CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

(unaudited, expressed in thousands of Canadian dollars)	Notes		June 30, 2018		December 31, 2017
ASSETS					
Current assets					
Cash and cash equivalents	3	$	3,846	$	6,916
Trade and other receivables			17,555		28,678
Prepaid expenses and deposits			3,152		1,602
Derivative asset	6		19,018		33,093
Total current assets			**43,571**		**70,289**
Non-current assets					
Derivative asset	6		10,325		17,777
Exploration and evaluation assets	4		22,680		22,143
Property, plant and equipment	5		1,630,355		1,580,973
Total non-current assets			**1,663,360**		**1,620,893**
Total assets		**$**	**1,706,931**	**$**	**1,691,182**
LIABILITIES					
Current liabilities					
Trade and other accrued liabilities		$	27,759	$	51,004
Derivative liability	6		324		111
Total current liabilities			**28,083**		**51,115**
Non-current liabilities					
Derivative liability	6		1,393		-
Bank indebtedness	7		250,189		208,978
Decommissioning liability	8		46,896		46,913
Deferred income tax liability			71,209		72,500
Total non-current liabilities			**369,687**		**328,391**
Total liabilities			**397,770**		**379,506**
SHAREHOLDERS' EQUITY					
Share capital	10		2,342,689		2,340,801
Contributed surplus			110,865		110,077
Deficit			(1,144,393)		(1,139,202)
Total shareholders' equity			**1,309,161**		**1,311,676**
Total liabilities and shareholders' equity		**$**	**1,706,931**	**$**	**1,691,182**

See accompanying Notes to the Condensed Consolidated Financial Statements

Consolidated Statement of Comprehensive Income (Loss)

(unaudited, expressed in thousands of Canadian dollars, except for per share amounts)	Notes	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Sales of natural gas and liquids from production	13	$ 37,486	$ 66,942	$ 95,542	$ 134,705
Sales of natural gas purchased from third parties	14	5,078	-	5,078	-
Royalty recovery (expense)		1,070	(3,192)	(142)	(5,332)
Natural gas and liquids revenue		43,634	63,750	100,478	129,373
Operating expense		(6,616)	(5,618)	(13,576)	(10,479)
Transportation expense		(12,069)	(7,798)	(24,396)	(15,917)
Natural gas purchased from third parties	14	(3,967)	-	(3,967)	-
General and administrative expense		(2,477)	(2,478)	(4,223)	(4,553)
Share based compensation	12	(1,456)	(966)	(2,200)	(2,368)
Depreciation expense	5	(25,153)	(29,475)	(53,186)	(59,295)
Finance expense		(2,919)	(1,791)	(5,434)	(3,815)
Gains (losses) on derivatives	6	(9,575)	9,738	22	50,811
Other income		-	117	-	117
Income (loss) before taxes		**(20,598)**	**25,479**	**(6,482)**	**83,874**
Income tax recovery (expense)	9	5,304	(7,140)	1,291	(23,286)
Net income (loss) and comprehensive income (loss)		**$ (15,294)**	**$ 18,339**	**$ (5,191)**	**$ 60,588**
Net income (loss) per share	11				
Basic		**$ (0.08)**	**$ 0.10**	**$ (0.03)**	**$ 0.33**
Diluted		**$ (0.08)**	**$ 0.10**	**$ (0.03)**	**$ 0.32**

See accompanying Notes to the Condensed Consolidated Financial Statements

Consolidated Statement of Changes in Shareholders' Equity

(unaudited, expressed in thousands of Canadian dollars)	Notes	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance, December 31, 2017		$ 2,340,801	$ 110,077	$ (1,139,202)	**$ 1,311,676**
Net loss and comprehensive loss		-	-	(5,191)	**(5,191)**
Share based compensation	12(b)	-	3,499	-	**3,499**
Settlement of Performance Awards	12(b)	1,906	(2,711)	-	**(805)**
Share repurchases	10(b)	(18)	-	-	**(18)**
Balance, June 30, 2018		**$ 2,342,689**	**$ 110,865**	**$ (1,144,393)**	**$ 1,309,161**

(unaudited, expressed in thousands of Canadian dollars)	Notes	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance, December 31, 2016		$ 2,334,199	$ 108,315	$ (1,234,241)	**$ 1,208,273**
Net income and comprehensive income		-	-	60,588	**60,588**
Share based compensation	12(b)	-	3,869	-	**3,869**
Settlement of Performance Awards	12(b)	5,374	(5,374)	-	**-**
Exercise of Stock Options	12(a)	1,106	(1,106)	-	**-**
Balance, June 30, 2017		**$ 2,340,679**	**$ 105,704**	**$ (1,173,653)**	**$ 1,272,730**

See accompanying Notes to the Condensed Consolidated Financial Statements

Consolidated Statement of Cash Flows

(unaudited, expressed in thousands of Canadian dollars)	Notes	Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Operating Activities					
Income (loss) before taxes		$ (20,598)	$ 25,479	$ (6,482)	$ 83,874
Add (deduct) items not requiring cash:					
Share based compensation	12	1,456	966	2,200	2,368
Depreciation expense	5	25,153	29,475	53,186	59,295
Unrealized (gains) losses on derivatives	6	17,408	(7,511)	23,133	(43,390)
Finance expense		2,919	1,791	5,434	3,815
Settlement of Performance Awards	12(b)	(506)	-	(506)	-
Expenditures on decommissioning liability	8	(115)	(91)	(236)	(654)
Changes in non-cash working capital	15	(2,036)	(5,727)	7,857	(5,416)
Cash provided by operating activities		**23,681**	**44,382**	**84,586**	**99,892**
Financing Activities					
Increase (decrease) in bank indebtedness		13,000	(13,241)	42,999	(19,072)
Share repurchases		(18)	-	(18)	-
Interest paid		(2,802)	(1,987)	(6,711)	(3,267)
Cash provided by (used in) financing activities		**10,180**	**(15,228)**	**36,270**	**(22,339)**
Investing Activities					
Payments on property, plant and equipment	5, 15	(38,667)	(25,237)	(123,389)	(71,091)
Payments on exploration and evaluation assets	4	(34)	(3,917)	(537)	(6,462)
Cash used in investing activities		**(38,701)**	**(29,154)**	**(123,926)**	**(77,553)**
Net change in cash		(4,840)	-	(3,070)	-
Cash, beginning of period		8,686	-	6,916	-
Cash, end of period		$ 3,846	$ -	$ 3,846	$ -

See accompanying Notes to the Condensed Consolidated Financial Statements

June 30, 2018 (unaudited)

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

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

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

Advantage is domiciled and incorporated in Canada under the Business Corporations Act (Alberta). Advantage's head office address is 300, 440 – 2nd Avenue SW, Calgary, Alberta, Canada. The Corporation's primary listing is on the Toronto Stock Exchange and is also traded on the New York Stock Exchange as a Foreign Private Issuer, under the symbol "AAV".

2. Basis of preparation

(a) Statement of compliance

The Corporation prepares its interim 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, 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, 2017, 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 interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of August 2, 2018, the date the Board of Directors approved the statements.

(b) Basis of measurement

The interim 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, 2017

The methods used to measure fair values of derivative instruments are discussed in note 6.

(c) Functional and presentation currency

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

(d) Changes to significant accounting policies

(i) *IFRS 9, Financial Instruments*

Adoption

The Corporation adopted IFRS 9 effective January 1, 2018. The standard was applied retrospectively. Comparative figures have not been restated, in accordance with transitional provisions. The Corporation's condensed consolidated financial statements were substantially unchanged by the adoption of IFRS 9.

Transition

On January 1, 2018, the Corporation determined the appropriate classification category and measurement for each of its financial assets and financial liabilities under IFRS 9 and compared each to their original classification and measurement under IAS 39. Under IFRS 9, financial instruments are classified as amortized cost, fair value through other comprehensive income or fair value through profit and loss. No adjustments were made to the carrying amounts of financial instruments as a result of the adoption of IFRS 9.

2. Basis of preparation (continued)

Financial Instrument	Measurement Category (IAS 39)	Measurement Category (IFRS 9)
Cash and cash equivalents	Loans and receivables (measured at amortized cost)	Amortized cost
Trade and other receivables	Loans and receivables (measured at amortized cost)	Amortized cost
Prepaid expenses and deposits	Loans and receivables (measured at amortized cost)	Amortized cost
Derivative asset	Fair value through profit and loss	Fair value through profit and loss
Trade and other accrued liabilities	Financial liabilities (measured at amortized cost)	Amortized cost
Derivative liability	Fair value through profit and loss	Fair value through profit and loss
Bank indebtedness	Financial liabilities (measured at amortized cost)	Amortized cost

Derivative assets and liabilities

The Corporation's derivative assets and liabilities are classified as fair value through profit and loss and are recorded on the Consolidated Statement of Financial Position as derivatives assets and liabilities measured at fair value. Gains and losses on these instruments are recorded as gains and losses on derivatives in the Consolidated Statement of Comprehensive Income (Loss) in the period they occur. Gains and losses on derivative instruments are comprised of cash receipts and payments associated with periodic settlement that occurs over the life of the instrument, and non-cash gains and losses associated with changes in the fair values of the instruments, which are remeasured at each reporting date.

Impairment of Financial Assets

IFRS 9 requires the application of an expected credit loss ("ECL") model to financial assets measured at amortized cost, contract assets and debt investments measured at fair value through other comprehensive income. For the Corporation's financial assets measured at amortized cost, loss allowances are determined based on the expected credit loss over the asset's lifetime. ECLs are a probability-weighted estimate of credit losses, considering possible default events over the expected life of a financial asset. ECLs are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive) over the life of the financial asset, discounted at the effective interest rate specific to the financial asset. Substantially all of the Corporation's trade and other receivables are with counterparties with high credit ratings. At June 30, 2018, the average expected credit loss for trade and other receivables was 0.01% and no expected credit loss was recognized.

(ii) *IFRS 15, Revenue from Contracts with Customers*

Adoption

The Corporation adopted IFRS 15 effective January 1, 2018. The standard was adopted using the Modified Retrospective approach. The Corporation elected to apply IFRS 15 retrospectively only to contracts that were not completed as at January 1, 2018 and, for modified contracts, elected to evaluate the original contract together with any contract modifications at the date of initial application. The Corporation's revenue recognition was substantially unchanged by the adoption of IFRS 15 and did not result in an adjustment to the Deficit balance at January 1, 2018.

Revenue recognition

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

2. Basis of preparation (continued)

During periods in which production is restricted, such as plant expansions and turnarounds or third party transportation restrictions, the Corporation may purchase natural gas to satisfy physical sales commitments. Revenue generated from the sale of purchased natural gas is presented as 'sales of natural gas purchased from third parties' on the Corporation's Consolidated Statement of Comprehensive Income (Loss). The cost to purchase natural gas volumes is presented as 'natural gas purchased from third parties' on the Corporation's Consolidated Statement of Comprehensive Income (Loss). The Corporation did not incur significant natural gas purchases prior to January 1, 2018.

(e) Accounting pronouncements not yet adopted

IFRS 16 *Leases* applies to annual periods beginning on or after January 1, 2019. Under IFRS 16, lease assets and liabilities will be required to be recognized on the balance sheet for most leases, where the entity is acting as a lessee. Certain leases of low-value assets and leases with short-terms (less than 12 months) will be exempt from the balance sheet recognition requirements, and may continue to be treated as operating leases. The Corporation is currently reviewing the impact of IFRS 16 on the financial statements.

3. Cash and cash equivalents

		June 30, 2018		December 31, 2017
Cash at financial institutions	$	3,846	$	6,916

Cash at financial institutions earns interest at floating rates based on daily deposit rates. As at June 30, 2018, cash at financial institutions included US$0.9 million (December 31, 2017: US$0.1 million). The Corporation only deposits cash with major financial institutions of high quality credit ratings.

4. Exploration and evaluation assets

Balance at December 31, 2016	**$**	**16,012**
Additions		7,207
Lease expiries		(168)
Transferred to property, plant and equipment (note 5)		(908)
Balance at December 31, 2017	**$**	**22,143**
Additions		537
Balance at June 30, 2018	**$**	**22,680**

5. Property, plant and equipment

Cost	Natural gas and liquids properties	Furniture and equipment	Total
Balance at December 31, 2016	**$ 1,993,684**	**$ 5,648**	**$ 1,999,332**
Additions	241,449	118	241,567
Change in decommissioning liability (note 8)	6,160	-	6,160
Transferred from exploration and evaluation assets (note 4)	908	-	908
Balance at December 31, 2017	**$ 2,242,201**	**$ 5,766**	**$ 2,247,967**
Additions	102,860	-	102,860
Change in decommissioning liability (note 8)	(292)	-	(292)
Balance at June 30, 2018	**$ 2,344,769**	**$ 5,766**	**$ 2,350,535**

Accumulated depreciation	Natural gas and liquids properties	Furniture and equipment	Total
Balance at December 31, 2016	**$ 544,790**	**$ 4,259**	**$ 549,049**
Depreciation	117,643	302	117,945
Balance at December 31, 2017	**$ 662,433**	**$ 4,561**	**$ 666,994**
Depreciation	53,066	120	53,186
Balance at June 30, 2018	**$ 715,499**	**$ 4,681**	**$ 720,180**

Net book value	Natural gas and liquids properties	Furniture and equipment	Total
At December 31, 2017	$ 1,579,768	$ 1,205	$ 1,580,973
At June 30, 2018	**$ 1,629,270**	**$ 1,085**	**$ 1,630,355**

During the six months ended June 30, 2018, Advantage capitalized general and administrative expenditures directly related to development activities of $2.0 million (year ended December 31, 2017 - $4.1 million) and capitalized share based compensation directly related to development activities of $1.3 million (year ended December 31, 2017 - $3.2 million).

At June 30, 2018, Advantage included future development costs of $1.7 billion (December 31, 2017 – $1.7 billion) in property, plant and equipment costs subject to depreciation.

6. Financial risk management

Financial instruments of the Corporation include cash and cash equivalents, trade and other receivables, prepaids and deposits, trade and other accrued liabilities, bank indebtedness, and derivative assets and liabilities.

Trade and other receivables, prepaids and deposits, trade and other accrued liabilities and bank indebtedness are classified as 'amortized cost'. As at June 30, 2018, there were no significant differences between the carrying amounts reported on the Consolidated Statement of Financial Position and the estimated fair values of these financial instruments due to the short terms to maturity and the floating interest rate on the 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, 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 in commodity prices as compared to the valuation assumptions.

Level 3: Fair value is determined using inputs that are not observable. Advantage has no assets or liabilities that use level 3 inputs.

6. Financial risk management (continued)

(a) Price risk

The Corporation's derivative contracts are classified as Level 2 within the fair value hierarchy. As at June 30, 2018, the Corporation had the following derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas – AECO			
Fixed price swap	July 2017 to June 2018	14,217 mcf/d	Cdn $3.00/mcf
Call option sold	April 2017 to December 2018	23,695 mcf/d	Cdn $3.17/mcf (1)
Fixed price swap	October 2017 to September 2018	4,739 mcf/d	Cdn $3.01/mcf
Call option sold	October 2017 to December 2018	4,739 mcf/d	Cdn $3.01/mcf (2)
Fixed price swap	October 2017 to September 2018	4,739 mcf/d	Cdn $3.01/mcf
Call option sold	October 2017 to December 2018	4,739 mcf/d	Cdn $3.06/mcf (3)
Fixed price swap	October 2017 to September 2018	4,739 mcf/d	Cdn $3.01/mcf
Call option sold	October 2017 to December 2018	4,739 mcf/d	Cdn $3.11/mcf (4)
Put option bought	June 2018 to September 2018	61,608 mcf/d	Cdn $1.42/mcf
Fixed price swap	October 2018 to March 2019	18,956 mcf/d	Cdn $3.00/mcf
Fixed price swap	October 2018 to March 2019	18,956 mcf/d	Cdn $3.00/mcf
Fixed price swap	October 2018 to March 2019	9,478 mcf/d	Cdn $3.00/mcf
Fixed price swap	October 2018 to December 2019	25,000 mcf/d	Cdn $2.58/mcf
Fixed price swap	November 2018 to March 2019	9,478 mcf/d	Cdn $2.64/mcf
Fixed price swap	April 2019 to October 2019	61,608 mcf/d	Cdn $1.77/mcf
Natural gas – Dawn			
Fixed price swap	April 2018 to October 2018	15,000 mcf/d	US $2.70/mcf
Fixed price swap	April 2018 to October 2018	25,000 mcf/d	US $2.79/mcf
Fixed price swap	November 2018 to March 2019	25,000 mcf/d	US $3.13/mcf
Natural gas – AECO/Henry Hub Basis Differential			
Basis swap	January 2018 to May 2018	25,000 mcf/d	Henry Hub less US $0.95/mcf
Basis swap	January 2020 to December 2020	5,000 mcf/d	Henry Hub less US $1.20/mcf
Basis swap	January 2020 to December 2024	15,000 mcf/d	Henry Hub less US $1.20/mcf
Basis swap	January 2021 to December 2024	5,000 mcf/d	Henry Hub less US $1.135/mcf
Basis swap	January 2021 to December 2024	2,500 mcf/d	Henry Hub less US $1.185/mcf
Basis swap	January 2021 to December 2024	17,500 mcf/d	Henry Hub less US $1.20/mcf

(1) Call option sold is only exercisable by the counterparty if AECO exceeds Cdn $3.43/mcf.
(2) Call option sold is only exercisable by the counterparty if AECO exceeds Cdn $3.32/mcf.
(3) Call option sold is only exercisable by the counterparty if AECO exceeds Cdn $3.38/mcf.
(4) Call option sold is only exercisable by the counterparty if AECO exceeds Cdn $3.43/mcf.

6. Financial risk management (continued)

(a) Price risk

As at June 30, 2018, the fair value of the derivatives outstanding resulted in an aggregate asset of $29.3 million (December 31, 2017 – $50.9 million) and an aggregate liability of $1.7 million (December 31, 2017 – $0.1 million). The fair value of the commodity risk management derivatives have been allocated to current and non-current assets and liabilities based on the expected timing of cash settlements.

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

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Realized gains on derivatives	$ 7,833	$ 2,227	$ 23,155	$ 7,421
Unrealized gains (losses) on derivatives	(17,408)	7,511	(23,133)	43,390
Gains (losses) on derivatives	**$ (9,575)**	**$ 9,738**	**$ 22**	**$ 50,811**

(b) Capital management

Advantage's capital structure as at June 30, 2018 and December 31, 2017 is as follows:

	June 30, 2018	December 31, 2017
Bank indebtedness (non-current) (note 7)	$ 250,189	$ 208,978
Working capital deficit	3,206	13,808
Total debt [(1)]	**$ 253,395**	**$ 222,786**
Shares outstanding (note 10)	186,198,528	185,963,186
Share closing market price ($/share)	$ 4.11	$ 5.40
Market capitalization	765,276	1,004,201
Total capitalization	**$ 1,018,671**	**$ 1,226,987**

[(1)] Total debt is a non-GAAP measure that includes bank indebtedness and working capital deficit.

7. Bank indebtedness

	June 30, 2018	December 31, 2017
Revolving credit facility	$ 253,000	$ 210,001
Discount on Bankers Acceptances and other fees	(2,811)	(1,023)
Balance, end of period	**$ 250,189**	**$ 208,978**

On April 30, 2018, the Credit Facilities were renewed with no changes to the borrowing base of $400 million, comprised of a $20 million extendible revolving operating loan facility from one financial institution and a $380 million extendible revolving loan facility from a syndicate of financial institutions. The revolving period for the Credit Facilities will end in June 2019 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$5 million outstanding at June 30, 2018. The Corporation did not have any financial covenants at June 30, 2018 and December 31, 2017.

8. Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids assets including well sites, gathering systems and processing facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2018 and 2078. A risk-free rate of 2.16% (December 31, 2017 – 2.20%) and an inflation factor of 2.0% (December 31, 2017 – 2.0%) were used to calculate the fair value of the decommissioning liability at June 30, 2018. A reconciliation of the decommissioning liability is provided below:

	Six months ended June 30, 2018	Year ended December 31, 2017
Balance, beginning of year	$ 46,913	$ 40,992
Accretion expense	511	951
Property acquisitions	-	751
Liabilities incurred	189	2,175
Change in estimates	(464)	(2,665)
Effect of change in risk-free rate and inflation rate factor	(17)	5,899
Liabilities settled	(236)	(1,190)
Balance, end of period	**$ 46,896**	**$ 46,913**

9. Income taxes

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Income tax recovery (expense)	$ 5,304	$ (7,140)	$ 1,291	$ (23,286)

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.

10. Share capital

(a) Authorized

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

(b) Issued

	Common Shares		Amount
Balance at December 31, 2016	184,654,333	$	2,334,199
Shares issued on Performance Award settlements (note 12(b))	825,359		-
Contributed surplus transferred on Performance Award settlements (note 12(b))	-		5,374
Shares issued on exercise of stock options (note 12(a))	483,494		-
Contributed surplus transferred on exercise of stock options (note 12(a))	-		1,228
Balance at December 31, 2017	185,963,186	$	2,340,801
Shares issued on Performance Award settlements (note 12(b))	239,791		-
Contributed surplus transferred on Performance Award settlements (note 12(b))	-		1,906
Share repurchases	(4,449)		(18)
Balance at June 30, 2018	**186,198,528**	**$**	**2,342,689**

On March 27, 2018, Advantage commenced an odd-lot share repurchase program for registered and beneficial shareholders of Advantage who own 99 or fewer common shares. The program was voluntary and allowed odd-lot holders to sell all, but not less than all, of their common shares without incurring brokerage fees. The program expired on June 19, 2018 and 4,449 shares were repurchased under the program for a total of $18 thousand.

11. Net income (loss) per share

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

	Three months ended June 30				Six months ended June 30			
		2018		2017		2018		2017
Net income (loss)								
Basic and diluted	$	(15,294)	$	18,339	$	(5,191)	$	60,588
Weighted average shares outstanding								
Basic		186,189,658		185,789,764		186,077,047		185,318,614
Stock Options		-		549,651		-		637,404
Performance Awards		-		2,931,385		-		2,931,385
Diluted		186,189,658		189,270,800		186,077,047		188,887,403
Net income (loss) per share								
Basic	$	(0.08)	$	0.10	$	(0.03)	$	0.33
Diluted	$	(0.08)	$	0.10	$	(0.03)	$	0.32

12. Share based compensation

(a) Stock Option Plan

The following tables summarize information about changes in Stock Options outstanding at June 30, 2018:

	Stock Options	Weighted-Average Exercise Price
Balance at December 31, 2016	3,109,915	$ 5.75
Exercised	(1,085,681)	4.72
Forfeited	(18,377)	6.82
Balance at December 31, 2017	2,005,857	$ 6.30
Forfeited	(4,396)	6.82
Balance at June 30, 2018	**2,001,461**	**$ 6.29**

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Price	Number of Stock Options Outstanding	Weighted Average Remaining Contractual Life - Years	Weighted Average Exercise Price	Number of Stock Options Exercisable	Weighted Average Exercise Price
$5.87 - $6.81	1,110,009	0.79	$ 5.87	1,110,009	$ 5.87
$6.82	891,452	1.77	6.82	891,452	6.82
$5.87 - $6.82	2,001,461	1.23	$ 6.29	2,001,461	$ 6.29

No Stock Options were exercised during the six months ended June 30, 2018.

(b) Performance Incentive Plan

Under the Performance Incentive Plan, service providers can be granted two types of Incentive Awards: Restricted Awards and Performance Awards. As at June 30, 2018, no Restricted Awards have been granted.

The following table is a continuity of Performance Awards:

	Performance Awards
Balance at December 31, 2016	1,327,663
Granted	723,676
Settled	(402,582)
Forfeited	(68,458)
Balance at December 31, 2017	1,580,299
Granted	1,512,075
Settled	(248,688)
Forfeited	(13,414)
Balance at June 30, 2018	**2,830,272**

During April 2018, 136,631 Performance Awards matured and were settled with the issuance of 239,791 common shares, while 112,057 Performance Awards matured and were net settled for $0.5 million of cash consideration.

12. Share based compensation (continued)

(b) Performance Incentive Plan

Share based compensation recognized by plan for the three and six months ended June 30, 2018 and 2017 is as follows:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Stock Options	$ 3	$ 46	$ 57	$ 248
Performance Awards	2,189	1,446	3,442	3,621
Total share based compensation	2,192	1,492	3,499	3,869
Capitalized	(736)	(526)	(1,299)	(1,501)
Net share based compensation expense	**$ 1,456**	**$ 966**	**$ 2,200**	**$ 2,368**

13. Sales of natural gas and liquids from production

Advantage's revenue is comprised of natural gas and liquids sales to multiple customers. Revenue from the transfer of natural gas and liquids volumes to customers is recognized at a point of time, when Advantage's performance obligations are fully satisfied upon transfer of these volumes to customers. For the three and six months ended June 30, 2018 and 2017, revenue realized from natural gas and liquids sales was as follows:

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Natural gas sales	$ 30,464	$ 61,219	$ 81,945	$ 123,416
Liquids sales	7,022	5,723	13,597	11,289
Sales of natural gas and liquids from production	**$ 37,486**	**$ 66,942**	**$ 95,542**	**$ 134,705**

14. Sales of natural gas purchased from third parties

During the three and six months ended June 30, 2018, the Corporation purchased natural gas volumes from third parties in order to satisfy physical sales commitments. No natural gas volumes were purchased during the three and six months ended June 30, 2017.

	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Sales of natural gas purchased from third parties	$ 5,078	$ -	$ 5,078	$ -
Natural gas purchased from third parties	$ (3,967)	$ -	$ (3,967)	$ -

15. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended June 30				Six months ended June 30			
	2018		2017		2018		2017	
Source (use) of cash:								
Trade and other receivables	$	858	$	741	$	11,123	$	4,127
Prepaid expenses and deposits		(1,655)		(478)		(1,550)		(444)
Trade and other accrued liabilities		(14,616)		(4,208)		(23,245)		(2,900)
	$	(15,413)	$	(3,945)	$	(13,672)	$	783
Related to operating activities	$	(2,036)	$	(5,727)	$	7,857	$	(5,416)
Related to financing activities		-		-		-		-
Related to investing activities		(13,377)		1,782		(21,529)		6,199
	$	(15,413)	$	(3,945)	$	(13,672)	$	783

Directors

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Stephen E. Balog (1)(2)(3)
Grant B. Fagerheim (2)(3)
Paul G. Haggis (1)(2)(3)
Andy J. Mah
Ronald A. McIntosh (2)(3)

(1) Member of Audit Committee
(2) Member of Reserve Evaluation Committee
(3) Member of Human Resources, Compensation & Corporate Governance Committee

Officers

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

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

Abbreviations

bbls	- barrels
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
mcf	- thousand cubic feet
mcf/d	- thousand cubic feet per day
mmcf	- million cubic feet
mmcf/d	- million cubic feet per day
mcfe	- thousand cubic feet equivalent (1 bbl = 6 mcf)
mcfe/d	- thousand cubic feet equivalent per day
bcf	- billion cubic feet
gj	- gigajoules
NGLs	- natural gas liquids
WTI	- West Texas Intermediate

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Stock Exchange Trading Symbol

(Toronto Stock Exchange and New York Stock Exchange)

Shares: AAV