Q1

2022 First Quarter Report

Financial Highlights

($000, except as otherwise indicated)	Three months ended March 31 2022	2021
Financial Statement Highlights		
Natural gas and liquids sales	**177,569**	99,373
Net income (loss) and comprehensive income (loss)	**19,496**	(425)
per basic share [2]	**0.10**	0.00
Basic weighted average shares (000)	**190,829**	188,113
Cash provided by operating activities	**109,157**	51,566
Cash provided by (used in) financing activities	**(50,769)**	(7,548)
Cash used in investing activities	**(76,983)**	(15,069)
Other Financial Highlights		
Adjusted funds flow [1]	**108,878**	53,978
per boe [1]	**22.85**	12.04
per basic share [1][2]	**0.57**	0.29
Net capital expenditures [1]	**86,014**	37,185
Free cash flow [1]	**22,864**	16,793
Working capital (surplus) deficit [1]	**19,115**	(27,516)
Bank indebtedness	**117,558**	240,428
Net debt [1]	**136,673**	212,912
Operating Highlights		
Production		
Crude oil (bbls/d)	**997**	1,395
Condensate (bbls/d)	**1,057**	721
NGLs (bbls/d)	**2,854**	2,493
Total liquids production (bbls/d)	**4,908**	4,609
Natural gas (Mcf/d)	**288,226**	271,262
Total production (boe/d)	**52,946**	49,819
Average realized prices (including realized derivatives)		
Natural gas ($/Mcf)	**5.04**	3.07
Liquids ($/bbl)	**82.48**	48.11
Operating Netback ($/boe)		
Natural gas and liquids sales [1]	**37.26**	22.16
Realized losses on derivatives [1]	**(2.19)**	(0.87)
Processing and other income [1]	**0.30**	-
Net sales of purchased natural gas [1]	**0.01**	-
Royalty expense [1]	**(3.42)**	(1.13)
Operating expense [1]	**(2.79)**	(2.45)
Transportation expense [1]	**(4.36)**	(3.57)
Operating netback [1]	**24.81**	14.14

(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.

MESSAGE TO SHAREHOLDERS

Advantage Announces First Quarter 2022 Financial and Operating Results

Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to report its first quarter 2022 results including record production, record adjusted funds flow[(a)] and continued financial and operational discipline. Profitability increased rapidly as commodity prices increased during the quarter and debt fell significantly below our $200 million target. As a result, Advantage has initiated a return-of-capital strategy whereby all free cash flow (in excess of capital spending and acquisitions) will be allocated to share buybacks, subject to market conditions and regulations.

Financial Highlights

- Record cash provided by operating activities of $109.2 million
- Record adjusted funds flow ("AFF")[(a)] of $108.9 million or $0.57/share
- Free cash flow ("FCF")[(a)] of $22.9 million (21% of AFF)
- Cash used in investing activities was $77.0 million
- Net capital expenditures[(a)] were $86.0 million
- Net income of $19.5 million or $0.10/share
- Tax pools of $1.4 billion are expected to provide near-term cash tax deferrals
- Operating expenses remained low at $2.79/boe including a major plant turnaround at Glacier
- Bank indebtedness decreased $49.8 million to $117.6 million
- Net debt[(a)] decreased to $136.7 million with net debt to AFF[(a)] ratio at 0.5x

Operational Highlights and Update

- Record quarterly production of 52,946 boe/d (288.2 MMcf/d natural gas, 4,908 bbls/d liquids), a 10% increase compared to fourth quarter 2021
- Record quarterly liquids production of 4,908 bbls/d (997 bbls/d oil, 1,057 bbls/d condensate, and 2,854 bbls/d NGLs)
- Glacier Gas Plant raw gas throughput exceeded 375 MMcf/d for sustained periods during the quarter
- Executed a major plant turnaround at the Glacier Gas Plant in co-ordination with construction of the Entropy Modular Carbon Capture and Storage project
- Completed six wells at Wembley with encouraging early flow-back results
- Completed the construction of a trunk-line from Advantage's Wembley oil battery to the Keyera Pipestone Processing Facility adding 30 MMcf/d firm capacity for the asset
- Completed construction of a new 25 MMcf/d compressor station at Progress, increasing transportation capacity for the area and capturing 10 MMcf/d of contracted third-party volumes

(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" in the Consolidated Management's Discussion & Analysis 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.

Marketing Update

Advantage increased its hedging position to approximately 44% of its forecast natural gas production for summer 2022 at an average of US$4.23/MMbtu and 34% for winter 2022/23 at an average of US$4.98/MMbtu.

In the first quarter of 2022, Advantage secured an additional 47.4 MMcf/d of firm transportation capacity to Empress, AB on the NGTL system for a 4-year term commencing April 2022.

Looking Forward

In order to maximize shareholder returns, Advantage's priority is growing adjusted funds flow per share[(a)]. To optimize growth of adjusted funds flow[(a)], Advantage will continue to grow organically at approximately 10% per year, though growth may increase modestly should market conditions continue to be supportive. To supplement organic funds flow growth, Advantage will continue to evaluate synergistic acquisitions based on funds flow accretion, using available cash and debt.

Advantage's bank debt fell below our current debt target of approximately $200 million during the fourth quarter of 2021 and continued to drop faster than anticipated. As a result of the current surge in profitability, Advantage anticipates that 2022 adjusted funds flow[(a)] will substantially exceed capital and acquisition spending. Free cash flow (net of capital and acquisitions) will be allocated to our share buyback program, with 4.1 million common shares already purchased since inception on April 13, 2022.

The capital program for the second half of 2022 will focus on oil-weighted growth which delivers outsized adjusted funds flow[(a)] growth per unit of production growth. While total production for 2022 is expected to grow by approximately 10%, relative adjusted funds flow[(a)] would be expected to grow by over 25% assuming consistent commodity prices. We are on-track to generate free cash flow[(a)] of over $140 million in the first half of 2022.

With recent cost inflation that is being experienced by the industry, Advantage's 2022 capital program is migrating towards the top of our guidance range at approximately $200 million. Given the increased commodity price environment and accelerated royalty payouts, 2022 royalty rates are expected to increase to between 12% and 17%. Having secured additional Empress transportation assets, 2022 transportation expenses are expected to increase to between $4.85/boe and $5.15/boe. Production is expected to average between 52,000 and 55,000 boe/d in 2022 (see News Release dated December 6, 2021).

With modern, low emissions-intensity assets, imminent start-up of Entropy Inc's first carbon capture and storage project at Glacier, and a plan to achieve net zero emissions by 2025, the Corporation is proud to deliver clean, reliable, sustainable energy, while contributing to a reduction in global emissions by displacing high-carbon fuels.

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months ended March 31, 2022 and 2021

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of April 28, 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 ended March 31, 2022 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three months ended March 31, 2022 and the audited consolidated financial statements for the year ended December 31, 2021 (together, the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

This MD&A contains 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.

Financial Highlights	**Three months ended March 31**	
($000, except as otherwise indicated)	**2022**	**2021**
Financial Statement Highlights		
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Working capital (surplus) deficit [(1)]	**19,115**	(27,516)
Bank indebtedness	**117,558**	240,428
Net debt [(1)]	**136,673**	212,912

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(2) Based on basic weighted average shares outstanding.

Operating Highlights

	Three months ended March 31	
	2022	**2021**
Operating		
Production		
Crude oil (bbls/d)	**997**	1,395
Condensate (bbls/d)	**1,057**	721
NGLs (bbls/d)	**2,854**	2,493
Total liquids production (bbls/d)	**4,908**	4,609
Natural gas (Mcf/d)	**288,226**	271,262
Total production (boe/d)	**52,946**	49,819
Average realized prices (including realized derivatives)		
Natural gas ($/Mcf)	**5.04**	3.07
Liquids ($/bbl)	**82.48**	48.11
Operating Netback ($/boe)		
Natural gas and liquids sales	**37.26**	22.16
Realized losses on derivatives	**(2.19)**	(0.87)
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Net sales of purchased natural gas	**0.01**	-
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Transportation expense	**(4.36)**	(3.57)
Operating netback [1]	**24.81**	14.14

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Corporate Update

Normal Course Issuer Bid

On April 7, 2022, the Toronto Stock Exchange (the "TSX") approved the Corporation commencing a normal course issuer bid (the "NCIB"). Pursuant to the NCIB, Advantage will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 18,704,019 common shares of the Corporation. The NCIB commenced on April 13, 2022 and will terminate on April 12, 2023 or such earlier time as the NCIB is completed or terminated at the option of Advantage.

Purchases pursuant to the NCIB will be made on the open market through the facilities of the TSX or alternative trading systems. The price that Advantage will pay for any common shares under the NCIB will be the prevailing market price on the TSX at the time of such purchase. Common shares acquired under the NCIB will be cancelled.

Cormark Securities Inc. ("Cormark") has agreed to act on the Corporation's behalf to make purchases of common shares pursuant to the NCIB. Further, the Corporation has entered into an automatic share purchase plan with Cormark in order to facilitate repurchases of its common shares under the NCIB at times when the Corporation would ordinarily not be permitted to purchase its securities due to self-imposed blackout periods. Outside of these blackout periods, common shares may be purchased under the NCIB in accordance with management's discretion.

Shareholders may obtain a copy of the notice filed with the TSX for the NCIB, without charge, by contacting Advantage.

Entropy Investment Agreement

On March 25, 2022, Entropy Inc. ("Entropy"), a subsidiary of Advantage, entered into a strategic $300 million investment agreement (the "Agreement") with Brookfield Renewable. Under the terms of the Agreement, Brookfield Renewable has provided a capital commitment of $300 million, and Entropy will issue a hybrid security in the form of an unsecured debenture to fund carbon capture and storage ("CCS") projects that reach final investment decision as certain predetermined return thresholds are met. The flexible investment structure provides both Advantage and Brookfield Renewable with liquidity options as the business develops including the ability for Brookfield Renewable to convert its investment into common shares at any time. Advantage retains the ability to initiate an initial public offering of Entropy or to distribute Entropy common shares to Advantage shareholders, similarly, resulting in a conversion of Brookfield's investment into common shares.

On April 5, 2022, in connection with the Agreement, Entropy received an initial $25 million and issued an unsecured debenture to Brookfield Renewable.

Corporate Update (continued)

2022 Guidance Update

The Corporation has revised our royalty rate and transportation expense guidance to reflect the current commodity price environment, along with reflecting additional Empress and NGTL transportation capacity. Additionally, with ongoing cost inflation that is being experienced by the industry, Advantage's 2022 capital program is migrating towards the top of our guidance at approximately $200 million. Revised 2022 guidance is as follows:

Forward Looking Information[(1)]	2022 Original Guidance[(3)]	2022 Revised Guidance
Cash Used in Investing Activities [(2)] ($ millions)	170 to 200	170 to 200
Average Production (boe/d)	52,000 to 55,000	52,000 to 55,000
Liquids Production (bbls/d)	5,400 to 5,800	5,400 to 5,800
Royalty Rate (%)	7 to 9	12 to 17
Operating Expense ($/boe)	2.45	2.45
Transportation Expense ($/boe)	4.35	4.85 to 5.15
G&A/Finance Expense ($/boe)	1.55	1.55

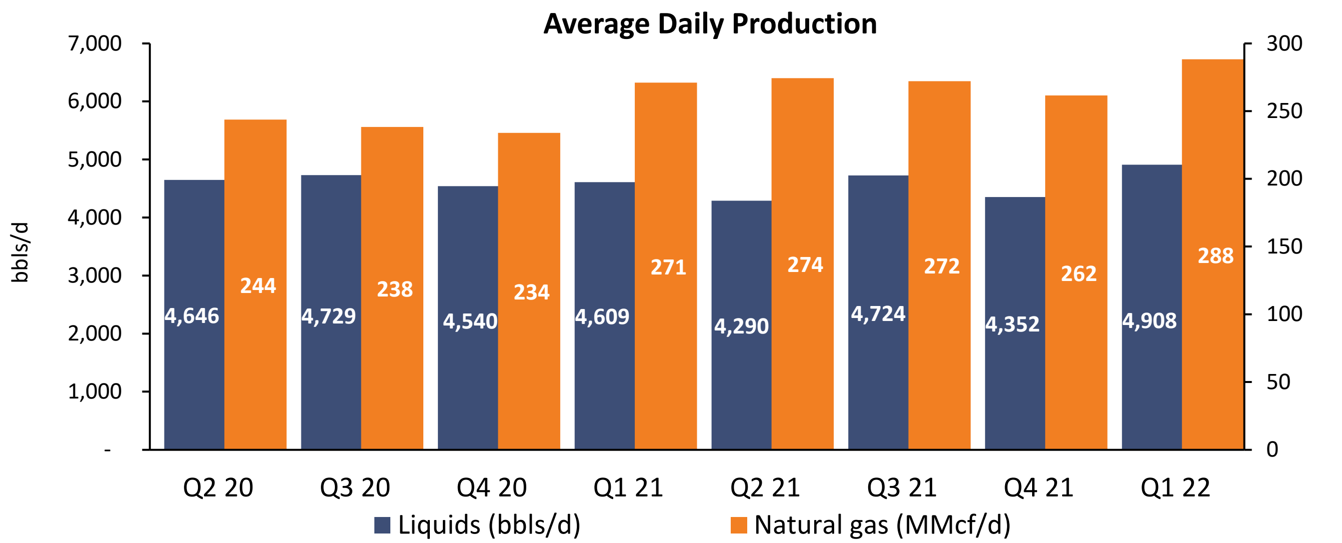
(1) Forward-looking statements and information representing Management estimates. Please see "Forward-Looking Information and Other Advisories".

(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.

(3) See News Release dated December 6, 2021 for initial forward looking information.

Production

Average Daily Production	Three months ended March 31 2022	2021	% Change
Crude oil (bbls/d)	997	1,395	(29)
Condensate (bbls/d)	1,057	721	47
NGLs (bbls/d)	2,854	2,493	14
Total liquids production (bbls/d)	**4,908**	**4,609**	**6**
Natural gas (Mcf/d)	288,226	271,262	6
Total production (boe/d)	**52,946**	**49,819**	**6**
Liquids (% of total production)	9	9	
Natural gas (% of total production)	91	91	



For the three months ended March 31, 2022, Advantage recorded total production averaging 52,946 boe/d, increasing 6% compared to the same period of the prior year.

Natural gas production for the three months ended March 31, 2022, averaged 288 MMcf/d, an increase of 6% compared to the same period of the prior year. Advantage's natural gas production increased as a result of 9 gross (8.4 net) natural gas wells brought onstream in the fourth quarter of 2021, and 5 gross (3.0 net) natural gas wells brought onstream at Glacier in the first quarter of 2022. The Corporation achieved a 10% increase in natural gas production when compared to the fourth quarter of 2021, while experiencing 6 days of planned downtime at the Glacier Gas Plant to perform a turnaround for preventative maintenance, and to construct and install the Glacier Phase 1 CCS project.

Liquids production for the three months ended March 31, 2022, averaged 4,908 bbls/d, an increase of 6% compared to the same period of the prior year. Liquids production increased due to associated liquids from higher natural gas production, accompanied with 3 gross (3.0 net) oil wells that were brought onstream at Wembley near the end of the first quarter.

Commodity Prices and Marketing

Average Realized Prices[2]	Three months ended March 31 2022	2021	% Change
Natural gas			
Excluding derivatives ($/Mcf)	5.40	3.17	70
Including derivatives ($/Mcf)	5.04	3.07	64
Liquids			
Crude oil ($/bbl)	112.62	63.72	77
Condensate ($/bbl)	114.02	69.76	63
NGLs ($/bbl)	64.58	42.53	52
Total liquids excluding derivatives ($/bbl)	84.98	53.20	60
Total liquids including derivatives ($/bbl)	82.48	48.11	71
Average Benchmark Prices			
Natural gas [1]			
AECO daily ($/Mcf)	4.74	3.12	52
AECO monthly ($/Mcf)	4.61	2.93	57
Empress daily ($/Mcf)	4.94	3.19	55
Henry Hub ($US/MMbtu)	4.23	3.38	25
Emerson 2 daily ($US/MMbtu)	4.30	2.91	48
Dawn daily ($US/MMbtu)	4.42	2.93	51
Chicago Citygate ($US/MMbtu)	4.42	2.62	69
Ventura ($US/MMbtu)	4.47	2.66	68
Liquids			
WTI ($US/bbl)	94.38	57.80	63
MSW Edmonton ($/bbl)	115.71	67.59	71
Average Exchange rate ($US/$CDN)	0.7897	0.7884	-

(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 ended March 31, 2022, was $84.98/bbl, an increase of 60% compared to the same period of the prior year. Realized crude oil, condensate and NGL prices excluding derivatives all increased significantly for the three months ended March 31, 2022, due to significantly improved WTI prices, with continued global economic recovery from the COVID-19 pandemic demand reduction combined with the ongoing Ukrainian-Russia war. 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 ended March 31, 2022, was $5.40/Mcf, a 70% increase compared to the same period of the prior year. This increase was attributed to higher natural gas benchmark prices in all markets where Advantage physically delivers natural gas and has market diversification exposure, increased value on heat content and market optimization. North American natural gas benchmark prices have increased due to recovering industrial demand and increased liquefied natural gas ("LNG") exports. Advantage has realized natural gas prices higher than AECO as we currently 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. In the first quarter of 2022, Advantage secured an additional 47.4 MMcf/d of firm transportation capacity to Empress, AB on the NGTL system for a 4-year term commencing April 2022.

The following table outlines the Corporation's 2022 forward-looking natural gas market exposure, and three months ended March 31, 2022 actual natural gas market exposure, excluding hedging.

	Three months ended March 31, 2022		Forward-looking 2022[(2)]	
Sales Markets	**Production (MMcf/d)[(1)]**	**Percentage of Natural Gas Production (%)**	**Effective production (MMcf/d)[(1)]**	**Percentage of Natural Gas Production (%)**
AECO	153.4	53	97.1	34
Empress	25.3	9	78.6	27
Emerson	-	-	4.5	2
Dawn	79.5	28	75.1	26
Chicago	15.0	5	17.1	6
Ventura	15.0	5	15.0	5
Total	**288.2**	**100**	**287.4[(3)]**	**100**

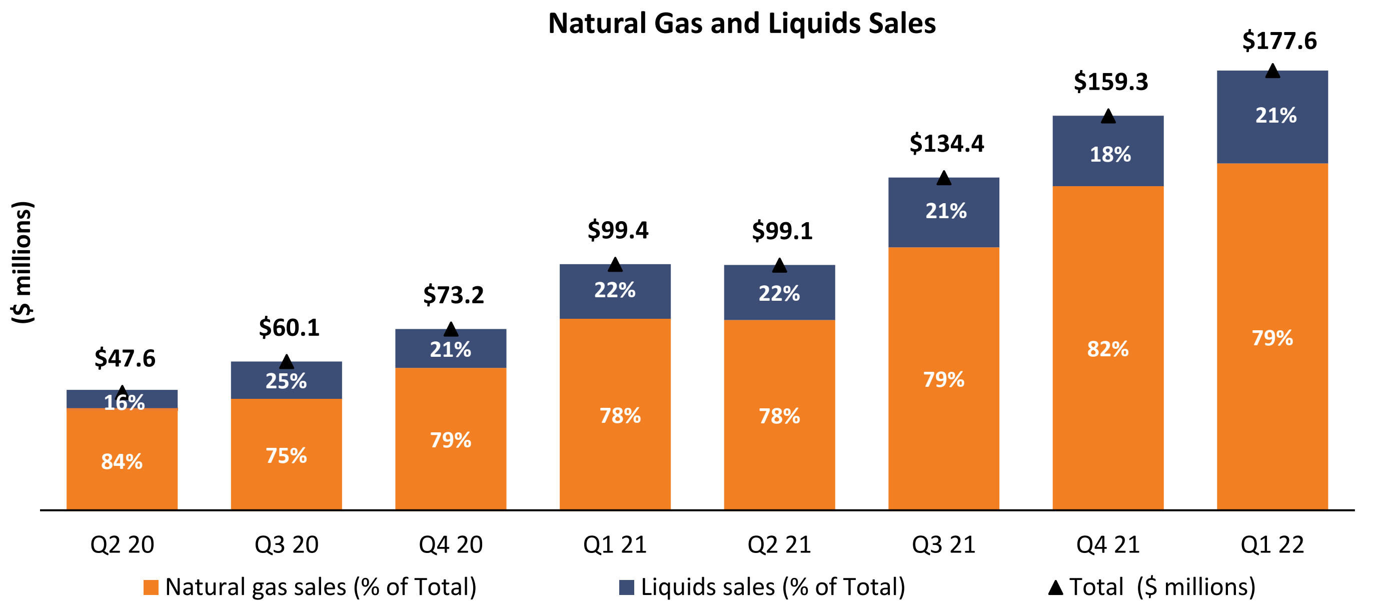
(1) All volumes contracted converted to Mcf on the basis of 1 Mcf = 1.055056 GJ and 1 Mcf = 1 MMbtu.

(2) Natural gas market exposure based on contracts in-place at March 31, 2022.

(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 March 31 2022	2021	% Change
Crude oil	10,105	8,000	26
Condensate	10,847	4,527	140
NGLs	16,587	9,542	74
Liquids	**37,539**	**22,069**	**70**
Natural gas	140,030	77,304	81
Natural gas and liquids sales	**177,569**	**99,373**	**79**
per boe	37.26	22.16	68



Natural gas and liquids sales for the three months ended March 31, 2022, increased by $78.2 million or 79% compared to the same corresponding period of 2021.

For the three months ended March 31, 2022, natural gas sales increased by $62.7 million or 81%, compared to the corresponding period in 2021, due to a 70% increase in realized natural gas prices (see "Commodity Prices and Marketing"), accompanied with a 6% increase in natural gas production volumes (see "Production"). First quarter liquids sales increased by $15.5 million, or 70%, due to a 60% increase in realized liquids prices (see "Commodity Prices and Marketing"), accompanied with a 6% increase 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 and foreign exchange derivative contracts. Advantage's Credit Facilities (as defined herein) allow us to enter fixed price derivative contracts on up to 75% of total estimated production over the first three years and up to 50% over the fourth and fifth years. In addition, the Credit Facilities allow us to enter basis swap arrangements to any natural gas price point in North America for up to 100,000 mmbtu/d with a maximum term of seven years. Basis swap arrangements are excluded from hedged production limits.

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 ended March 31, 2022, and 2021 are as follows:

	Three months ended March 31	
	2022	**2021**
Realized gains (losses) on derivatives		
Natural gas	(9,349)	(2,464)
Crude oil	(1,105)	(2,112)
Foreign exchange	115	839
Interest rate	(104)	(164)
Total	**(10,443)**	**(3,901)**
Unrealized gains (losses) on derivatives		
Natural gas	(69,266)	(8,373)
Crude oil	(1,216)	(4,117)
Natural gas embedded derivative	18,121	(14,054)
Foreign exchange	1,252	111
Interest rate	136	155
Total	**(50,973)**	**(26,278)**
Gains (losses) on derivatives		
Natural gas	(78,615)	(10,837)
Crude oil	(2,321)	(6,229)
Natural gas embedded derivative	18,121	(14,054)
Foreign exchange	1,367	950
Interest rate	32	(9)
Total	**(61,416)**	**(30,179)**

Financial Risk Management (continued)

Natural gas

For the three months ended March 31, 2022, Advantage realized losses on natural gas derivatives of $9.3 million due to the settlement of contracts with average derivative contract prices that were below average market prices.

For the three months ended March 31, 2022, Advantage recognized an unrealized loss on natural gas derivatives of $69.3 million resulting from changes in the fair value of the Corporation's outstanding natural gas derivative contracts. For the three months ended March 31, 2022, the change in the fair value of our outstanding natural gas derivative contracts was significantly impacted by the increased liability valuation of our natural gas derivative contracts due to strengthening Henry Hub prices.

Crude oil

For the three months ended March 31, 2022, Advantage realized losses on crude oil derivatives of $1.1 million due to the settlement of contracts with average derivative contract prices that were below average market prices.

For the three months ended March 31, 2022, Advantage recognized an unrealized loss on crude oil derivatives of $1.2 million resulting from changes in the fair value of the Corporation's outstanding crude oil derivative contracts. For the three months ended March 31, 2022, the change in the fair value of our outstanding crude oil derivative contracts was impacted by the increased liability valuation of our crude oil derivative contracts due to strengthening WTI prices.

Natural gas embedded derivative

During 2020, 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, scheduled to commence in 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM power prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US $2.50/MMbtu. The Corporation will have unrealized gains (losses) on the embedded derivative based on movements in the forward curve for PJM power prices. The Corporation will not have realized gains (losses) on the embedded derivative until the Corporation begins delivering natural gas in 2023. For the three months ended March 31, 2022, the Corporation's embedded derivative resulted in an unrealized gain on the natural gas embedded derivative of $18.1 million as a result of strengthening PJM power prices.

Foreign exchange

For the three months ended March 31, 2022, Advantage realized a gain on foreign exchange derivatives of $0.1 million while recognizing an unrealized gain of $1.3 million. The $1.3 million unrealized gain is a result of the value of the Canadian dollar being lower than the Corporation's average hedged foreign exchange rate position at March 31, 2022.

Interest rate

For the three months ended March 31, 2022, Advantage realized losses on interest rate derivatives of $0.1 million. The Corporation's interest rate derivate contracts concluded on March 31, 2022.

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 April 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 March 31, 2022 and April 28, 2022, the Corporation had the following commodity and foreign exchange derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - Henry Hub NYMEX			
Fixed price swap	April 2022 to October 2022	130,000 Mcf/d	US $4.23/Mcf
Fixed price swap	November 2022 to March 2023	95,000 Mcf/d	US $4.75/Mcf
Fixed price swap	April 2023 to October 2023	25,000 Mcf/d	US $3.35/Mcf
Fixed price swap	November 2022 to March 2023	10,000 Mcf/d	US $7.09/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
Fixed price swap	July 2022 to December 2022	250 bbls/d	US $96.50/bbl
Collar	April 2022 to December 2022	250 bbls/d	US $80.00/bbl - US $115.00/bbl
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] Contract entered into subsequent to March 31, 2022.

Processing and other income

($000, except as otherwise indicated)	Three months ended March 31 2022	2021	% Change
Processing and other income	1,438	-	nm
per boe	0.30	-	nm

Advantage earns processing income from new contracts entered in 2022 whereby the Corporation charges third-parties to utilize excess capacity at the Corporation's Glacier Gas Plant and Progress battery. For the three months ended March 31, 2022, the Corporation generated $1.4 million in processing and other income.

Net sales of purchased natural gas

($000, except as otherwise indicated)	Three months ended March 31 2022	2021	% Change
Sales of purchased natural gas	4,826	-	nm
Natural gas purchases	(4,756)	-	nm
Net sales of purchased natural gas	**70**	**-**	**nm**
per boe	0.01	-	nm

During the three months ended March 31, 2022, the Corporation purchased natural gas volumes to satisfy physical sales commitments during planned downtime at the Glacier Gas Plant. During the three months ended March 31, 2022, Advantage realized $4.8 million of revenue from the sale of purchased natural gas while the natural gas volumes were purchased for a total of $4.8 million.

Royalty Expense

	Three months ended March 31 2022	2021	% Change
Royalty expense ($000)	16,297	5,087	220
per boe	3.42	1.13	203
Royalty rate (%)[1]	9.2	5.1	4.1

[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 ended March 31, 2022, increased by $11.2 million or 220%. The increase in royalty expense was due to higher natural gas and liquids prices. Royalties paid on new wells drilled in Alberta are typically low until the initial capital investment is recovered at which time the royalty rate will increase based on magnitude of production and commodity price. With the much high commodity price environment, Advantage's new wells quickly payout the initial capital invested at a rapid pace thereby resulting in a higher royalty rate than historically experienced.

Given the high commodity price environment, the Corporation has increased its 2022 royalty rate guidance range to 12% to 17%, up from 7% to 9%.

Operating Expense

	Three months ended March 31		%
	2022	2021	Change
Operating expense ($000)	13,293	10,985	21
per boe	2.79	2.45	14

Operating expense for the three months ended March 31, 2022, increased by $2.3 million, an increase of 21%. The higher operating expense was due to the 6% increase in total production and additional maintenance costs incurred in the first quarter of 2022 from the planned turnaround downtime at the Glacier Gas Plant. Operating expense per boe increased by 14% due to higher liquids production from our Wembley area.

Transportation Expense

	Three months ended March 31		%
	2022	2021	Change
Natural gas ($000)	19,122	15,031	27
Liquids ($000)	1,631	969	68
Total transportation expense ($000)	**20,753**	**16,000**	**30**
per boe	4.36	3.57	22

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 ended March 31, 2022, increased by $4.7 million, an increase of 30%. The increase in transportation expense is a result of increased NGTL tolls, higher associated fuel costs due to the increase in AECO, and increased liquids transportation.

The Corporation has increased 2022 transportation guidance to a range of $4.85/boe to $5.15/boe, from approximately $4.35/boe, to reflect additional Empress and NGTL transportation capacity, accompanied with higher fuel costs.

Operating Netback

	Three months ended March 31			
	2022		2021	
	$000	per boe	$000	per boe
Natural gas and liquids sales	177,569	37.26	99,373	22.16
Realized losses on derivatives	(10,443)	(2.19)	(3,901)	(0.87)
Processing and other income	1,438	0.30	-	-
Net sales of purchased natural gas	70	0.01	-	-
Royalty expense	(16,297)	(3.42)	(5,087)	(1.13)
Operating expense	(13,293)	(2.79)	(10,985)	(2.45)
Transportation expense	(20,753)	(4.36)	(16,000)	(3.57)
Operating netback (1)	**118,291**	**24.81**	**63,400**	**14.14**

(1) 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 ended March 31, 2022, Advantage's operating netback increased by 75% or $10.67/boe. The increase in operating netback per boe was primarily due to the increase in natural gas and liquids sales as a result of significantly higher natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This increase was partially offset by realized losses on derivatives and higher royalty expense due to significantly increased natural gas and crude oil benchmark prices (see "Financial Risk Management").

General and Administrative Expense

	Three months ended March 31		%
	2022	2021	Change
General and administrative expense ($000)	5,254	3,779	39
per boe	1.10	0.84	31
Employees at March 31	42	39	8

General and administrative ("G&A") expense for the three months ended March 31, 2022, increased by $1.5 million, an increase of 39%. For the three months ended March 31, 2022, the Corporation's G&A increased partially due to the higher valuation of the Deferred Share Units liability which is revalued each reporting period and accounted for $0.5 million of the G&A increase as a result of the significant increase in share price. Additionally, Advantage had an increase of $0.4 million in G&A expense incurred under the cash-based performance award incentive plan (see "Share-based Compensation"), and $0.3 million of incremental G&A expense incurred by the Corporation's subsidiary, Entropy.

Share-based Compensation

	Three months ended March 31		%
	2022	2021	Change
Share-based compensation ($000)	1,983	1,610	23
Capitalized ($000)	(577)	(578)	-
Share-based compensation expense ($000)	**1,406**	**1,032**	**36**
per boe	0.30	0.23	30

Advantage's long-term compensation plan for 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 Advantage'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. Advantage share-based compensation was comparable to the same period in 2021, with the increase due to share-based compensation for Entropy.

Entropy implemented a long-term share-based compensation plan for service providers of Entropy in 2021, consisting of a stock option plan whereby an initial grant of stock options occurred in June 2021.

Finance Expense

	Three months ended March 31		%
	2022	2021	Change
Cash finance expense ($000)	4,159	5,643	(26)
per boe	0.87	1.26	(31)
Accretion expense ($000)	376	300	25
Total finance expense ($000)	**4,535**	**5,943**	**(24)**
per boe	0.95	1.33	(29)

Advantage realized lower cash finance expense during the three months ended March 31, 2022, as a result of decreased average outstanding bank indebtedness when compared to the same period in 2021. Advantage's bank indebtedness interest rates are primarily based on short-term bankers' acceptance rates plus a stamping fee and determined by net debt to the trailing four quarters Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio as calculated pursuant to our Credit Facilities.

Depreciation

	Three months ended March 31 2022	2021	% Change
Depreciation expense ($000)	30,396	26,687	14
per boe	6.38	5.95	7

The increase in depreciation expense during the three months ended March 31, 2022, was attributable to an increased net book value associated with the Corporation's natural gas and liquids properties subsequent to booking an impairment reversal of $340.7 million in the fourth quarter of 2021, accompanied with increased production in 2022 (see "Production").

Taxes

	Three months ended March 31 2022	2021	% Change
Income tax expense ($000)	6,231	106	nm
Effective tax rate (%)	24.2	nm	nm

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three months ended March 31, 2022, the Corporation recognized a deferred income tax expense of $6.2 million. The expense for the three months ended March 31, 2022, is a result of generating income before taxes and non-controlling interest of $25.7 million. As at March 31, 2022, the Corporation had a deferred income tax liability of $102.5 million.

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

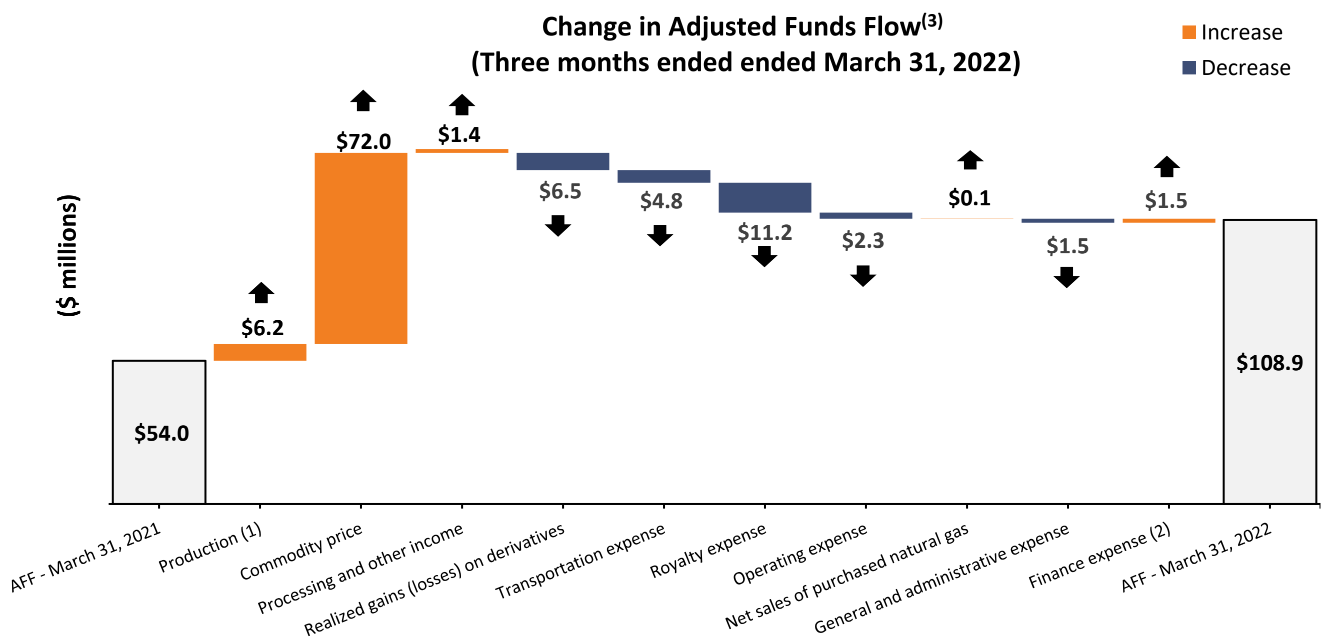
	Three months ended March 31 2022	2021	% Change
Net income (loss) and comprehensive income (loss) attributable to Advantage shareholders ($000)	19,579	(425)	nm
per share - basic	0.10	0.00	nm
per share - diluted	0.10	0.00	nm

Advantage recognized net income attributable to Advantage shareholders of $19.6 million for the three months ended March 31, 2022. Net income and comprehensive income attributable to Advantage shareholders was higher when compared to the same period in 2021 largely due to increased natural gas and liquids sales attributable to higher commodity prices and production (see "Natural gas and liquids sales"), offset by increased losses on derivatives (see "Financial Risk Management").

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

($000, except as otherwise indicated)	Three months ended March 31 2022	2021
Cash provided by operating activities	**109,157**	**51,566**
Expenditures on decommissioning liability	451	14
Changes in non-cash working capital	(730)	2,398
Adjusted funds flow [(1)]	**108,878**	**53,978**
Adjusted funds flow per boe [(1)]	22.85	12.04
Adjusted funds flow per share [(1)]	0.57	0.29

(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.

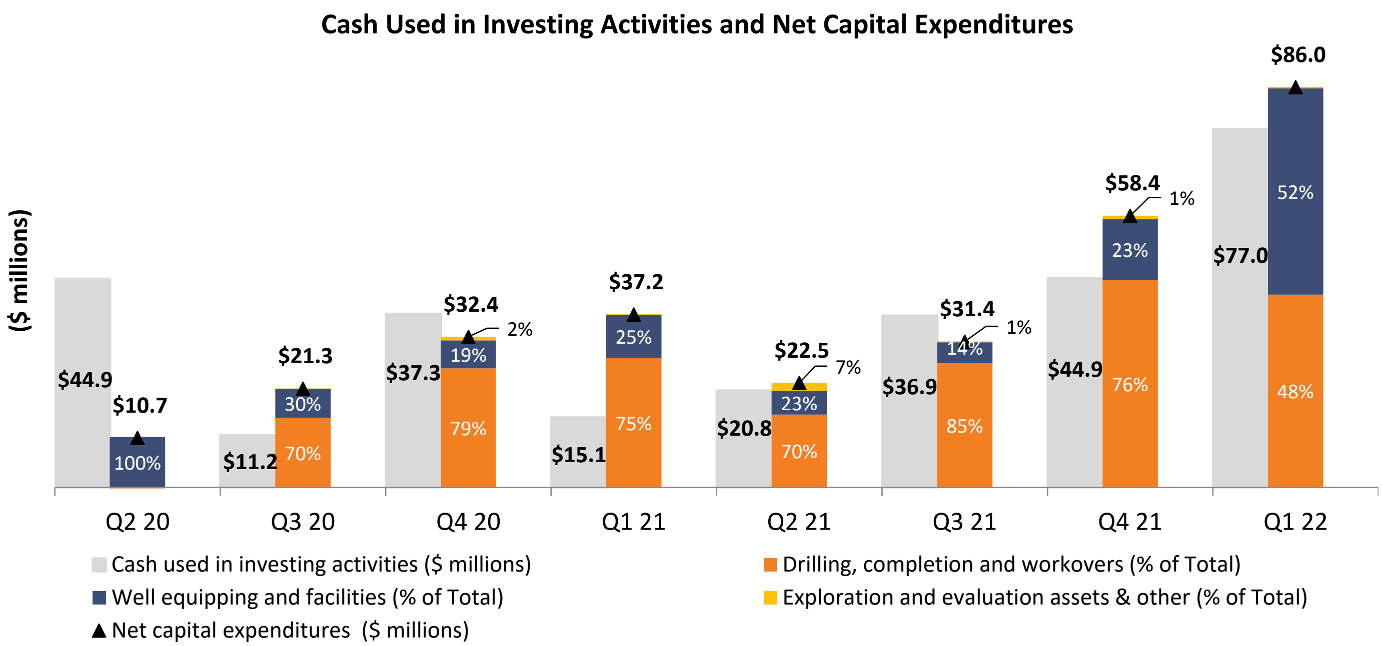
(3) Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

For the three months ended March 31, 2022, Advantage realized cash provided by operating activities of $109.2 million, an increase of $57.6 million when compared to the same period of 2021. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of $108.9 million, an increase of $54.9 million when compared to the same period of 2021. The increases in cash provided by operating activities and adjusted funds flow were largely due to the increase in natural gas and liquids sales as a result of improved commodity prices and higher total production (see "Commodity Prices and Marketing" and "Production"). These increases were partially offset by higher realized losses on derivatives (see "Financial Risk Management"), and higher royalty expense associated with the stronger commodity prices (see "Royalty Expense").

Cash Used in Investing Activities and Net Capital Expenditures

($000)	Three months ended March 31 2022	2021
Drilling, completion and workovers	41,416	27,809
Well equipping and facilities	44,262	9,212
Other	136	5
Expenditures on property, plant and equipment	85,814	37,026
Expenditures on exploration and evaluation assets	-	159
Expenditures on intangible assets	200	-
Net capital expenditures [(1)]	**86,014**	**37,185**
Changes in non-cash working capital	(9,026)	(2,116)
Project funding received	(5)	(20,000)
Cash used in investing activities	**76,983**	**15,069**

(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 $86.0 million on property, plant, and equipment, exploration and evaluation assets and intangible assets during the three months ended March 31, 2022. Spending was distributed across all properties but was particularly focused on Wembley, in preparation of bringing 6 gross (6.0 net) new wells on production and connecting our owned infrastructure to the Keyera Pipestone plant, construction of Phase 1 of our CCS and waste heat recovery project at the Glacier Gas Plant, and construction of the initial phase of our Progress compressor and liquids hub.

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

Glacier

Production at Advantage's Glacier gas property continued to grow, surpassing a peak production level of 50,000 boe/d during the first quarter after being the focus of our 2021 capital program. However, drilling and completion activity was limited with 5 gross (3.0 net) wells brought on production during the quarter. Well performance of these wells has been exceptional averaging a peak IP30 rate of 1,850 boe/d (consisting of 10.2 MMcf/d natural gas and 156 bbls/d condensate), despite being choked back to minimize erosional risks and impacts on existing nearby wells.

Construction of the Phase 1 CCS and waste heat recovery project at the Glacier Gas Plant continued with final mechanical and electrical tie-ins occurring during a planned turnaround in late March. Construction will continue through the second quarter with commissioning occurring late June and early July. In 2021, Advantage received $20 million of funding related to the construction of the Phase 1 CCS project from the Government of Alberta's *Industrial Energy Efficiency and Carbon Capture Utilization and Storage Program*.

Valhalla

Advantage drilled 2 gross (2.0 net) wells at Valhalla during the quarter which are scheduled to be completed and placed on production later in the second quarter. The wells are follow-up locations to the successful 2021 wells that had IP30 average production rates of 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 and 426 bbls/d condensate), at 29% and 21% liquids, respectively (raw volumes measured at wellsite separator). All Valhalla production flows through Advantage infrastructure to our Glacier Gas Plant. Strong well results support Management's view that our Valhalla asset will play a pivotal role in the Corporation's liquids-rich gas development plan.

Wembley

At Wembley, development of this oil-weighted property continued in the first quarter of 2022 with an active program consisting of 3 gross (3.0 net) drills, 6 gross (6.0 net) completions and 3 gross (3.0 net) wells placed on production. Construction of a pipeline corridor connecting our 100% owned compressor site and 5,000 bbl/d liquids handling hub to the Keyera Pipestone plant was completed. The Wembley asset is now connected to two major processing facilities providing sufficient gas processing capacity for future growth. During April, the remaining 3 gross (3.0 net) wells that were completed in the first quarter were placed on production resulting in record total production from the Wembley area.

Progress

Construction of the first phase (inlet separation and compression) of our 100% owned Progress compressor site and liquids handling hub began in the quarter. Construction will be completed early in the second quarter providing additional gas and liquids handling at Progress, generating processing income from a 5-year commitment by a third-party that will utilize excess capacity at the facility and the Glacier Gas plant, and freeing up capacity at Valhalla.

Entropy Inc.

During the three months ended March 31, 2022, Entropy incurred $0.2 million in net capital expenditures related to the Corporation's technology development program at the University of Regina's Clean Energy Technologies Research Institute for the development and testing of Entropy's proprietary carbon capture solvents.

Commitments and Contractual Obligations

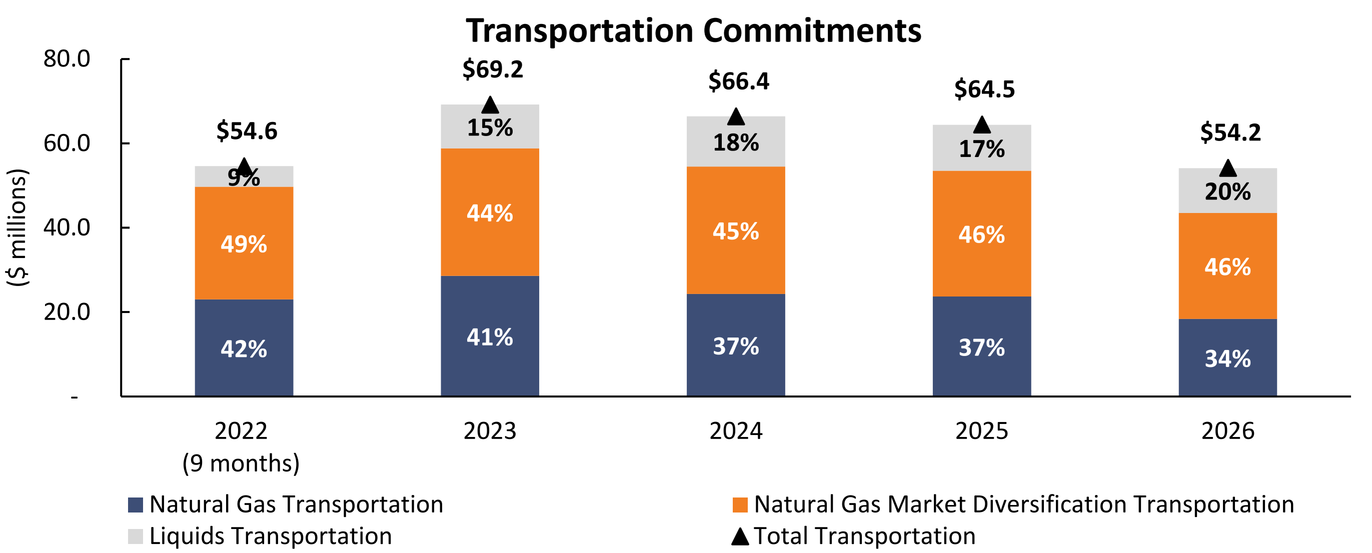
The Corporation has commitments and contractual obligations in the normal course of operations. Such commitments include operating costs for our head office lease, natural gas processing costs associated with third-party facilities, and transportation costs for delivery of our natural gas and liquids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

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

	Payments due by period						
($ millions)	**Total**	**2022 (9 months)**	**2023**	**2024**	**2025**	**2026**	**Beyond**
Building operating cost [1]	2.2	0.3	0.4	0.4	0.4	0.4	0.3
Processing	58.8	5.1	7.9	10.0	9.5	7.0	19.3
Transportation	468.7	54.6	69.2	66.4	64.5	54.2	159.8
Total commitments	**529.7**	**60.0**	**77.5**	**76.8**	**74.4**	**61.6**	**179.4**
Performance Awards	17.3	5.6	6.0	5.7	-	-	-
Lease liability	2.3	0.3	0.4	0.4	0.4	0.4	0.4
Financing liability	159.6	9.1	12.0	12.1	12.0	12.0	102.4
Bank indebtedness [2]							
- principal	118.0	-	118.0	-	-	-	-
- interest	4.1	3.2	0.9	-	-	-	-
Total contractual obligations	**301.3**	**18.2**	**137.3**	**18.2**	**12.4**	**12.4**	**102.8**
Total future payments	**831.0**	**78.2**	**214.8**	**95.0**	**86.8**	**74.0**	**282.2**

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

(2) As at March 31, 2022 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.



Liquidity and Capital Resources

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

($000, except as otherwise indicated)	Three months ended March 31, 2022	Year ended December 31, 2021
Bank indebtedness (non-current)	117,558	167,345
Working capital (surplus) deficit (1)	19,115	(6,865)
Net debt (1)	**136,673**	160,480
Shares outstanding	190,828,976	190,828,976
Shares closing market price ($/share)	8.71	7.41
Market capitalization	**1,662,120**	1,414,043
Total capitalization	**1,798,793**	**1,574,523**
Net debt to adjusted funds flow ratio (1)	**0.5**	**0.7**

(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 March 31, 2022, Advantage had a $350 million Credit Facility of which $220.8 million or 63% 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 $86.0 million and reduce bank indebtedness by $49.8 million with a net debt to adjusted funds flow ratio of 0.5 times. Advantage continues to be focused on strengthening the balance sheet, maintaining a disciplined commodity risk management program, and increasing available liquidity such that it is well positioned to continue successfully executing its multi-year development plan.

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

Bank Indebtedness, Credit Facilities and Other Liabilities

As at March 31, 2022, Advantage had bank indebtedness outstanding of $117.6 million, a decrease of $49.8 million since December 31, 2021. 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 deficit of $19.1 million as at March 31, 2022, an increase in the deficit of $26.0 million compared to December 31, 2021 largely due to the timing of net 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 sold a 12.5% interest in the Corporation's 400 MMcf/d Glacier Gas Plant 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 sale and volume commitment agreement is treated as a financing transaction with an effective interest rate of 9.1%. For the three months ended March 31, 2022, the Corporation made cash payments of $2.9 million (March 31, 2021 - $2.9 million) under the take-or-pay volume commitment agreement.

As at March 31, 2022, Advantage had a decommissioning liability of $49.8 million (December 31, 2022 – $62.5 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 $59.3 million (December 31, 2021 – $57.6 million), with 56% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the three months ended March 31, 2022, was $0.5 million (year ended December 31, 2021 – $1.0 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")

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 initial recognition of an intangible asset of $2.5 million.

For the three months ended March 31, 2022, the net loss and comprehensive loss attributed to non-controlling interest was $0.1 million (March 31, 2021 - nil).

Shareholders' Equity

On April 7, 2022, the TSX approved the Corporation commencing a normal course issuer bid. Pursuant to the NCIB, Advantage will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 18,704,019 common shares of the Corporation. The NCIB commenced on April 13, 2022, and will terminate on April 12, 2023 or such earlier time as the NCIB is completed or terminated at the option of Advantage. Purchases pursuant to the NCIB will be made on the open market through the facilities of the TSX or alternative trading systems. The price that Advantage will pay for any common shares under the NCIB will be the prevailing market price on the TSX at the time of such purchase. Common shares acquired under the NCIB will be cancelled. From April 13, 2022 to April 28, 2022, Advantage has repurchased 4.1 million common shares.

As at March 31, 2022, 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. Subsequent to March 31, 2022, 1.6 million Performance Share Units matured and were settled with the issuance of 3.1 million common shares.

As at April 28, 2022, Advantage had 189.8 million common shares outstanding.

Quarterly Performance

($000, except as otherwise indicated)	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2
Financial Statement Highlights								
Natural gas and liquids sales	177,569	159,255	134,354	99,053	99,373	73,203	60,063	47,634
Net income (loss) and comprehensive income (loss)	19,496	359,956	43,098	8,725	(425)	24,168	(21,606)	(20,088)
per basic share [2]	0.10	1.90	0.23	0.04	0.00	0.13	(0.11)	(0.11)
Basic weighted average shares (000)	190,829	190,829	190,829	190,501	188,113	188,113	188,113	187,901
Cash provided by operating activities	109,157	67,464	46,988	57,134	51,566	30,260	25,271	24,357
Cash provided by (used in) financing activities	(50,769)	(27,423)	(26,960)	(21,480)	(7,548)	5,071	(15,436)	23,492
Cash used in investing activities	(76,983)	(44,939)	(36,940)	(20,834)	(15,069)	(37,325)	(11,220)	(44,855)
Other Financial Highlights								
Adjusted funds flow [1]	108,878	71,227	63,353	46,266	53,978	31,738	23,571	17,259
per boe [1]	22.85	16.15	13.77	10.17	12.04	7.92	5.76	4.19
per basic share [1][2]	0.57	0.37	0.33	0.24	0.29	0.17	0.13	0.09
Net capital expenditures [1]	86,014	58,384	31,352	22,482	37,185	32,390	21,252	10,663
Free cash flow [1]	22,864	12,843	32,001	23,784	16,793	(652)	2,319	6,596
Working capital (surplus) deficit [1]	19,115	(6,865)	(29,914)	(27,595)	(27,516)	3,216	8,077	2,419
Bank indebtedness	117,558	167,345	193,828	219,856	240,428	247,105	241,161	354,199
Net debt [1]	136,673	160,480	163,914	192,261	212,912	250,321	249,238	356,618
Operating Highlights								
Production								
Crude oil (bbls/d)	997	816	1,038	1,163	1,395	1,653	1,812	2,018
Condensate (bbls/d)	1,057	1,012	1,002	637	721	653	605	627
NGLs (bbls/d)	2,854	2,524	2,684	2,490	2,493	2,234	2,312	2,001
Total liquids production (bbls/d)	4,908	4,352	4,724	4,290	4,609	4,540	4,729	4,646
Natural gas (mcf/d)	288,226	261,530	271,804	274,328	271,262	233,949	238,315	243,749
Total production (boe/d)	52,946	47,940	50,025	50,011	49,819	43,532	44,448	45,271
Average prices (including realized derivatives)								
Natural gas ($/mcf)	5.04	4.17	3.48	2.81	3.07	2.45	1.81	1.72
Liquids ($/bbl)	82.48	50.92	49.68	47.21	48.11	37.62	34.59	17.56
Operating Netback ($/boe)								
Natural gas and liquids sales	37.26	36.11	29.19	21.76	22.16	18.28	14.69	11.56
Realized gains (losses) on derivatives	(2.19)	(8.41)	(5.21)	(2.12)	(0.87)	(0.74)	(1.03)	0.23
Processing and other income	0.30	-	-	-	-	-	-	-
Net sales of purchased natural gas	0.01	-	-	-	-	-	-	-
Royalty expense	(3.42)	(2.02)	(1.75)	(1.20)	(1.13)	(0.77)	(0.63)	(0.26)
Operating expense	(2.79)	(2.92)	(2.38)	(2.21)	(2.45)	(2.68)	(2.35)	(2.43)
Transportation expense	(4.36)	(4.48)	(3.86)	(3.72)	(3.57)	(3.62)	(3.12)	(3.34)
Operating netback [1]	24.81	18.28	15.99	12.51	14.14	10.47	7.56	5.76

(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 first quarter of 2022 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; however, new natural gas production came onstream late in 2020 due to minor equipment delays 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 but then subsequently increased in the first quarter of 2022 with a return to normal production levels and bringing onstream newly drilled wells.

Quarterly Performance (continued)

Natural gas and liquids sales and adjusted funds flow were impacted in 2020 by the decrease in commodity prices due to the COVID-19 pandemic which escalated at the end of the first quarter and continued through the year. Natural gas and liquids sales and adjusted funds flow increased significantly in the first quarter of 2021 through the first quarter of 2022 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.

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 three months ended March 31, 2022.

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 three months ended March 31, 2022.

Evaluation of Disclosure Controls and Procedures

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

Evaluation of Internal Controls over Financial Reporting

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

Advantage's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during our most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the interim period ended March 31, 2022, 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:

	Three months ended March 31	
($000)	**2022**	**2021**
Cash provided by operating activities	109,157	51,566
Expenditures on decommissioning liability	451	14
Changes in non-cash working capital	(730)	2,398
Adjusted funds flow	**108,878**	**53,978**

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:

	Three months ended March 31	
($000)	**2022**	**2021**
Cash used in investing activities	76,983	15,069
Changes in non-cash working capital	9,026	2,116
Project funding received	5	20,000
Net capital expenditures	**86,014**	**37,185**

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:

	Three months ended March 31	
($000)	**2022**	**2021**
Cash provided by operating activities	109,157	51,566
Cash used in investing activities	(76,983)	(15,069)
Changes in non-cash working capital	(9,756)	282
Expenditures on decommissioning liability	451	14
Project funding received	(5)	(20,000)
Free cash flow	**22,864**	**16,793**

Operating Netback

Operating netback is comprised of sales revenue and realized gains (losses) on derivatives, processing and other income, net sales of purchased natural gas, 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:

	Three months ended March 31	
($000)	**2022**	**2021**
Natural gas and liquids sales	177,569	99,373
Realized losses on derivatives	(10,443)	(3,901)
Processing and other income	1,438	-
Net sales of purchased natural gas	70	-
Royalty expense	(16,297)	(5,087)
Operating expense	(13,293)	(10,985)
Transportation expense	(20,753)	(16,000)
Operating netback	**118,291**	**63,400**

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.

	Three months ended March 31	
($000, except as otherwise indicated)	**2022**	**2021**
Adjusted funds flow	108,878	53,978
Weighted average shares outstanding (000)	190,829	188,113
Adjusted funds flow per share ($/share)	0.57	0.29

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.

	Three months ended March 31	
($000, except as otherwise indicated)	**2022**	**2021**
Adjusted funds flow	108,878	53,978
Total production (boe/d)	52,946	49,819
Days in period	90	90
Total production (000 boe)	4,765	4,484
Adjusted funds flow per BOE ($/boe)	22.85	12.04

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.

	Three months ended March 31	
($000, except as otherwise indicated)	**2022**	**2021**
Operating netback	118,291	63,400
Total production (boe/d)	52,946	49,819
Days in period	90	90
Total production (000 boe)	4,765	4,484
Operating netback per BOE ($/boe)	24.81	14.14

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 March 31 2022	2021
Net capital expenditures	86,014	37,185
Adjusted funds flow	108,878	53,978
Payout ratio	**0.8**	**0.7**

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)	March 31 2022	March 31 2021
Net Debt	136,673	212,912
Adjusted funds flow (prior four quarters)	289,724	126,546
Net debt to adjusted funds flow ratio	**0.5**	**1.7**

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. Effective March 31, 2022, the Corporation reclassified deferred share units which were previously included in trade and other accrued liabilities, to provisions and other liabilities. Management determined that by reclassifying the deferred share units to provisions and other liabilities, users can better assess the Corporation's short-term operating requirements. Comparative figures have been restated to reflect the reclassification.

A summary of working capital as at March 31, 2022 and December 31, 2021 is as follows:

	March 31 2022	December 31 2021
Cash and cash equivalents	6,643	25,238
Trade and other receivables	58,297	54,769
Prepaid expenses and deposits	4,143	3,483
Trade and other accrued liabilities	(88,198)	(76,625)
Working capital surplus (deficit)	**(19,115)**	**6,865**

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. Comparative figures have been restated to reflect the reclassification of deferred share units in trade and other accrued liabilities which affects net debt.

A summary of the reconciliation of net debt as at March 31, 2022 and December 31, 2021 is as follows:

	March 31 2022	December 31 2021
Bank indebtedness (non-current) (note 12)	117,558	167,345
Working capital (surplus) deficit	19,115	(6,865)
Net debt	**136,673**	**160,480**

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

Abbreviations

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

bbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 Mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
GJ	- gigajoules
Mcf	- thousand cubic feet
Mcf/d	- thousand cubic feet per day
Mcfe	- thousand cubic feet equivalent (1 bbl = 6 Mcf)
Mcfe/d	- thousand cubic feet equivalent per day
MMbtu	- million British thermal units
MMbtu/d	- million British thermal units per day
MMcf	- million cubic feet
MMcf/d	- million cubic feet per day
Crude oil	- Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
“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
IP30	- average initial production rate over 30 consecutive days
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 anticipated number of common shares that Advantage will purchase for cancellation pursuant to its NCIB; the Corporation's forecasted 2022 natural gas market exposure including the anticipated effective production rate; 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 2022 transportation guidance; the number of wells that the Corporation anticipates will be brought on to production; the construction and commissioning of the Phase 1 CCS and waste heat recovery project at the Glacier Gas Plant and the anticipated timing thereof; the anticipated timing of when the Corporation's two wells at Valhalla will be completed and placed on production; Management's expectations that the Corporation's Valhalla asset will play a pivotal role in the Corporation's liquids-rich gas development plan; the Corporation's expectations that the two major processing facilities connected to its Wembley asset will provide sufficient gas processing capacity for future growth; the anticipated completion date of the construction of the Corporation's Progress compressor site and liquids handling hub and the anticipated 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 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; the Corporation's expectations that it is well positioned to continue successfully executing its multi-year development plan; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; the statements under "critical accounting estimates" in this MD&A; and other matters.

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

Forward-Looking Information and Other Advisories (continued)

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; the number of common shares that Advantage will purchase for cancellation pursuant to its NCIB will be less than anticipated; the risk of delays in the construction and commissioning of the Phase 1 CCS and waste heat recovery project at the Glacier Gas Plant; the Corporation's two wells at Valhalla will be not be completed and placed on production when anticipated; the Corporation's Valhalla asset will not play a pivotal role in the Corporation's liquids-rich gas development plan; that the two major processing facilities connected to the Corporation's Wembley asset will not provide sufficient gas processing capacity for future growth; the construction of the Corporation's Progress compressor site and liquids handling hub will not be completed when anticipated; the risk that the Corporation is not properly diversified to multiple markets; the Corporation will be unable to satisfy all liabilities and commitments and meet future obligations as they become due; the risk that the undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability will be greater than expected; 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.

The future acquisition by the Corporation of the Corporation's common shares pursuant to its NCIB, if any, and the level thereof is uncertain. Any decision to acquire common shares of the Corporation pursuant to the NCIB 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 and satisfaction of the solvency tests imposed on the Corporation under applicable corporate law. There can be no assurance of the number of common shares of the Corporation that the Corporation will acquire pursuant to its NCIB, if any, in the future.

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 produce, transport and/or sell its crude oil, NGLs and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; the impact of increasing competition; the price of crude oil and natural gas; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's crude oil and natural gas properties in the manner currently contemplated; availability of pipeline capacity; that current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the two major processing facilities connected to its Wembley asset will provide sufficient gas processing capacity for future growth; that the Corporation's cash provided by

Forward-Looking Information and Other Advisories (continued)

operating activities and available Credit Facilities will be able to satisfy all of the Corporation's liabilities, commitments and future obligations as they become due; and that the estimates of the Corporation’s production, reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

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

This MD&A contains 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 2022 royalty rate guidance and 2022 transportation guidance, 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, such as IP30, 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.

April 28, 2022

ADVANTAGE
ENERGY LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

Advantage Energy Ltd.
Consolidated Statements of Financial Position

(unaudited, expressed in thousands of Canadian dollars)	Notes	March 31 2022	December 31 2021
ASSETS			
Current assets			
Cash and cash equivalents	3	6,643	25,238
Trade and other receivables		58,297	54,769
Prepaid expenses and deposits		4,143	3,483
Derivative asset	8	-	282
Total current assets		**69,083**	**83,772**
Non-current assets			
Derivative asset	8	75,821	57,699
Exploration and evaluation assets	4	20,713	20,713
Right-of-use assets	5	1,795	1,879
Intangible assets	6	3,191	2,991
Property, plant and equipment	7	1,871,418	1,827,936
Total non-current assets		**1,972,938**	**1,911,218**
Total assets		**2,042,021**	**1,994,990**
LIABILITIES			
Current liabilities			
Trade and other accrued liabilities		88,198	76,625
Derivative liability	8	69,493	2,765
Current portion of provisions and other liabilities	10	13,526	11,224
Total current liabilities		**171,217**	**90,614**
Non-current liabilities			
Derivative liability	8	14,400	12,315
Bank indebtedness	9	117,558	167,345
Provisions and other liabilities	10	154,734	168,314
Deferred income tax liability	11	102,515	96,284
Total non-current liabilities		**389,207**	**444,258**
Total liabilities		**560,424**	**534,872**
SHAREHOLDERS' EQUITY			
Share capital	12	2,370,716	2,370,716
Contributed surplus		112,298	110,315
Deficit		(1,003,665)	(1,023,244)
Total shareholders' equity attributable to Advantage shareholders		**1,479,349**	**1,457,787**
Non-controlling interest	13	2,248	2,331
Total shareholders' equity		**1,481,597**	**1,460,118**
Total liabilities and shareholders' equity		**2,042,021**	**1,994,990**

Commitments (note 18)
Subsequent Events (note 19)
See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.
Consolidated Statements of Comprehensive Income (Loss)

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

	Notes	Three months ended March 31 2022	Three months ended March 31 2021
Revenues			
Natural gas and liquids sales	16(a)	177,569	99,373
Sales of purchased natural gas	16(b)	4,826	-
Processing and other income		1,438	-
Royalty expense		(16,297)	(5,087)
Natural gas and liquids revenue		167,536	94,286
Losses on derivatives	8	(61,416)	(30,179)
Total revenues		**106,120**	**64,107**
Expenses			
Operating expense		13,293	10,985
Transportation expense		20,753	16,000
Natural gas purchases	16(b)	4,756	-
General and administrative expense		5,254	3,779
Share-based compensation expense	14	1,406	1,032
Depreciation expense	5,7	30,396	26,687
Finance expense		4,535	5,943
Total expenses		**80,393**	**64,426**
Income (loss) before taxes and non-controlling interest		**25,727**	**(319)**
Income tax expense	11	(6,231)	(106)
Net income (loss) and comprehensive income (loss) before non-controlling interest		**19,496**	**(425)**
Net income (loss) and comprehensive income (loss) attributable to:			
Advantage shareholders		19,579	(425)
Non-controlling interest	13	(83)	-
		19,496	**(425)**
Net income (loss) per share attributable to Advantage shareholders			
Basic	15	$ 0.10	$ 0.00
Diluted	15	$ 0.10	$ 0.00

See accompanying Notes to the Condensed Consolidated Financial Statements

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

	Share capital	Contributed surplus	Deficit	Non-controlling interest	Total shareholders' equity
Balance, December 31, 2021	2,370,716	110,315	(1,023,244)	2,331	**1,460,118**
Net income and comprehensive income	-	-	19,579	(83)	**19,496**
Share-based compensation (note 14(b))	-	1,983	-	-	**1,983**
Balance, March 31, 2022	**2,370,716**	**112,298**	**(1,003,665)**	**2,248**	**1,481,597**

	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 loss and comprehensive loss	-	-	(425)	-	**(425)**
Share-based compensation (note 14(b))	-	1,610	-	-	**1,610**
Balance, March 31, 2021	**2,360,647**	**115,890**	**(1,435,192)**	**-**	**1,041,345**

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.
Consolidated Statements of Cash Flows

(unaudited, expressed in thousands of Canadian dollars)

	Notes	Three months ended March 31 2022	2021
Operating Activities			
Income (loss) before taxes and non-controlling interest		25,727	(319)
Add items not requiring cash:			
Unrealized losses on derivatives	8	50,973	26,278
Share-based compensation expense	14(b)	1,406	1,032
Depreciation expense	5,7	30,396	26,687
Accretion of decommissioning liability	10	376	300
Expenditures on decommissioning liability	10	(451)	(14)
Changes in non-cash working capital	17	730	(2,398)
Cash provided by operating activities		**109,157**	**51,566**
Financing Activities			
Decrease in bank indebtedness	9,17	(49,787)	(6,677)
Principal repayment of lease liability	10,17	(101)	(67)
Principal repayment of financing liability	10,17	(881)	(804)
Cash used in financing activities		**(50,769)**	**(7,548)**
Investing Activities			
Payments on property, plant and equipment	7,17	(76,788)	(34,910)
Payments on exploration and evaluation assets	4	-	(159)
Payments on intangible assets	6	(200)	-
Project funding received	10	5	20,000
Cash used in investing activities		**(76,983)**	**(15,069)**
Increase (decrease) in cash and cash equivalents		(18,595)	28,949
Cash and cash equivalents, beginning of year		25,238	3,279
Cash and cash equivalents, end of period		**6,643**	**32,228**

See accompanying Notes to the Condensed Consolidated Financial Statements

1. Business and structure of Advantage Energy Ltd.

Advantage Energy Ltd. and its subsidiaries (together "Advantage" or the “Corporation”) is a low-carbon energy producer with a significant position in the Montney resource play located in Western Canada. Advantage is domiciled and incorporated in Canada under the Business Corporations Act (Alberta). Advantage’s head office address is 2200, 440 – 2nd Avenue SW, Calgary, Alberta, Canada. The Corporation’s common shares are listed on the Toronto Stock Exchange under the symbol "AAV".

2. Basis of preparation

(a) Statement of compliance

The Corporation prepares its condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as defined in the Chartered Professional Accountants Canada Handbook (the "CPA Canada Handbook"). The CPA Canada Handbook incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including IAS 34, Interim Financial Reporting. The Corporation has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended December 31, 2021, except as noted below. Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB. Certain information provided for the prior period has been reclassified to conform to the presentation adopted for the period ended March 31, 2022.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of April 28, 2022, the date the Board of Directors approved the statements.

(b) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation’s accounting policies in the audited consolidated financial statements for the year ended December 31, 2021.

The methods used to measure fair values of derivative instruments are discussed in note 8. The methods used to measure the fair value of the Corporation’s natural gas and liquids properties are discussed in note 8.

(c) Functional and presentation currency

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

(d) Basis of consolidation

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

3. Cash and cash equivalents

	March 31 2022	December 31 2021
Cash at financial institutions	6,643	25,238

Cash at financial institutions earn interest at floating rates based on daily deposit rates. As at March 31, 2022, cash at financial institutions included US$4.1 million (December 31, 2021 - US$6.3 million). The Corporation only deposits cash with major financial institutions of high-quality credit ratings.

4. Exploration and evaluation assets

Balance at December 31, 2020	**20,580**
Additions	677
Lease expiries	(84)
Transferred to property, plant and equipment (note 7)	(460)
Balance at December 31, 2021 and March 31, 2022	**20,713**

5. Right-of-use assets

Cost	**Buildings**	**Other**	**Total**
Balance at December 31, 2020	2,318	186	2,504
Additions	-	169	169
Expired leases	-	(35)	(35)
Balance at December 31, 2021 and March 31, 2022	**2,318**	**320**	**2,638**
Accumulated depreciation			
Balance at December 31, 2020	396	72	468
Depreciation	285	41	326
Expired leases	-	(35)	(35)
Balance at December 31, 2021	**681**	**78**	**759**
Depreciation	71	13	84
Balance at March 31, 2022	**752**	**91**	**843**
Net book value			
At December 31, 2021	1,637	242	1,879
At March 31, 2022	**1,566**	**229**	**1,795**

6. Intangible assets

Cost	
Balance at December 31, 2020	-
Intellectual property acquisition	2,500
Research and development additions	491
Balance at December 31, 2021	**2,991**
Research and development additions	200
Balance at March 31, 2022	**3,191**
Accumulated amortization	
Balance at December 31, 2021 and March 31, 2022	-
Net book value	
At December 31, 2021	2,991
At March 31, 2022	**3,191**

The Corporation has not incurred amortization on its intangible assets as the assets are not available for use. Amortization will commence upon the Phase 1 Glacier CCS project being placed in-service.

7. Property, plant and equipment

Cost	Natural Gas and Liquids Properties	Furniture & Equipment	Total
Balance at December 31, 2020	**2,811,316**	**6,692**	**2,818,008**
Additions	148,154	81	148,235
Capitalized share-based compensation (note 14(b))	2,051	-	2,051
Changes in decommissioning liability (note 10(e))	1,505	-	1,505
Transferred from exploration and evaluation assets (note 4)	460	-	460
Balance at December 31, 2021	**2,963,486**	**6,773**	**2,970,259**
Additions	85,678	136	85,814
Capitalized share-based compensation (note 14(b))	577	-	577
Changes in decommissioning liability (note 10(e))	(12,597)	-	(12,597)
Balance at March 31, 2022	**3,037,144**	**6,909**	**3,044,053**
Accumulated depreciation			
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**
Depreciation	30,252	60	30,312
Balance at March 31, 2022	**1,167,064**	**5,571**	**1,172,635**
Net book value			
At December 31, 2021	1,826,674	1,262	1,827,936
At March 31, 2022	**1,870,080**	**1,338**	**1,871,418**

During the three months ended March 31, 2022, Advantage capitalized general and administrative expenditures directly related to development activities of $1.6 million, included in additions (year ended December 31, 2021 - $7.8 million).

Advantage included future development costs of $2.0 billion (December 31, 2021 - $2.0 billion) in property, plant and equipment costs subject to depreciation.

8. Financial risk management

As at March 31, 2022, there were no significant differences between the carrying amounts reported on the consolidated statement of financial position and the estimated fair values of the Corporation's financial instruments due to the short terms to maturity and the floating interest rate on the Corporation's bank indebtedness.

Fair value is determined following a three-level hierarchy:

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

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

Level 3: Fair value is determined using inputs that are not observable. The Corporation's natural gas embedded derivative is categorized as level 3 in the fair value hierarchy as the long-term portion of the PJM forward price is an unobservable input. Fair value less costs of disposition used to determine the recoverable amounts of Advantage's Greater Glacier CGU at December 31, 2021 was 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.

8. Financial risk management (continued)

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

	Three months ended March 31	
	2022	**2021**
Realized gains (losses) on derivatives		
Natural gas	(9,349)	(2,464)
Crude oil	(1,105)	(2,112)
Foreign exchange	115	839
Interest rate	(104)	(164)
Total	**(10,443)**	**(3,901)**
Unrealized gains (losses) on derivatives		
Natural gas	(69,266)	(8,373)
Crude oil	(1,216)	(4,117)
Natural gas embedded derivative	18,121	(14,054)
Foreign exchange	1,252	111
Interest rate	136	155
Total	**(50,973)**	**(26,278)**
Gains (losses) on derivatives		
Natural gas	(78,615)	(10,837)
Crude oil	(2,321)	(6,229)
Natural gas embedded derivative	18,121	(14,054)
Foreign exchange	1,367	950
Interest rate	32	(9)
Total	**(61,416)**	**(30,179)**

8. Financial risk management (continued)

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

	March 31 2022	December 31 2021
Derivative type		
Natural gas derivative liability	(82,438)	(13,172)
Crude oil derivative asset (liability)	(1,196)	20
Natural gas embedded derivative asset	75,820	57,699
Foreign exchange derivative liability	(258)	(1,510)
Interest rate derivative liability	-	(136)
Net derivative asset (liability)	**(8,072)**	**42,901**
Consolidated statement of financial position classification		
Current derivative asset	-	282
Non-current derivative asset	75,821	57,699
Current derivative liability	(69,493)	(2,765)
Non-current derivative liability	(14,400)	(12,315)
Net derivative asset (liability)	**(8,072)**	**42,901**

8. Financial risk management (continued)

(a) Commodity price risk

The Corporation's commodity derivative contracts are classified as Level 2 within the fair value hierarchy. As at March 31, 2022 (other than as indicated), the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - Henry Hub NYMEX			
Fixed price swap	April 2022 to October 2022	130,000 Mcf/d	US $4.23/Mcf
Fixed price swap	November 2022 to March 2023	95,000 Mcf/d	US $4.75/Mcf
Fixed price swap	April 2023 to October 2023	25,000 Mcf/d	US $3.35/Mcf
Fixed price swap	November 2022 to March 2023	10,000 Mcf/d	US $7.09/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
Fixed price swap	July 2022 to December 2022	250 bbls/d	US $96.50/bbl
Collar	April 2022 to December 2022	250 bbls/d	US $80.00/bbl - US $115.00/bbl

(1) Contract entered into subsequent to March 31, 2022.

8. Financial risk management (continued)

(a) Commodity price risk (continued)

Natural Gas - Embedded Derivative

Advantage has 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 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US $2.50/MMbtu. The Corporation will realize gains or losses when the price received under the contract deviates from US $2.50/MMbtu. As at March 31, 2022, the fair value of the natural gas embedded derivative resulted in an asset of $75.8 million (December 31, 2021 – $57.7 million asset).

The Corporation's natural gas embedded derivative contract is classified as Level 3 within the fair value hierarchy. The Corporation determines the fair value of the embedded derivative contract by utilizing an observable 5-year PJM electricity forecast. The remaining unobservable period beyond 5-years is estimated using the implied inflation rate in the 5-year PJM electricity forecast. At March 31, 2022, 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 $3.3 million. Had the PJM electricity power forecast increased/decreased by 10%, this would have resulted in a $22.2 million increase, or a $12.4 million decrease.

(b) Foreign exchange risk

The Corporation's foreign exchange derivative contracts are classified as Level 2 within the fair value hierarchy. As at March 31, 2022, 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

8. Financial risk management (continued)

(c) Capital management

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 provisions 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.

Effective March 31, 2022, the Corporation reclassified deferred share units which were previously included in trade and other accrued liabilities, to provisions and other liabilities. Management determined that by reclassifying the deferred share units to provisions and other liabilities, users can better assess the Corporation's short-term operating requirements. Comparative figures have been restated to reflect the reclassification.

A summary of working capital as at March 31, 2022 and December 31, 2021 is as follows:

	March 31 2022	December 31 2021
Cash and cash equivalents	6,643	25,238
Trade and other receivables	58,297	54,769
Prepaid expenses and deposits	4,143	3,483
Trade and other accrued liabilities	(88,198)	(76,625)
Working capital surplus (deficit)	**(19,115)**	**6,865**

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 March 31, 2022 and December 31, 2021 is as follows:

	March 31 2022	December 31 2021
Bank indebtedness (non-current) (note 9)	117,558	167,345
Working capital (surplus) deficit	19,115	(6,865)
Net debt	**136,673**	**160,480**

Advantage's capital structure as at March 31, 2022 and December 31, 2021 is as follows:

	March 31 2022	December 31 2021
Net debt	136,673	160,480
Shares outstanding (note 12)	190,828,976	190,828,976
Share closing market price ($/share)	8.71	7.41
Market Capitalization	1,662,120	1,414,043
Total Capitalization	**1,798,793**	**1,574,523**

9. Bank indebtedness

	March 31 2022	December 31 2021
Revolving credit facility	118,000	168,000
Discount on bankers' acceptance and other fees	(442)	(655)
Balance, end of period	**117,558**	**167,345**

The Credit Facilities have a borrowing base of $350 million, comprised of a $30 million extendible revolving operating loan facility from one financial institution and a $320 million extendible revolving loan facility from a syndicate of financial institutions. The revolving period for the Credit Facilities will end in June 2022 unless extended at the option of the syndicate for a further 364-day period. If not extended, the credit facility will be converted at that time into a one-year term facility, with the principal payable at the end of such one-year term. The Corporation had letters of credit of US$9 million outstanding at March 31, 2022 and December 31, 2021. The Corporation did not have any financial covenants at March 31, 2022 and December 31, 2021.

10. Provisions and other liabilities

	Three months ended March 31, 2022	Year ended December 31, 2021
Performance Awards (note 14(c))	11,438	9,970
Deferred Share Units (note 14(d))	5,738	4,773
Deferred revenue (a)	6,603	6,603
Project funding grant (b)	-	57
Lease liability (c)	2,072	2,173
Financing liability (d)	92,607	93,488
Decommissioning liability (e)	49,802	62,474
Balance, end of period	**168,260**	**179,538**
Current provisions and other liabilities	13,526	11,224
Non-current provisions and other liabilities	154,734	168,314

(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 2022.

A reconciliation of the project funding is as follows:

	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of the year	57	-
Project funding received	-	20,000
Interest earned	5	57
Project expenditures incurred	(62)	(20,000)
Balance, end of period	**-**	**57**

10. Provisions and other liabilities (continued)

(c) Lease liability

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

A reconciliation of the lease liability is provided below:

	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of the year	2,173	2,279
Additions	-	169
Interest expense	23	96
Lease payments	(124)	(371)
Balance, end of period	**2,072**	**2,173**
Current lease liability	347	364
Non-current lease liability	1,725	1,809

(d) Financing liability

In 2020, Advantage sold a 12.5% interest in the Corporation's 400 MMcf/d Glacier Gas Plant for $100 million, 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 with an effective interest rate of 9.1%.

A reconciliation of the financing liability is provided below:

	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of the year	93,488	96,864
Interest expense	2,089	8,669
Financing payments	(2,970)	(12,045)
Balance, end of period	**92,607**	**93,488**
Current financing liability	3,779	3,696
Non-current financing liability	88,828	89,792

10. Provisions and other liabilities (continued)

(e) Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids assets including well sites, gathering systems and facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2022 and 2077. A risk-free rate of 2.41% (December 31, 2021 - 1.76%) and an inflation factor of 2.0% (December 31, 2020 – 2.0%) were used to calculate the fair value of the decommissioning liability at March 31, 2022. As at March 31, 2022, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was $59.3 million (December 31, 2021 – $57.6 million).

A reconciliation of the decommissioning liability is provided below:

	Three months ended March 31, 2022	**Year ended December 31, 2021**
Balance, beginning of the year	62,474	60,894
Accretion expense	376	1,108
Liabilities incurred	253	1,737
Change in estimates	(158)	(1,800)
Effect of change in risk-free rate and inflation rate factor	(12,692)	1,568
Liabilities settled	(451)	(1,033)
Balance, end of period	**49,802**	**62,474**
Current decommissioning liability	2,028	2,000
Non-current decommissioning liability	47,774	60,474

(f) Contractual maturities

The following table details the undiscounted cash flows and contractual maturities of the Corporation's Performance Awards, lease liability and financing liability, as at March 31, 2022:

	Payments due by period						
($ millions)	**Total**	**9 months 2022**	**2023**	**2024**	**2025**	**2026**	**Beyond**
Performance Awards	17.3	5.6	6.0	5.7	-	-	-
Lease liability	2.3	0.3	0.4	0.4	0.4	0.4	0.4
Financing liability	159.6	9.1	12.0	12.1	12.0	12.0	102.4
Total fixed payments	**179.2**	**15.0**	**18.4**	**18.2**	**12.4**	**12.4**	**102.8**

11. Income taxes

The provision for income taxes is as follows:

	Three months ended March 31	
	2022	2021
Current income tax expense	-	-
Deferred income tax expense	6,231	106
Income tax expense	**6,231**	**106**

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

12. Share capital

(a) Authorized

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

(b) Issued

	Common Shares (# of shares)	Share capital ($000)
Balance at December 31, 2020	188,112,797	2,360,647
Shares issued on Performance Share Unit settlements (note 14 (a))	2,716,179	-
Contributed surplus transferred on Performance Share Unit settlements	-	10,069
Balance at December 31, 2021 and March 31, 2022	**190,828,976**	**2,370,716**

(c) Normal Course Issuer Bid

On April 7, 2022, the Toronto Stock Exchange (the "TSX") approved the Corporation commencing a normal course issuer bid (the "NCIB"). Pursuant to the NCIB, Advantage will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 18,704,019 common shares of the Corporation. The NCIB commenced on April 13, 2022 and will terminate on April 12, 2023 or such earlier time as the NCIB is completed or terminated at the option of Advantage.

Purchases pursuant to the Bid will be made on the open market through the facilities of the TSX or alternative trading systems. The price that Advantage will pay for any common shares under the NCIB will be the prevailing market price on the TSX at the time of such purchase. Common shares acquired under the NCIB will be cancelled.

13. Non-controlling interest ("NCI")

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:

	Three months ended March 31, 2022	Year ended December 31, 2021
Balance, beginning of the year	2,331	-
Consideration contributed by NCI	-	2,500
Net loss and comprehensive loss attributable to NCI	(83)	(169)
Balance, end of period	**2,248**	**2,331**

14. Long-term compensation plans

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

Under the Restricted and Performance Award Incentive Plan, service providers can be granted two types of equity incentive awards: Restricted Share Units and Performance Share Units. As at March 31, 2022, 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, 2020	**5,243,598**
Granted	1,247,026
Settled	(1,549,658)
Forfeited	(60,282)
Balance at December 31, 2021 and March 31, 2022	**4,880,684**

(b) Share-based compensation expense

Share-based compensation expense after capitalization for the three months ended March 31, 2022, and 2021 are as follows:

	Three months ended March 31	
	2022	**2021**
Total share-based compensation	1,983	1,610
Capitalized	(577)	(578)
Share-based compensation expense	**1,406**	**1,032**

14. Long-term compensation plans (continued)

(c) Performance Award Incentive Plan - Performance Awards

Under the Performance Award Incentive Plan, service providers can be granted cash Performance Awards. Such grants vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. Performance Awards are expensed to general and administrative expense with the recording of a current and non-current liability (note 10) until eventually settled in cash.

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

	Three months ended March 31, 2022	**Year ended December 31, 2021**
Balance, beginning of the year	9,970	4,620
Performance Award expense	1,444	5,284
Interest expense	24	66
Balance, end of period	**11,438**	**9,970**
Current	5,600	5,107
Non-current	5,838	4,863

(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, 2020	629,330
Granted	105,140
Settled	(90,377)
Balance at December 31, 2021	**644,093**
Granted	14,653
Balance at March 31, 2022	**658,746**

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:

	Three months ended March 31, 2022	**Year ended December 31, 2021**
Balance, beginning of the year	4,773	1,076
Granted	111	418
Revaluation of outstanding Deferred Share Units	854	3,599
Settled	-	(320)
Balance, end of period	**5,738**	**4,773**
Current	1,772	-
Non-current	3,966	4,773

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

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

	Three months ended March 31	
	2022	**2021**
Net income (loss) attributable to Advantage shareholders		
Basic and diluted	19,579	(425)
Weighted average shares outstanding		
Basic	190,828,976	188,112,797
Performance Share Units[(1)]	8,526,599	-
Diluted	199,355,575	188,112,797
Net income (loss) per share attributable to Advantage shareholders		
Basic ($/share)	0.10	0.00
Diluted ($/share)	0.10	0.00

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

16. Revenues

(a) Natural gas and liquids sales

Advantage's revenue is comprised of natural gas, crude oil, condensate and NGLs sales to multiple customers. For the three months ended March 31, 2022, and 2021, natural gas and liquids sales was as follows:

	Three months ended March 31	
	2022	**2021**
Crude oil	10,105	8,000
Condensate	10,847	4,527
NGLs	16,587	9,542
Liquids	**37,539**	**22,069**
Natural Gas	140,030	77,304
Natural gas and liquids sales	**177,569**	**99,373**

At March 31, 2022, receivables from contracts with customers, which are included in trade and other receivables, were $56.5 million (December 31, 2021 - $49.5 million).

(b) Sales of purchased natural gas

During the three months ended March 31, 2022, the Corporation purchased natural gas volumes to satisfy physical sales commitments. Purchases and sales of natural gas from third-parties was as follows:

	Three months ended March 31	
	2022	**2021**
Sales of purchased natural gas	4,826	-
Natural gas purchases	(4,756)	-
Net sales of purchased natural gas	**70**	**-**

17. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended March 31	
	2022	2021
Source (use) of cash:		
Trade and other receivables	(3,528)	(7,052)
Prepaid expense and deposits	(660)	207
Trade and other accrued liabilities	11,573	5,062
Performance Awards	1,468	985
Deferred Share Units	965	516
Project funding grant	(62)	-
	9,756	**(282)**
Related to operating activities	730	(2,398)
Related to financing activities	-	-
Related to investing activities	9,026	2,116
	9,756	**(282)**
Cash interest paid	5,485	7,320
Cash income taxes paid	-	-

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

	Three months ended March 31	
	2022	2021
Cash flows		
Draws on credit facility	-	10,000
Repayment of credit facility	(50,000)	(15,000)
Bankers' acceptance and other fees	(1,326)	(4,729)
Lease payments	(124)	(91)
Financing payments	(2,970)	(2,970)
Total cash flows	**(54,420)**	**(12,790)**
Non-cash changes		
Amortization of bankers' acceptance and other fees	1,539	3,052
Lease liability interest expense	23	24
Financing liability interest expense	2,089	2,166
Total non-cash changes	**3,651**	**5,242**
Cash used in financing activities	**(50,769)**	**(7,548)**

18. Commitments

At March 31, 2022, Advantage had commitments relating to building operating cost, processing commitments, and transportation commitments. The estimated remaining payments are as follows:

	Payments due by period						
		2022					
($ millions)	**Total**	**9 months**	**2023**	**2024**	**2025**	**2026**	**Beyond**
Building operating cost [1]	2.2	0.3	0.4	0.4	0.4	0.4	0.3
Processing	58.8	5.1	7.9	10.0	9.5	7.0	19.3
Transportation	468.7	54.6	69.2	66.4	64.5	54.2	159.8
Total commitments	**529.7**	**60.0**	**77.5**	**76.8**	**74.4**	**61.6**	**179.4**

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

19. Subsequent Events

(a) Entropy Investment Agreement

On March 25, 2022, Entropy entered into a strategic $300 million investment agreement (the "Agreement") with Brookfield Renewable. Under the terms of the Agreement, Brookfield Renewable has provided a capital commitment of $300 million, and Entropy will issue a hybrid security in the form of an unsecured debenture to fund carbon capture and storage projects that reach final investment decision as certain predetermined return thresholds are met. The flexible investment structure provides both Advantage and Brookfield Renewable with liquidity options as the business develops including the ability for Brookfield Renewable to convert its investment into common shares at any time. Advantage retains the ability to initiate an initial public offering of Entropy or to distribute Entropy common shares to Advantage shareholders, similarly resulting in a conversion of Brookfield's investment into common shares.

On April 5, 2022, in connection with the Agreement, Entropy received an initial $25 million and issued an unsecured debenture to Brookfield Renewable.

(b) Normal Course Issuer Bid

Pursuant to the NCIB (note 12(c)), from April 13, 2022 to April 28, 2022, Advantage has repurchased 4.1 million common shares for $42.9 million.

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

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

(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

Sproule Associates Limited

Legal Counsel

Burnet, Duckworth and Palmer LLP

Transfer Agent

Computershare Trust Company of Canada

Corporate Office

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

Contact Us

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

Toronto Stock Exchange Trading Symbol

AAV

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

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