



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2021 and 2020

Advantage Oil & Gas Ltd.
Consolidated Statements of Financial Position

(unaudited, expressed in thousands of Canadian dollars)

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

Commitments (note 16)

See accompanying Notes to the Condensed Consolidated Financial Statements

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

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

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

See accompanying Notes to the Condensed Consolidated Financial Statements

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

(unaudited, expressed in thousands of Canadian dollars)

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

	Notes	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance, December 31, 2019		\$ 2,349,703	\$ 117,116	\$ (1,150,722)	\$ 1,316,097
Net loss and comprehensive loss		-	-	(266,519)	(266,519)
Share-based compensation	12	-	2,383	-	2,383
Balance, March 31, 2020		\$ 2,349,703	\$ 119,499	\$ (1,417,241)	\$ 1,051,961

See accompanying Notes to the Condensed Consolidated Financial Statements

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

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

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Oil & Gas Ltd.

Notes to the Condensed Consolidated Financial Statements

March 31, 2021 (unaudited)

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

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

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

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

2. Basis of preparation

(a) Statement of compliance

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

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

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

3. Cash and cash equivalents

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

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

4. Exploration and evaluation assets

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

5. Right-of-use assets

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

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

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

6. Property, plant and equipment

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

Accumulated depreciation	Petroleum & Natural Gas Properties	Furniture & Equipment	Total
Balance at December 31, 2019	\$ 899,868	\$ 5,070	\$ 904,938
Depreciation	110,370	208	110,578
Impairment	361,000	-	361,000
Balance at December 31, 2020	\$ 1,371,238	\$ 5,278	\$ 1,376,516
Depreciation	26,551	61	26,612
Balance at March 31, 2021	\$ 1,397,789	\$ 5,339	\$ 1,403,128

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

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

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

Impairment assessment

For the three months ended March 31, 2021, the Corporation evaluated its petroleum & natural gas properties for indicators of any potential impairment or impairment reversal. As a result of this assessment, no indicators were identified, and no impairment or impairment reversal was recorded for the three months ended March 31, 2021.

7. Financial risk management

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

Fair value is determined following a three-level hierarchy:

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

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

Level 3: Fair value is determined using inputs that are not observable. The Corporation's natural gas embedded derivative is categorized as level 3 in the fair value hierarchy as the long-term portion of the PJM forward price is an unobservable input.

7. Financial risk management (continued)

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

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

7. Financial risk management (continued)

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

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

7. Financial risk management (continued)

(a) Commodity price risk

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

Description of Derivative	Term	Volume	Price
Natural gas - Dawn			
Fixed price swap	November 2020 to October 2021	10,000 Mcf/d	US \$2.53/Mcf
Fixed price swap	April 2021 to October 2021	25,000 Mcf/d	US \$2.34/Mcf
Natural gas - Henry Hub NYMEX			
Fixed price swap	January 2021 to December 2021	25,000 Mcf/d	US \$2.74/Mcf
Fixed price swap	April 2021 to October 2021	5,000 Mcf/d	US \$2.81/Mcf
Fixed price swap	April 2021 to October 2021	5,000 Mcf/d	US \$2.88/Mcf
Fixed price swap	April 2021 to October 2021	10,000 Mcf/d	US \$2.91/Mcf
Fixed price swap	November 2021 to March 2022	10,000 Mcf/d	US \$3.09/Mcf
Natural gas - Chicago Citygate			
Fixed price swap	April 2021 to October 2021	25,000 Mcf/d	US \$2.24/Mcf
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	January 2020 to December 2024	15,000 Mcf/d	Henry Hub less US \$1.20/Mcf
Basis swap	January 2021 to December 2024	5,000 Mcf/d	Henry Hub less US \$1.135/Mcf
Basis swap	January 2021 to December 2024	2,500 Mcf/d	Henry Hub less US \$1.185/Mcf
Basis swap	January 2021 to December 2024	17,500 Mcf/d	Henry Hub less US \$1.20/Mcf
Crude oil - WTI NYMEX			
Fixed price swap	January 2021 to June 2021	250 bbls/d	US \$50.25/bbl
Fixed price swap	January 2021 to December 2021	1,250 bbls/d	US \$44.82/bbl
Fixed price swap	March 2021 to December 2021	250 bbls/d	US \$57.25/bbl
Fixed price swap	April 2021 to December 2021	250 bbls/d	US \$61.00/bbl
Fixed price swap	July 2021 to December 2021	250 bbls/d	US \$50.75/bbl

7. Financial risk management (continued)

(a) Commodity price risk (continued)

Natural Gas - Embedded Derivative

Advantage entered into a long-term natural gas supply agreement under which Advantage will supply 25,000 MMbtu/d of natural gas for a 10-year period, commencing in early 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US \$2.50/MMbtu. The Corporation will realize gains or losses when the price received under the contract deviates from US \$2.50/MMbtu. As at March 31, 2021 the fair value of the natural gas embedded derivative resulted in a liability of \$10.7 million (December 31, 2020 – \$3.4 million asset).

The Corporation's natural gas embedded derivative contract is classified as Level 3 within the fair value hierarchy. The Corporation determines the fair value of the embedded derivative contract by utilizing an observable 5-year PJM electricity forecast. The remaining unobservable period beyond 5-years is estimated using the implied inflation rate in the 5-year PJM electricity forecast. At March 31, 2021, the implied inflation rate in the 5-year PJM power forecast averaged 2% per year. If the implied inflation rate in the 5-year PJM electricity forecast changed by 1%, the fair value of the embedded derivative would increase/decrease by \$2.9 million. Had the PJM electricity power forecast increased/decreased by 10%, this would have resulted in a \$17.6 million increase, or a \$9.9 million decrease.

(b) Foreign exchange risk

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

Description of Derivative	Term	Notional Amount	Rate
Forward rate - CAD/USD			
Average rate currency swap ⁽¹⁾	June 2020 to May 2021	US \$ 1,000,000/month	1.3687
Average rate currency swap	June 2020 to May 2022	US \$ 2,000,000/month	1.3495
Average rate currency swap	February 2021 to January 2023	US \$ 750,000/month	1.2850

⁽¹⁾ The average rate currency swap includes a European option where the counterparty has the option to enter into a one year US \$1,000,000/month notional amount average rate forward for a term of June 2021 to May 2022 at a fixed rate of 1.3687 CAD/USD if called.

(c) Interest rate risk

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

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

7. Financial risk management (continued)

(d) Capital management

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

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

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

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

8. Bank indebtedness

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

The Credit Facilities have a borrowing base of \$350 million, comprised of a \$30 million extendible revolving operating loan facility from one financial institution and a \$320 million extendible revolving loan facility from a syndicate of financial institutions. The revolving period for the Credit Facilities will end in June 2021 unless extended at the option of the syndicate for a further 364-day period. If not extended, the credit facility will be converted at that time into a one-year term facility, with the principal payable at the end of such one-year term. The Corporation had letters of credit of US\$14 million outstanding at March 31, 2021. The Corporation did not have any financial covenants at March 31, 2021 and December 31, 2020.

9. Provisions and other liabilities

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

(a) Deferred revenue

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

(b) Project funding

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

(c) Lease liability

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

A reconciliation of the lease liability is provided below:

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

9. Provisions and other liabilities (continued)

(d) Financing liability

The Corporation has a 15-year take-or-pay volume commitment agreement to deliver 50 mmcf/d to the Glacier Gas Plant at a fee of \$0.66/mcf. The volume commitment agreement is treated as a financing transaction where Advantage is obligated to pay the purchaser during the 15-year term regardless of physical delivery. The effective interest rate associated with the financing transaction is 9.1%.

A reconciliation of the financing liability is provided below:

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

(e) Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids assets including well sites, gathering systems and facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2021 and 2080. A risk-free rate of 1.97% (December 31, 2020 - 1.24%) and an inflation factor of 2.0% (December 31, 2020 - 1.5%) were used to calculate the fair value of the decommissioning liability at March 31, 2021. As at March 31, 2021, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$56.0 million (December 31, 2019 - \$55.2 million).

A reconciliation of the decommissioning liability is provided below:

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

9. Provisions and other liabilities (continued)

(f) Contractual maturities

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

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

10. Income taxes

	Three months ended	
	March 31	
	2021	2020
Income tax expense (recovery)	\$ 106	\$ (79,756)

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

11. Share capital

(a) Authorized

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

(b) Issued

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

12. Long-term compensation plans

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

Under the Restricted and Performance Award Incentive Plan, service providers can be granted two types of equity incentive awards: Restricted Share Units and Performance Share Units. Performance Share Units vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. As at March 31, 2021, no Restricted Share Units have been granted.

The following table is a continuity of Performance Share Units:

	Performance Share Units
Balance at December 31, 2019	3,947,576
Granted	2,119,061
Settled	(664,496)
Forfeited	(158,543)
Balance at December 31, 2020	5,243,598
Forfeited	(60,282)
Balance at March 31, 2021	5,183,316

(b) Share-based compensation expense

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

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

12. Long-term compensation plans (continued)

(c) Performance Award Incentive Plan - Performance Awards

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

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

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

(d) Deferred Share Units

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

The following table is a continuity of Deferred Share Units:

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

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

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

13. Net loss per share

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

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

14. Revenues

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

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

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

15. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

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

16. Commitments

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

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

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

ABBREVIATIONS

Crude Oil and Natural Gas Liquids

bbbl	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
Mcfce	thousand cubic feet of natural gas equivalent, using the ratio of 6 Mcf of natural gas being equivalent to one bbl of oil
MMcfce/d	million cubic feet of natural gas equivalent per day
MMbtu	million British Thermal Units
MMbtu/d	million British Thermal Units per day
GJ/d	Gigajoules per day

Other

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

Directors

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

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

Officers

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

Corporate Secretary

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

Auditors

PricewaterhouseCoopers LLP

Bankers

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

Independent Reserve Evaluators

Sproule Associates Limited

Legal Counsel

Burnet, Duckworth and Palmer LLP

Transfer Agent

Computershare Trust Company of Canada

Corporate Office

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

Contact Us

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

Toronto Stock Exchange Trading Symbol

AAV