertible debenture issuances, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

Working capital

Working capital is a capital management financial measure that provides Management and users with a measure of the Corporation's short-term operating liquidity. By excluding short term derivatives and the current portion of provision and other liabilities, Management and users can determine if the Corporation's energy operations are sufficient to cover the short-term operating requirements. Working capital is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

A summary of working capital as at December 31, 2021 and December 31, 2020 is as follows:

	December 31	December 31
	2021	2020
Cash and cash equivalents	25,238	3,279
Trade and other receivables	54,769	28,491
Prepaid expenses and deposits	3,483	2,021
Trade and other accrued liabilities	(81,398)	(38,083)
Working capital surplus (deficit)	2,092	(4,292)

11. Financial risk management (continued)

(f) Capital management (continued)

Net Debt

Net debt is a capital management financial measure that provides Management and users with a measure to assess the Corporation's liquidity. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

A summary of the reconciliation of net debt as at December 31, 2021 and December 31, 2020 is as follows:

	December 31 2021	December 31 2020
Bank indebtedness (non-current) (note 12)	167,345	247,105
Working capital (surplus) deficit	(2,092)	4,292
Net debt	165,253	251,397

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

	December 31 2021	December 31 2020
Net debt	165,253	251,397
Shares outstanding (note 15)	190,828,976	188,112,797
Share closing market price (\$/share)	7.41	1.71
Market Capitalization	1,414,043	321,673
Total Capitalization	1,579,296	573,070

12. Bank indebtedness

	December 31 2021	December 31 2020
Revolving credit facility	168,000	248,000
Discount on bankers' acceptance and other fees	(655)	(895)
Balance, end of year	167,345	247,105

As at December 31, 2021, the Corporation had credit facilities with a borrowing base of \$350 million. The Credit Facilities are comprised of a \$30 million extendible revolving operating loan facility from one financial institution and a \$320 million extendible revolving credit facility from a syndicate of financial institutions.

12. Bank indebtedness (continued)

In November 2021, the semi-annual redetermination of the Credit Facilities borrowing base was completed with no changes to 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. The Credit Facilities are subject to re-determination of the borrowing base semi-annually in November and May of each year, with the next annual review scheduled to occur in May 2022. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time. The borrowing base is determined based on, among other things, a thorough evaluation of Advantage's reserve estimates based upon the lenders commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. In the event that the lenders reduce the borrowing base below the amount drawn at the time of redetermination, the Corporation has 60 days to eliminate any shortfall by repaying amounts in excess of the new re-determined borrowing base.

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

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

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

The Credit Facilities contain standard commercial covenants for credit facilities of this nature. The Corporation did not have any financial covenants at December 31, 2021 and 2020. Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating ("LMR") is not less than 2.0. As at December 31, 2021 the Corporation had a 25.6 LMR (December 31, 2020 – 24.7 LMR). All other applicable non-financial covenants were met at December 31, 2021 and 2020. Breach of any covenant will result in an event of default in which case the Corporation has 30 days to remedy such default. If the default is not remedied or waived, and if required by the lenders, the administrative agent of the lenders has the option to declare all obligations under the credit facilities to be immediately due and payable without further demand, presentation, protest, days of grace, or notice of any kind. The Credit Facilities are collateralized by a \$1 billion floating charge demand debenture covering all assets. For the year ended December 31, 2021, the average effective interest rate on the outstanding amounts under the facilities was approximately 4.7% (December 31, 2020 – 4.3%). The Corporation had letters of credit of US\$9.0 million outstanding at December 31, 2021 (December 31, 2020 – US\$15 million).

13. Provisions and other liabilities

	Year ended December 31, 2021	Year ended December 31, 2020
Performance Awards (note 17(c))	9,970	4,620
Deferred revenue (a)	6,603	6,603
Project funding grant (b)	57	-
Lease liability (c)	2,173	2,279
Financing liability (d)	93,488	96,864
Decommissioning liability (e)	62,474	60,894
Balance, end of year	174,765	171,260
Current provisions and other liabilities	11,224	5,632
Non-Current provisions and other liabilities	163,541	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 grant

The Corporation received a \$20 million grant under the Government of Alberta's "Industrial Energy Efficiency and Carbon Capture Utilization and Storage Program" 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 in the second quarter of 2022.

A reconciliation of the project funding is as follows:

	Year ended December 31, 2021
Balance, beginning of the year	-
Project funding received	20,000
Interest earned	57
Project expenditures incurred	(20,000)
Balance, end of year	57

(c) Lease liability

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

A reconciliation of the lease liability is provided below:

	Year ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of the year	2,279	2,537
Additions	169	-
Interest expense	96	102
Lease payments	(371)	(360)
Balance, end of year	2,173	2,279
Current lease liability	364	256
Non-current lease liability	1,809	2,023

13. Provisions and other liabilities (continued)

(d) Financing liability

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

A reconciliation of the financing liability is provided below:

	Year ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of the year	96,864	-
Additions, net of transaction cost	-	98,453
Interest expense	8,669	4,483
Financing payments	(12,045)	(6,072)
Balance, end of year	93,488	96,864
Current financing liability	3,696	3,376
Non-current financing liability	89,792	93,488

(e) Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids assets including well sites, gathering systems and facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2022 and 2076. A risk-free rate of 1.76% (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 December 31, 2021. As at December 31, 2021, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$57.6 million (December 31, 2020 - \$55.2 million).

A reconciliation of the decommissioning liability is provided below:

	Year ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of the year	60,894	58,273
Accretion expense	1,108	797
Liabilities incurred	1,737	1,575
Plant disposition (note 13(d))	-	(625)
Change in estimates	(1,800)	(690)
Effect of change in risk-free rate and inflation rate factor	1,568	2,644
Liabilities settled	(1,033)	(1,080)
Balance, end of year	62,474	60,894
Current decommissioning liability	2,000	2,000
Non-current decommissioning liability	60,474	58,894

13. Provisions and other liabilities (continued)

(f) Contractual maturities

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

(\$ millions)	Payments due by period						
	Total	2022	2023	2024	2025	2026	Beyond
Performance Awards	17.3	5.6	6.0	5.7	-	-	-
Lease liability	2.4	0.4	0.4	0.4	0.4	0.4	0.4
Financing liability	162.5	12.0	12.0	12.1	12.0	12.0	102.4
Total fixed payments	182.2	18.0	18.4	18.2	12.4	12.4	102.8

14. Income taxes

The provision for income taxes is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Current income tax expense	-	-
Deferred income tax expense (recovery)	121,092	(83,270)
Income tax expense (recovery)	121,092	(83,270)

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

	Year ended December 31, 2021	Year ended December 31, 2020
Income (loss) before taxes and non-controlling interest	532,446	(367,316)
Combined federal and provincial income tax rates	23.00 %	24.00 %
Expected income tax expense (recovery)	122,463	(88,156)
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based compensation	937	1,271
Change in unrecognized deferred income tax assets	-	1,367
Change in provincial corporate tax rate	-	(541)
Other	(2,308)	2,789
Income tax expense (recovery)	121,092	(83,270)
Effective tax rate	22.74 %	22.67 %

14. Income taxes (continued)

The movement in deferred income tax assets (liabilities) without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	At December 31, 2020	(Charged) credited to income	At December 31, 2021
Deferred income tax assets:			
Decommissioning liability	14,006	363	14,369
Non-capital losses	187,675	(20,323)	167,352
Financing liability	22,279	(777)	21,502
Derivative asset/liability	6,003	(6,003)	-
Other	19,979	2,043	22,022
	249,942	(24,697)	225,245
Deferred income tax liabilities:			
Property, plant and equipment	(225,074)	(86,165)	(311,239)
Derivative asset/liability	-	(9,867)	(9,867)
Other	(60)	(363)	(423)
	(225,134)	(96,395)	(321,529)
Deferred income tax asset (liability)	24,808	(121,092)	(96,284)

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

14. Income taxes (continued)

The estimated tax pools available at December 31, 2021 are as follows:

Canadian development expenses	199,934
Canadian exploration expenses	68,038
Canadian oil and gas property expenses	12,848
Non-capital losses	727,607
Undepreciated capital cost	213,416
Capital losses	146,619
Scientific research and experimental development expenditures	32,506
Other	6,421
	1,407,389

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

No deferred tax asset has been recognized for capital losses of \$147 million (December 31, 2020 – \$158 million). Recognition is dependent on the realization of future taxable capital gains.

15. Share capital

(a) Authorized

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

(b) Issued

	Common Shares (# of shares)	Share capital (\$000)
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 (note 17 (a))	2,716,179	-
Contributed surplus transferred on Performance Share Unit settlements	-	10,069
Balance at December 31, 2021	190,828,976	2,370,716

16. Non-controlling interest (“NCI”)

At December 31, 2020, Advantage owned 100% of Entropy, a private cleantech company focused on commercializing energy-transition technologies.

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.

A reconciliation of the non-controlling interest is provided below:

	Year ended December 31, 2021
Balance, beginning of the year	-
Consideration contributed by NCI	2,500
Net loss and comprehensive loss attributable to NCI	(169)
Balance, end of year	2,331

17. 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 December 31, 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 December 31, 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.

17. Long-term compensation plans (continued)

(b) Share-based compensation expense

Share-based compensation expense after capitalization for the years ended December 31, 2021 and 2020 are as follows:

	Year ended December 31	
	2021	2020
Total share-based compensation	6,786	8,108
Capitalized	(2,051)	(2,830)
Cash settled awards	(682)	-
Share-based compensation expense	4,053	5,278

(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 current and non-current liability (note 13) until eventually settled in cash.

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

	Year ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of the year	4,620	1,252
Performance Award expense	5,284	3,339
Interest expense	66	29
Balance, end of year	9,970	4,620
Current	5,107	-
Non-current	4,863	4,620

17. Long-term compensation plans (continued)

(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 Corporation's common shares, multiplied by the number of DSUs held. All Deferred Share Units vest immediately upon grant and become payable upon retirement of the Director from the Board.

The following table is a continuity of Deferred Share Units:

	Deferred Share Units
Balance at December 31, 2019	441,863
Granted	187,467
Balance at December 31, 2020	629,330
Granted	105,140
Settled	(90,377)
Balance at December 31, 2021	644,093

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

	Year ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of the year	1,076	1,215
Granted	418	364
Revaluation of outstanding Deferred Share Units	3,599	(503)
Settled	(320)	-
Balance, end of year	4,773	1,076

18. 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:

	Year ended December 31	
	2021	2020
Net income (loss) attributable to Advantage shareholders		
Basic and diluted	411,523	(284,045)
Weighted average shares outstanding		
Basic	190,077,376	187,761,408
Performance Share Units ⁽¹⁾	8,526,599	-
Diluted	198,603,975	187,761,408
Net income (loss) per share attributable to Advantage shareholders		
Basic (\$/share)	\$ 2.17	\$ (1.51)
Diluted (\$/share)	\$ 2.07	\$ (1.51)

⁽¹⁾ Performance Share Units are non-dilutive when the Corporation is in a loss position.

19. Natural gas and liquids sales

Advantage's revenue is comprised of natural gas, crude oil & condensate and NGLs sales to multiple customers. For the years ended December 31, 2021 and 2020, natural gas and liquids sales was as follows:

	Year ended December 31	
	2021	2020
Crude oil	31,209	23,096
Condensate	25,226	12,085
NGLs	44,423	18,080
Liquids	100,858	53,261
Natural Gas	391,177	191,824
Natural gas and liquids sales	492,035	245,085

At December 31, 2021, receivables from contracts with customers, which are included in trade and other receivables, were \$49.5 million (December 31, 2020 - \$27.1 million).

20. General and administrative expense

	Year ended December 31	
	2021	2020
Personnel	19,673	14,488
Revaluation of outstanding Deferred Share Units	3,599	(503)
Professional fees	1,286	431
Information technology cost	1,995	1,580
Office rent and administration cost	1,148	748
Total general and administrative	27,701	16,744
Capitalized	(7,841)	(5,429)
General and administrative expense	19,860	11,315

21. Finance expense

	Year ended December 31	
	2021	2020
Interest on bank indebtedness (note 12)	11,250	13,186
Interest on provisions and other liabilities (note 13, 17(c))	8,831	4,614
Accretion of decommissioning liability (note 13(e))	1,108	797
Other	(171)	373
Total finance expense	21,018	18,970

22. Related party transactions

(a) Key management compensation

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

	Year ended December 31	
	2021	2020
Salaries, director fees and short-term benefits	4,903	3,664
Share-based compensation and Performance Awards ⁽¹⁾	5,075	5,024
	9,978	8,688

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

As at December 31, 2021, there is a commitment of \$4.4 million (December 31, 2020 – \$4.0 million) related to change of control or termination of employment of officers.

(b) Management Services Agreement

The Corporation entered into a Management Services Agreement with Entropy whereas Advantage provides certain administrative, accounting, financial, strategic, planning and management services to Entropy, which are in the normal course of operations. During the year ended December 31, 2021, the Corporation incurred \$0.8 million (December 31, 2020 – nil) in G&A recoveries, payable to Advantage in connection with the Management Services Agreement.

23. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Year ended December 31	
	2021	2020
Source (use) of cash:		
Trade and other receivables	(26,278)	827
Prepaid expense and deposits	(1,462)	(534)
Trade and other accrued liabilities	43,315	(13,817)
Performance Awards	5,350	3,368
Deferred revenue	-	6,603
Project funding	(20,000)	-
	925	(3,553)
Related to operating activities	(10,639)	(2,867)
Related to financing activities	-	-
Related to investing activities	11,564	(686)
	925	(3,553)
Cash interest paid	20,150	16,692
Cash income taxes paid	-	-

23. Supplementary cash flow information (continued)

The following table provides a detailed breakdown of the cash and non-cash changes in financing liabilities arising from financing activities:

	Year ended December 31	
	2021	2020
Cash flows		
Draws on credit facility	30,000	75,000
Repayment of credit facility	(110,000)	(125,000)
Bankers' acceptance and other fees	(10,288)	(11,075)
Lease payments	(371)	(360)
Financing payments	(12,045)	(6,072)
Net proceeds from financing liability transaction	-	98,453
Total cash flows	(102,704)	30,946
Non-cash changes		
Amortization of bankers' acceptance and other fees	10,528	12,556
Lease interest expense	96	102
Financing liability Interest expense	8,669	4,483
Total non-cash changes	19,293	17,141
Cash provided by (used in) financing activities	(83,411)	48,087

24. Commitments

At December 31, 2021 Advantage had commitments relating to building operating cost of \$2.3 million, processing commitments of \$59.6 million and transportation commitments of \$430.4 million. The estimated remaining payments are as follows:

(\$ millions)	Payments due by period						
	Total	2022	2023	2024	2025	2026	Beyond
Building operating cost ⁽¹⁾	2.3	0.4	0.4	0.4	0.4	0.4	0.3
Processing	59.6	5.9	7.9	10.0	9.5	7.0	19.3
Transportation	455.0	65.5	62.5	59.6	57.8	50.6	159.0
Total commitments	516.9	71.8	70.8	70.0	67.7	58.0	178.6

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

ADVISORY

Forward-Looking Information and Other Advisories

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

In particular, forward-looking statements in this document include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; the Corporation's expectations that it will eliminate net debt during the third quarter of 2022; Advantage's plans to implement a share buyback program and the anticipating timing thereof and benefits to be derived therefrom; Advantage's ability to enhance profitability through all phases of the commodities cycles; anticipated growth in demand; that Advantage is well positioned to generate significant shareholder value; the anticipated downtime at Glacier for plant turnaround and that such downtime will lead to the completion of the Phase 1 CCS project; anticipated gas supply shortages and elevated pricing; Advantage's expectations that minimal new Glacier volumes will come onstream for the remainder of 2022; the anticipated timing and costs of the construction of the trunk-line tying Advantage's oil battery to Keyera's Pipestone Processing Facility at Wembley and the anticipated benefits to be derived therefrom upon completion; the anticipated timing and costs of the construction of the new compressor station at Progress and the anticipated benefits to be derived therefrom upon completion; the anticipated timing of Advantage's Indigenous Education Scholarship program and the anticipated benefits to be derived therefrom; the anticipated timing of Mr. Ron McIntosh's retirement and the appointment of his successor; Advantage's expectations that AFF will more than double in 2022; Advantage's expectations that it will generate significant free cash flow of over \$140 million in the first half of 2022; the revised guidance for 2021, and the additional capital's ability to deliver higher production into the winter markets; the focus of Advantage's 2022 capital program and its ability to grow adjusted funds flow per share, increase liquids revenue and make infrastructure investments that increase third-party processing revenue or establish carbon revenue for Entropy; the Corporation's expected payout ratio; that the Corporation will dedicate free cash flow towards debt reduction; guidance for 2022 including the cash used in investing activities, average production, liquids production (% of total production), royalty rate, operating expense, transportation expense and G&A/finance expense; that Entropy's non-binding financing agreement will lead to a completed financing and the anticipated timing and benefits to be derived therefrom; anticipated production rates in 2022; the Corporation's forecasted 2022 natural gas market exposure including the anticipated effective production rate; rate; the Corporation's expected number of wells to be drilled in the first quarter of 2022 and placed on production in the second quarter of 2022; the Corporation's hedging activities and the benefits to be derived therefrom; future commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; the Corporation's ability to ensure that it is properly diversified to multiple markets; the terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the anticipated benefits to be derived therefrom; the Corporation's anticipated 2022 annual operating expense per boe and transportation expense per boe; estimated tax pools; the Corporation's anticipated; terms of the Corporation's Credit Facilities, including timing of the next review of the Credit Facilities and the Corporation's expectations regarding extension of the Credit Facilities at each annual review; the Corporation's ability to strengthen its balance sheet, maintain a disciplined commodity risk management program and increase available liquidity; the Corporation's expectations that it is well positioned to continue successfully executing its multi-year development plan; expectations that Advantage's increase in market capitalization will provide the Corporation with flexibility in managing its capital structure; 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

Forward-Looking Information and Other Advisories (continued)

obligations as they become due and the means for satisfying such future obligations; expectations that the Phase 1 CCS project will be completed by the second quarter of 2022; the Corporation's anticipated reductions in Scope 1 and 2 emissions and the anticipated timing thereof; the Corporation's expectations that it will achieve "net zero" Scope 1 and 2 emissions by 2025; the benefits to be derived from Entropy's planned capital projects and the expectation that they will result in completed CCS projects and the anticipated timing thereof; that the Phase 2 CCS project will come on-stream and the anticipated benefits to be derived therefrom and the anticipated timing thereof; 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; the number of wells to be drilled in the first quarter of 2022 and placed on production in the second quarter of 2022 will be less than anticipated 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; that the Glacier CCS project will not come on-stream when expected; that Advantage will not be able to achieve "net zero" emissions by 2025; that Entropy's existing planned capital projects will not result in completed CCS projects; the price of and market for carbon credits and offsets; current and future carbon prices and royalty regimes; that Entropy's non-binding financing may not be completed on the anticipated terms or at all; Advantage will not have sufficient capital to implement a share buyback program; Advantage will not enhance profitability through all phases of the commodities cycles; the anticipated downtime at Glacier will not lead to the completion of the Phase 1 CCS project; the construction of the trunk-line tying Advantage's oil battery to Keyera's Pipestone Processing Facility at Wembley will not be completed when or for the costs anticipated; the construction of the new compressor station at Progress will not be completed when or for the costs anticipated; Advantage's AFF and free cash flow will be less than anticipated in 2022; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at www.sedar.com and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

Forward-Looking Information and Other Advisories (continued)

With respect to forward-looking statements contained in this document, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain, including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to product, transport and/or sell its crude oil, NGLs and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; the impact of increasing competition; the price of crude oil and natural gas; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Entropy's non-binding financing agreement will lead to a completed financing; that Entropy's planned capital projects will lead to completed CCS projects; 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; that Advantage will have sufficient capital to implement a share buyback program; that Advantage will receive the required regulatory approvals to initiate a share buyback program; that five days of downtime at Glacier will lead to a completed Phases 1 CCS project; 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.

The future acquisition by the Corporation of the Corporation's shares pursuant to a share buyback program, if any, and the level thereof is uncertain. Any decision to implement a share buyback program or acquire shares of the Corporation will be subject to the discretion of the board of directors of the Corporation and may depend on a variety of factors, including, without limitation, the Corporation's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions, satisfaction of the solvency tests imposed on the Corporation under applicable corporate law and receipt of regulatory approvals. There can be no assurance that the Corporation will buyback any shares of the Corporation in the future.

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

This document contains information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to: the Corporation's expectations that it will eliminate net debt during the third quarter of 2022; Advantage's expectations that AFF will more than double in 2022; Advantage's expectations that it will generate significant free cash flow of over \$140 million in the first half

Forward-Looking Information and Other Advisories (continued)

of 2022; the Corporation's expected payout ratio; the Corporation's anticipated cash used in investing activities; anticipated average production, liquids production, royalty rate, operating expenses, transportation expenses and G&A/finance expenses in 2022; and the Corporation's expected 2022 annual operating expense per boe and transportation expense per boe; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this document and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Corporation's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change.

This document contains metrics commonly used in the oil and natural gas industry which have been prepared by management such as "operating netback", "net asset value", "reserve additions", "reserve per share" and "reserve life index". 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 "Specified Financial Measures" section of this MD&A for additional disclosure on "operating netback".

References in this document 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 document 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.

Specified Financial Measures

Throughout this document and in other documents disclosed by the Corporation, Advantage discloses certain measures to analyze financial performance, financial position, and cash flow. These specified financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The specified financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss) and comprehensive income (loss), cash provided by operating activities, and cash used in investing activities, as indicators of Advantage's performance. Refer to "Specified Financial Measures" on page 29 of the Corporation's Consolidated Management's Discussion & Analysis for the year ended December 31, 2021, which is available at www.sedar.com and www.advantageog.com, for additional information about certain financial measures, including reconciliations to the nearest GAAP measures, as applicable.

The Corporation has additional specified financial measures, not included in the Corporation's MD&A that have been disclosed in this document, as follows:

Finding, Development and Acquisition Costs ("FD&A")

FD&A is a Non-GAAP financial measures as it includes net capital expenditures. FD&A cost is calculated based on adding net capital expenditures and the net change in future development capital ("FDC"), divided by reserve additions for the year from the Sproule 2021 and 2020 Reserves Report.

Net Asset Value

Net asset value is a supplementary financial measure that includes the net present value of the future revenue of its proved plus probable reserves (before income taxes, discounted at 0%, 10% and 15%), working capital (including derivatives), financing liability and bank indebtedness. Management believes that net asset value allows users in assessing the long-term fair value of Advantage's underlying reserves assets after settling its outstanding financial obligations

Additional Information

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

March 18, 2022

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
CCS	means "Carbon Capture and Storage"
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
Crude oil	Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
Natural gas	Conventional Natural Gas as defined in National Instrument 51-101
"NGLs" & "condensate"	Natural Gas Liquids as defined in National Instrument 51-101
Liquids	Total of crude oil, condensate and NGLs

Directors

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Ronald A. McIntosh ⁽²⁾⁽⁴⁾
Donald M. Clague ⁽¹⁾⁽²⁾⁽³⁾
Michael Belenkie

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Reserve Evaluation Committee

⁽³⁾ Member of Compensation Committee

⁽⁴⁾ Member of Governance Committee

Officers

Michael Belenkie, President and CEO
Craig Blackwood, CFO
Neil Bokenfohr, Senior Vice President
David Sterna, Vice President, Marketing and Commercial
John Quaife, Vice President, Finance
Darren Tisdale, Vice President, Geosciences
Geoff Keyser, Vice President, Corporate Development

Corporate Secretary

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

Auditors

PricewaterhouseCoopers LLP

Bankers

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

Independent Reserve Evaluators

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