

2022 Fourth Quarter Report

Financial Highlights

(\$'000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Financial Statement Highlights				
Natural gas and liquids sales	223,200	159,255	950,458	492,035
Net income and comprehensive income per basic share ⁽²⁾	113,462 0.63	359,956 1.90	337,761 1.81	411,354 2.17
Basic weighted average shares (000)	180,248	190,829	187,022	190,077
Cash provided by operating activities	112,558	67,464	502,378	223,152
Cash used in financing activities	(49,718)	(27,423)	(209,091)	(83,411)
Cash used in investing activities	(69,060)	(44,939)	(269,585)	(117,782)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾ per boe ⁽¹⁾ per basic share ⁽¹⁾⁽²⁾	124,205 24.29 0.69	71,227 16.15 0.37	516,790 25.39 2.76	234,824 13.01 1.24
Net capital expenditures ⁽¹⁾	49,687	58,384	241,790	149,403
Free cash flow ⁽¹⁾	74,518	12,843	275,000	85,421
Working capital surplus ⁽¹⁾	71,564	6,865	71,564	6,865
Bank indebtedness	177,200	167,345	177,200	167,345
Net debt ⁽¹⁾	121,336	160,480	121,336	160,480
Operating Highlights				
Production				
Crude oil (bbls/d)	1,854	816	1,972	1,101
Condensate (bbls/d)	1,092	1,012	1,082	844
NGLs (bbls/d)	2,680	2,524	3,039	2,548
Total liquids production (bbls/d)	5,626	4,352	6,093	4,493
Natural gas (Mcf/d)	299,684	261,530	298,053	269,710
Total production (boe/d)	55,573	47,940	55,769	49,445
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	5.65	4.17	5.55	3.38
Liquids (\$/bbl)	86.39	54.70	92.48	50.92
Operating Netback (\$/boe)				
Natural gas and liquids sales ⁽¹⁾	43.66	36.11	46.69	27.26
Realized losses on derivatives ⁽¹⁾	(4.76)	(8.41)	(7.08)	(4.13)
Processing and other income ⁽¹⁾	0.60	-	0.45	-
Royalty expense ⁽¹⁾	(5.31)	(2.02)	(5.22)	(1.53)
Operating expense ⁽¹⁾	(3.39)	(2.92)	(3.16)	(2.49)
Transportation expense ⁽¹⁾	(4.43)	(4.48)	(4.43)	(3.90)
Operating netback ⁽¹⁾	26.37	18.28	27.25	15.21

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

⁽²⁾ Based on basic weighted average shares outstanding.

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MESSAGE TO SHAREHOLDERS

Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to report 2022 year-end financial and operating results as well as year-end 2022 reserves.

Advantage achieved exceptional results during 2022, delivering clean, secure energy during the global energy shortage. Cash flow from operations was unprecedented, allowing the Corporation to buy back 11% of our outstanding shares in 8 months, returning \$241 million to our shareholders, in addition to reducing net debt^(a) by 24% to \$121 million. Every well drilled in 2022 achieved payout^(a) in under 9 months with an average payout^(a) of 5 months.

Looking Forward

To maximize shareholder value, Advantage remains focused on growing AFF per share^(a) while maintaining a net debt target of approximately \$200 million. Advantage's three-year plan is to deliver annual production growth of approximately 10% with annual spending between \$250 million and \$300 million. All excess cash will be returned to shareholders via share buybacks.

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

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

RESERVES

Advantage engaged its independent qualified reserves evaluator Sproule Associates Ltd. ("Sproule") to evaluate its year-end reserves as of December 31, 2022 in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"), and the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook").

Reserves and production information included herein is stated on a gross working interest basis (before royalty burdens and excluding royalty interests) unless noted otherwise. Certain tables may not add due to rounding. In addition to the information disclosed in this annual report, more detailed information on Advantage's oil and gas reserves, including its reserves on a net interest basis (after royalty burdens and including royalty interests) is included in Advantage's Annual Information Form dated February 23, 2023 and is available at www.advantageog.com and www.sedar.com.

Highlights – Gross Working Interest Reserves

	December 31 2022	December 31 2021 ⁽⁴⁾
Proved plus probable reserves (mboe)	585,648	553,365
Net Present Value of future net revenue of 2P reserves discounted at 10%, before tax (\$000) ⁽¹⁾	4,745,165	3,353,076
Net Asset Value per Share discounted at 10%, before tax ⁽²⁾⁽⁵⁾	27.16	16.55
Reserve Life Index (proved plus probable - years) ⁽³⁾	28.9	31.6
Reserves per share (proved plus probable - boe) ⁽²⁾	3.41	2.90
Bank indebtedness per boe of reserves (proved plus probable)	0.30	0.30

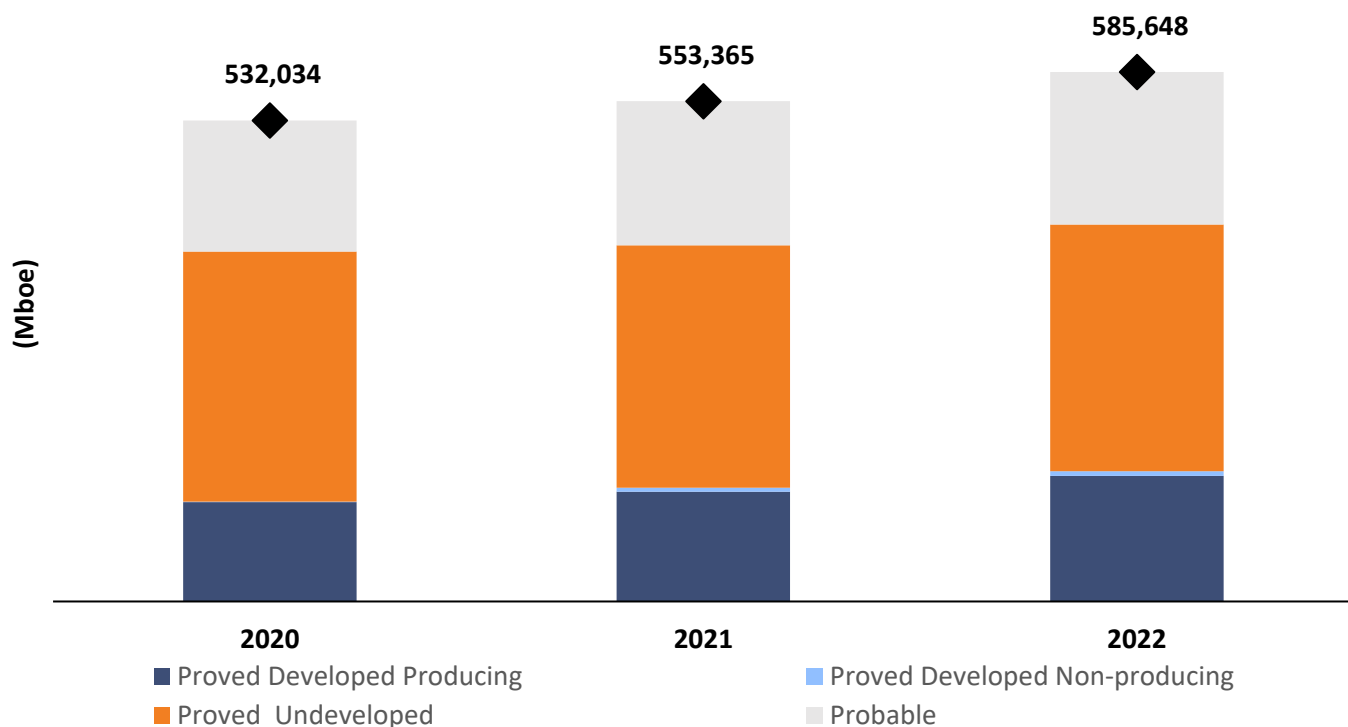
Notes:

- ⁽¹⁾ Assumes that development of each property will occur, without regard to the likely availability to the Corporation of funding required for that development.
- ⁽²⁾ Based on 171.7million shares outstanding at December 31, 2022 and 190.8 million at December 31, 2021.
- ⁽³⁾ Based on fourth quarter average production and Corporation interest reserves.
- ⁽⁴⁾ Reserves based upon an evaluation by Sproule with an effective date of December 31, 2021 contained in a report of Sproule dated February 11, 2022 using the IQRE average product price forecast effective December 31, 2021.
- ⁽⁵⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

Corporation Gross (before royalties) Working Interest Reserves Summary as at December 31, 2022

	Light Crude Oil and Medium Crude Oil (Mbbbl)	Conventional Natural Gas (Mmcf)	Natural Gas Liquids (Mbbbl)	Total Oil Equivalent (Mboe)
Proved				
Developed Producing	3,074	768,058	7,821	138,905
Developed Non-producing	48	28,687	254	5,083
Undeveloped	9,310	1,482,033	16,575	272,891
Total Proved	12,432	2,278,778	24,650	416,879
Probable	7,024	907,549	10,487	168,769
Total Proved Plus Probable	19,456	3,186,329	35,137	585,648

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



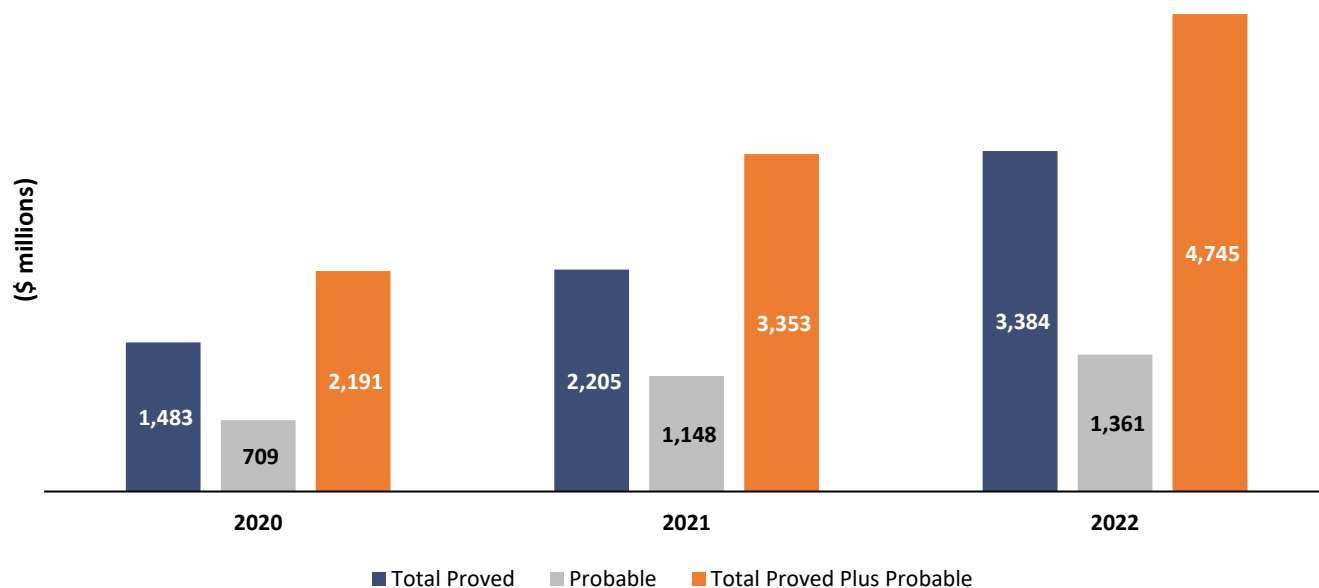
Corporation Net Present Value of Future Net Revenue using IQRE Average price and cost forecasts⁽¹⁾⁽²⁾⁽³⁾

(\$000)	Before Income Taxes Discounted at		
	0%	10%	15%
Proved			
Developed Producing	3,067,918	1,661,348	1,377,090
Developed Non-producing	121,378	56,199	44,540
Undeveloped	5,300,607	1,666,337	1,091,351
Total Proved	8,489,903	3,383,883	2,512,981
Probable	4,515,559	1,361,282	938,053
Total Proved Plus Probable	13,005,462	4,745,165	3,451,035

Notes:

- (1) Advantage's light crude oil and medium crude oil, conventional natural gas and natural gas liquid reserves were evaluated using the average of the forecasts ("IQRE Average Forecast") prepared by McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants and Sproule effective December 31, 2022, prior to the provision for income taxes, interests, debt services charges and general and administrative expenses. It should not be assumed that the discounted future net revenue estimated by Sproule represents the fair market value of the reserves.
- (2) Assumes that development of reserves will occur, without regard to the likely availability to the Corporation of funding required for that development.
- (3) Future Net Revenue incorporates Managements' estimates of required abandonment and reclamation costs, including expected timing such costs will be incurred, associated with all wells, facilities and infrastructure.
- (4) Table may not add due to rounding.

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



IQRE Average Forecasts and Assumptions

The net present value of future net revenue at December 31, 2022 was based upon light and medium oil, conventional natural gas and natural gas liquid pricing assumptions, which was computed by using the IQRE Average Forecast effective December 31, 2022. These forecasts are adjusted for reserves quality, transportation charges and the provision of any applicable sales contracts. The price assumptions used over the next seven years are summarized in the table below:

Year	Canadian Light Sweet Crude Oil 40° API (\$Cdn/bbl)	AECO-C Spot (\$Cdn/MMbtu)	Edmonton Pentanes Plus (\$Cdn/bbl)	Edmonton Butane (\$Cdn/bbl)	Edmonton Propane (\$Cdn/bbl)
2023	103.76	4.23	106.22	53.88	39.80
2024	97.74	4.40	101.35	52.67	39.14
2025	95.27	4.21	98.94	51.42	39.74
2026	95.58	4.27	100.19	51.61	39.86
2027	97.07	4.34	101.74	52.39	40.47
2028	99.01	4.43	103.78	53.44	41.28
2029	100.99	4.51	105.85	54.51	42.11

Year	Operating Cost Inflation Rate %/year	Capital Cost Inflation Rate %/year	Exchange Rate (\$US/\$Cdn)⁽³⁾
2023	-	-	0.75
2024	2.33	2.33	0.77
2025	2.00	2.00	0.77
2026	2.00	2.00	0.77
2027	2.00	2.00	0.78
2028	2.00	2.00	0.78
2029	2.00	2.00	0.78

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

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

(\$000, except per share amounts)	Before Income Taxes Discounted at		
	0%	10%	15%
Net asset value per share ⁽¹⁾ - December 31, 2021	\$ 45.99	\$ 16.55	\$ 11.66
Net present value proved and probable reserves	13,005,462	4,745,165	3,451,035
Undeveloped land ⁽²⁾	15,791	15,791	15,791
Working capital and other ⁽³⁾⁽⁴⁾	172,533	172,533	172,533
Financing liability	(94,705)	(94,705)	(94,705)
Bank indebtedness	(177,200)	(177,200)	(177,200)
Net asset value - December 31, 2021 ⁽³⁾	12,921,881	4,661,584	3,367,454
Net asset value per share ⁽¹⁾⁽³⁾ - December 31, 2022	\$ 75.28	\$ 27.16	\$ 19.62

Notes:

- ⁽¹⁾ Based on 171.7 million shares outstanding at December 31, 2022 and 190.8 million at December 31, 2021.
- ⁽²⁾ The value of undeveloped land is based on book value.
- ⁽³⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".
- ⁽⁴⁾ Working capital excludes the working capital balance incurred by the Corporation's subsidiary, Entropy. Other is calculated as current and non-current derivative asset less current and non-current derivative liability.

Company Gross (before royalties) Working Interest Reserves Reconciliation

Proved	Light Crude Oil and Medium Crude Oil (Mbbbl)	Conventional Natural Gas (Mmcf)	Natural Gas Liquids (Mbbbl)	Total Oil Equivalent (Mboe)
Opening balance December 31, 2021	8,355	2,177,121	22,709	393,918
Extensions and improved recovery ⁽¹⁾	2,887	122,015	3,153	26,376
Technical revisions ⁽²⁾	1,785	69,470	131	13,494
Discoveries	-	-	-	-
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Economic factors ⁽³⁾	125	18,963	161	3,447
Production	(720)	(108,789)	(1,504)	(20,355)
Closing balance at December 31, 2022	12,432	2,278,778	24,650	416,879

Proved Plus Probable	Light Crude Oil and Medium Crude Oil (Mbbbl)	Conventional Natural Gas (Mmcf)	Natural Gas Liquids (Mbbbl)	Total Oil Equivalent (Mboe)
Opening balance December 31, 2021	17,566	3,016,263	33,088	553,365
Extensions and improved recovery ⁽¹⁾	2,481	143,276	3,319	29,679
Technical revisions ⁽²⁾	(40)	126,858	141	21,244
Discoveries	-	-	-	-
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Economic factors ⁽³⁾	169	8,722	93	1,716
Production	(720)	(108,789)	(1,504)	(20,355)
Closing balance at December 31, 2022	19,456	3,186,329	35,137	585,648

Notes:

⁽¹⁾ Reserve additions for Infill Drilling, Extensions and Improved Recovery are combined and reported as "Extensions and Improved Recovery". Extensions and Improved Recovery changes: (i) Revisions to the Glacier development plan with well optimization that combined or added proved or proved plus probable future drilling locations. (ii) As per COGE Handbook guidance: Glacier/Valhalla/Progress future proved locations were scheduled to be developed within seven years (two including a plant expansion plus five) and probable future locations were developed within nine years of the required ten years for probable reserves. (iii) Wembley/Pipestone future proved locations were scheduled within the requirement to be developed within five years and probable future locations within ten years for probable reserves.

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

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

⁽⁴⁾ Table may not add due to rounding.

Corporation Finding and Development Cost ("F&D")

Corporation 2022 F&D Cost – Gross (before royalties) Working Interest Reserves Including Future Development Capital⁽¹⁾⁽²⁾⁽³⁾

	Proved	Proved Plus Probable
Net capital expenditures, excluding intangible assets (\$000) ⁽⁴⁾⁽⁵⁾	218,914	218,914
Net change in Future Development Capital (\$000)	105,196	129,511
Total capital (\$000)	324,110	348,425
Total mboe, end of year	416,879	585,648
Total mboe, beginning of year	393,918	553,365
Production, mboe	(20,355)	(20,355)
Reserve additions, mboe	43,316	52,638
2022 F&D cost (\$/boe) ⁽⁴⁾⁽⁵⁾	\$ 7.48	\$ 6.62
2021 F&D cost (\$/boe) ⁽⁴⁾⁽⁵⁾	\$ 6.54	\$ 5.82
Three-year average F&D cost (\$/boe) ⁽⁴⁾⁽⁵⁾	\$ 5.80	\$ 4.63

Notes:

- (1) F&D cost is calculated by dividing total capital by reserve additions during the applicable period. Total capital includes both capital expenditures incurred and changes in FDC required to bring the proved undeveloped and probable reserves to production during the applicable period. Reserve additions is calculated as the change in reserves from the beginning to the ending of the applicable period excluding production.
- (2) The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated FDC generally will not reflect total finding and development costs related to reserves additions for that year. Changes in forecast FDC occur annually as a result of development activities, acquisition and disposition activities and capital cost estimates that reflect Sproule's best estimate of what it will cost to bring the proved undeveloped and probable reserves on production.
- (3) The change in FDC is primarily from incremental undeveloped locations.
- (4) Excludes \$19.0 million of development cost related to the Corporation's Phase 1a CCS project and net capital expenditures incurred by the Corporation's subsidiary, Entropy.
- (5) Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".



CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS
For the three months and years ended December 31, 2022 and 2021

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of February 23, 2023, provides a detailed explanation of the consolidated financial and operating results of Advantage Energy Ltd. ("Advantage", the "Corporation", "us", "we" or "our") for the three months and year ended December 31, 2022, and should be read in conjunction with the December 31, 2022, audited consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

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

Financial Highlights	Three months ended		Year ended	
	December 31		December 31	
(\$000, except as otherwise indicated)	2022	2021	2022	2021
Financial Statement Highlights				
Natural gas and liquids sales	223,200	159,255	950,458	492,035
Net income and comprehensive income	113,462	359,956	337,761	411,354
per basic share ⁽²⁾	0.63	1.90	1.81	2.17
Basic weighted average shares (000)	180,248	190,829	187,022	190,077
Cash provided by operating activities	112,558	67,464	502,378	223,152
Cash used in financing activities	(49,718)	(27,423)	(209,091)	(83,411)
Cash used in investing activities	(69,060)	(44,939)	(269,585)	(117,782)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾	124,205	71,227	516,790	234,824
per boe ⁽¹⁾	24.29	16.15	25.39	13.01
per basic share ⁽¹⁾⁽²⁾	0.69	0.37	2.76	1.24
Net capital expenditures ⁽¹⁾	49,687	58,384	241,790	149,403
Free cash flow ⁽¹⁾	74,518	12,843	275,000	85,421
Working capital surplus ⁽¹⁾	71,564	6,865	71,564	6,865
Bank indebtedness	177,200	167,345	177,200	167,345
Net debt ⁽¹⁾	121,336	160,480	121,336	160,480

⁽¹⁾ Specified financial measure which is not a standardized measure under IFRS and may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures" for the composition of such specified financial measure, an explanation of how such specified financial measure provides useful information to a reader and the purposes for which Management of Advantage uses the specified financial measure, and/or where required, a reconciliation of the specified financial measure to the most directly comparable IFRS measure.

⁽²⁾ Based on basic weighted average shares outstanding.

Operating Highlights

	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Operating				
Production				
Crude oil (bbls/d)	1,854	816	1,972	1,101
Condensate (bbls/d)	1,092	1,012	1,082	844
NGLs (bbls/d)	2,680	2,524	3,039	2,548
Total liquids production (bbls/d)	5,626	4,352	6,093	4,493
Natural gas (Mcf/d)	299,684	261,530	298,053	269,710
Total production (boe/d)	55,573	47,940	55,769	49,445
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	5.65	4.17	5.55	3.38
Liquids (\$/bbl)	86.39	54.70	92.48	50.92
Operating Netback (\$/boe)				
Natural gas and liquids sales	43.66	36.11	46.69	27.26
Realized losses on derivatives	(4.76)	(8.41)	(7.08)	(4.13)
Processing and other income	0.60	-	0.45	-
Royalty expense	(5.31)	(2.02)	(5.22)	(1.53)
Operating expense	(3.39)	(2.92)	(3.16)	(2.49)
Transportation expense	(4.43)	(4.48)	(4.43)	(3.90)
Operating netback ⁽¹⁾	26.37	18.28	27.25	15.21

⁽¹⁾ Specified financial measure which is not a standardized measure under IFRS and may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures" for the composition of such specified financial measure, an explanation of how such specified financial measure provides useful information to a reader and the purposes for which Management of Advantage uses the specified financial measure, and/or where required, a reconciliation of the specified financial measure to the most directly comparable IFRS measure.

Corporate Update

2023 Guidance

On December 1, 2022, the Corporation announced its 2023 budget (see News Release dated December 1, 2022). The Corporation's capital program is focused on prudent adjusted funds flow per share growth via high rate-of-return development drilling into existing infrastructure.

The below table summarizes Advantage's 2023 guidance:

Forward Looking Information⁽¹⁾	2023 Guidance⁽³⁾
Cash Used in Investing Activities ⁽²⁾ (\$ millions)	250 to 280
Total Average Production (boe/d)	59,000 to 62,500
Liquids Production (% of total average production)	~12%
Royalty Rate (%)	9 to 12
Operating Expense (\$/boe)	3.25
Transportation Expense (\$/boe)	4.75
G&A/Finance Expense (\$/boe)	1.40

⁽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⁾ Guidance and actual numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc.

2022 Guidance Update

The below table summarizes Advantage's 2022 guidance compared to actual 2022 financial and operational results:

	Original 2022 Guidance⁽¹⁾	Q1 2022 Revision⁽²⁾	Q2 2022 Revision⁽³⁾	Q3 2022 Revision⁽⁴⁾	2022 Actual⁽⁶⁾
Net Capital Expenditures (\$ millions)	170 to 200	-	210 to 230	-	238.0
Average Production (boe/day)	52,000 to 55,000	-	53,500 to 56,500	-	55,769
Liquids Production (bbls/day)	5,400 to 5,800	-	5,800 to 6,200	-	6,093
Royalty Rate (%)	7 to 9	12 to 17	-	11 to 13	11.2
Operating Expense (\$/boe)	2.45	-	-	3.05	3.16
Transportation Expense (\$/boe)	4.35	4.85 to 5.15	-	4.45 to 4.65	4.43
G&A/Finance Expense ⁽⁵⁾ (\$/boe)	1.55	-	-	-	1.65

Notes:

⁽¹⁾ See December 31, 2021 MD&A dated February 24, 2022.

⁽²⁾ See March 31, 2022 MD&A dated April 29, 2022.

⁽³⁾ See June 30, 2022 MD&A dated July 28, 2022.

⁽⁴⁾ See September 30, 2022 MD&A dated October 27, 2022.

⁽⁵⁾ Finance expense includes foreign exchange and excludes accretion of decommissioning liability and unsecured debentures.

⁽⁶⁾ Guidance and actual numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc.

Corporate Update (continued)

2022 Guidance Update (continued)

Net Capital Expenditures

The Corporation increased net capital expenditures guidance in the second quarter of 2022 to between \$210 million and \$230 million as a result of adding 1.5 net new drills, continued inflation, and increased frac intensity across all assets. Advantage incurred net capital expenditures of \$238.0 million, 3% over our revised 2022 guidance range. Under the Government of Canada's proposed refundable investment tax credit ("ITC") for Carbon Capture, Utilization and Storage ("CCUS") projects, the Corporation expects it is entitled to recover approximately \$15 million to \$20 million of its incurred net capital expenditures on the Glacier Gas Plant Phase 1 CCS project constructed by Advantage. As the ITC has yet to receive royal ascent in the House of Commons, the Corporation was unable to recognize this benefit as at December 31, 2022.

Production

As a result of strong operational execution, 2022 production guidance was increased in the second quarter of 2022 to between 53,500 boe/d and 56,500 boe/d with liquids production between 5,800 bbls/d and 6,200 bbls/d. Advantage's total production and liquids production averaged within our revised guidance range.

Royalty Rate

Given the increased commodity price environment and accelerated royalty payouts realized on the Corporation's wells, the Corporation increased its royalty rate guidance range in the first quarter of 2022 to between 12% and 17%, further revising to between 11% and 13% during the third quarter of 2022. The Corporation's actual royalty rate was within our revised guidance range.

Operating Expense

As a result of continued inflation, higher than expected third-party processing fees associated with increased volumes at Wembley, and increased costs associated with the high commodity price environment, the Corporation increased operating expense guidance in the third quarter of 2022 to \$3.05/boe, with actual operating expense per boe coming in modestly 4% above our revised range.

Transportation Expense

Subsequent to Advantage securing additional Empress transportation capacity, the Corporation's transportation expense guidance was increased to between \$4.85/boe and \$5.15/boe in the first quarter of 2022. Transportation expense guidance was reduced to between \$4.45/boe and \$4.65/boe, due to lower-than-expected tolls and fuel costs, with actual transportation expense being just below our revised guidance at \$4.43/boe.

G&A/Finance Expense

Advantage's G&A/Finance expense of \$1.65/boe was 6% higher than guidance due to incremental G&A costs associated with increased staffing levels, and increased interest on bank indebtedness due to increased interest rates and share buybacks totaling \$241 million (see "Corporate Update – Share Buyback Program").

Corporate Update (continued)

Share Buyback Program

Advantage dedicated all free cash flow in 2022 towards purchasing for cancellation, common shares of the Corporation. This was achieved through purchasing 13.3 million common shares under a normal course issuer bid ("NCIB"), and 8.9 million common shares under a substantial issuer bid ("SIB"), resulting in \$241.0 million being returned to the Corporation's shareholders under the share buyback program (see "Shareholders' Equity").

Subsequent to December 31, 2022, the Corporation purchased 5.4 million common shares under the NCIB, achieving the maximum number of common shares that could be purchased under the Corporation's current NCIB. Advantage plans to apply for renewal of the NCIB in April 2023.

Entropy

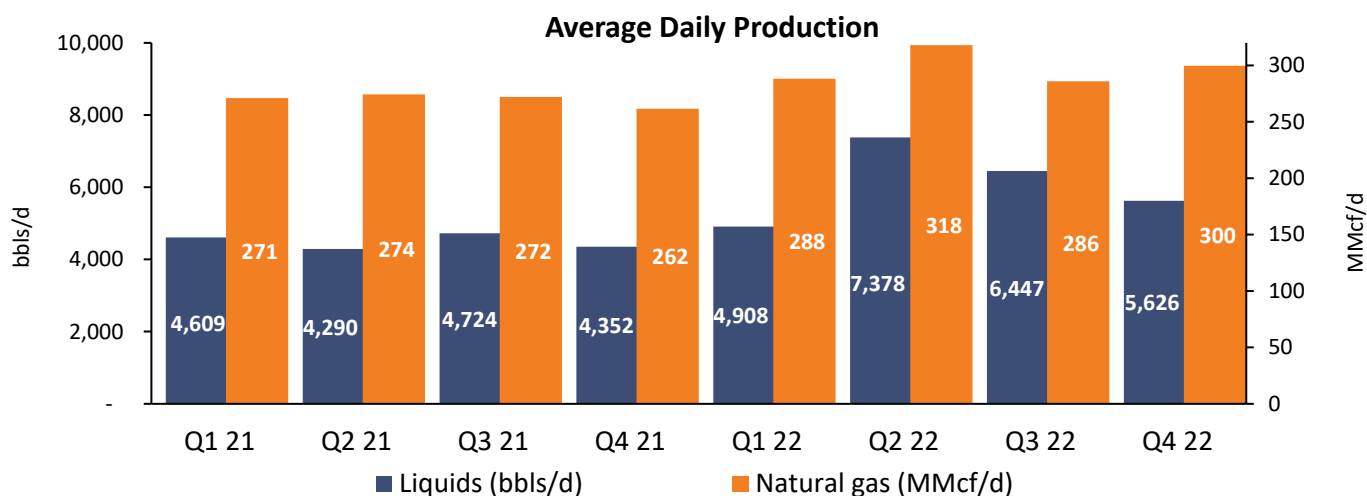
On March 25, 2022, Entropy Inc. ("Entropy") announced a strategic \$300 million investment agreement with Brookfield Global Transition Fund ("Brookfield") to scale up deployment of Entropy's CCS technology. In connection with the investment agreement, on April 5, 2022, Entropy issued an unsecured debenture for \$25.0 million, which is non-recourse to Advantage.

In the third quarter of 2022, Entropy completed commissioning on its first post combustion CCS project at the Glacier Gas Plant. Commissioning of Phase 1 (47,000 tonnes per annum of CO₂e ("TPA")) was completed as expected with "first carbon" injected into permanent geological storage during August, with process optimization and testing ongoing. Entropy believes this is the world's first commercial project to capture and sequester carbon dioxide from the combustion of natural gas.

Now that Entropy's advanced technology has been proven at Glacier, Entropy has begun expanding its team with a focus on commercial growth in the United States and Canada. Entropy's near-term projects include approximately 1.5 mmtpa of post-combustion projects, including Glacier (200,000 tpa), Athabasca Leismer (440,000 tpa), the CRC project (400,000 tpa) and an additional Alberta project on turbines and boilers (450,000 tpa). All of these projects have the potential to advance to procurement and construction during 2023 and represent first-in-kind deployment of CCS technology. Mid-term and long-term projects remain well in excess of 10 mmtpa.

Production

Average Daily Production	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Crude oil (bbls/d)	1,854	816	127	1,972	1,101	79
Condensate (bbls/d)	1,092	1,012	8	1,082	844	28
NGLs (bbls/d)	2,680	2,524	6	3,039	2,548	19
Total liquids production (bbls/d)	5,626	4,352	29	6,093	4,493	36
Natural gas (Mcf/d)	299,684	261,530	15	298,053	269,710	11
Total production (boe/d)	55,573	47,940	16	55,769	49,445	13
Liquids (% of total production)	10	9		11	9	
Natural gas (% of total production)	90	91		89	91	



For the three months ended December 31, 2022, Advantage recorded total production averaging 55,573 boe/d, while achieving record total production of 55,769 boe/d for the year ended December 31, 2022, increasing 16% and 13%, respectively, compared to the same periods of the prior year.

Natural gas production for the three months and year ended December 31, 2022 averaged 300 MMcf/d and 298 MMcf/d, respectively, increases of 15% and 11% compared to the same periods of the prior year. Advantage's natural gas production increased as a result of continued development at Glacier and Valhalla, where the Corporation continues to drill among the top producing natural gas wells in the Alberta Montney (see "Cash Used in Investing Activities and Net Capital Expenditures"). Advantage was able to successfully maintain natural gas production at the Glacier Gas Plant through periods of severe cold weather experienced during the fourth quarter, while "firm service" restrictions on TC Energy's NGTL system impacted the industry and our ability to produce an additional 5 MMcf/d of natural gas during the quarter.

Liquids production for the three months and year ended December 31, 2022 averaged 5,626 bbls/d and 6,093 bbls/d, respectively, increases of 29% and 36% compared to the same periods of the prior year, as a result of our liquids development focus whereby additional Wembley wells were brought onstream in 2022 (see "Cash Used in Investing Activities and Net Capital Expenditures").

Advantage expects total annual production to increase to between 59,000 and 62,500 boe/d in 2023 based on the Corporation's planned 2023 capital program (see "Corporate Update").

Commodity Prices and Marketing

Average Realized Prices ⁽²⁾	Three months ended			Year ended		
	December 31 2022	December 31 2021	% Change	December 31 2022	December 31 2021	% Change
Natural gas						
Excluding derivatives (\$/Mcf)	6.49	5.44	19	6.82	3.97	72
Including derivatives (\$/Mcf)	5.65	4.17	35	5.55	3.38	64
Liquids						
Crude oil (\$/bbl)	99.70	90.89	10	113.84	77.66	47
Condensate (\$/bbl)	106.58	96.02	11	119.34	81.89	46
NGLs (\$/bbl)	67.05	54.39	23	71.26	47.77	49
Total liquids excluding derivatives (\$/bbl)	85.48	70.91	21	93.58	61.50	52
Total liquids including derivatives (\$/bbl)	86.39	54.70	58	92.48	50.92	82
Average Benchmark Prices						
Natural gas ⁽¹⁾						
AECO daily (\$/Mcf)	5.10	4.66	9	5.24	3.62	45
AECO monthly (\$/Mcf)	5.68	4.93	15	5.57	3.57	56
Empress daily (\$/Mcf)	6.04	5.02	20	6.50	3.88	68
Henry Hub (\$US/MMbtu)	6.26	5.32	18	6.47	3.97	63
Emerson 2 daily (\$US/MMbtu)	4.94	4.30	15	5.52	3.41	62
Dawn daily (\$US/MMbtu)	5.16	4.65	11	6.05	3.61	68
Chicago Citygate (\$US/MMbtu)	5.57	5.86	(5)	6.29	3.78	66
Ventura (\$US/MMbtu)	5.77	5.63	2	6.31	3.66	72
Liquids						
WTI (\$US/bbl)	82.63	77.17	7	94.23	67.96	39
MSW Edmonton (\$/bbl)	110.06	93.26	18	119.56	80.33	49
Average Exchange rate (\$US/\$CDN)	0.7363	0.7937	(7)	0.7687	0.7976	(4)

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

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

Liquids

Advantage's realized liquids price excluding derivatives for the three months and year ended December 31, 2022 was \$85.48/bbl and \$93.58/bbl, respectively, increases of 21% and 52% compared to the same periods of the prior year. Realized crude oil, condensate and NGL prices excluding derivatives all increased in 2022 when compared to 2021 largely due to the Ukrainian-Russian war. Liquids prices in the fourth quarter of 2022 declined from their highs in the second quarter due to economic global recession concerns. The price that Advantage receives for crude oil and condensate production is largely driven by global supply and demand and the Edmonton light sweet oil and condensate price differentials. Approximately 64% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attracts higher market prices than other NGLs.

Natural gas

Advantage's realized natural gas price excluding derivatives for the three months and year ended December 31, 2022 was \$6.49/Mcf and \$6.82/Mcf, respectively, increases of 19% and 72% compared to the same periods of the prior year. These increases were attributed to higher natural gas benchmark prices in all markets where Advantage physically delivers natural gas and has market diversification exposure. Advantage has realized natural gas prices higher than AECO as we currently have significant market exposure at Dawn, Empress, Emerson, Chicago and Ventura.

Commodity Prices and Marketing (continued)

Advantage continues to invest in additional transportation commitments to diversify production to alternative markets, thereby reducing price volatility and achieving higher operating netbacks (see "Transportation Expense"). In the first quarter of 2022, Advantage added 47.4 MMcf/d of firm transportation capacity to Empress, AB on the NGTL system for a 4-year term commencing April 2022. During the third quarter of 2022, Advantage added an additional 23.7 MMcf/d of firm transportation capacity to Empress for a 3-year term commencing September 2022.

Beginning in November 2022, Advantage began pre-commissioning deliveries of 12,500 MMBtu/d on the Alliance pipeline in connection with its agreement with Competitive Power Ventures ("CPV"), whereby Advantage receives a Chicago Citygate price, less Alliance tolls. Upon commissioning of the CPV Three Rivers plant in 2023, Advantage will deliver 25,000 MMBtu/d, receiving a PJM based spark-spread pricing formula.

Advantage has certain marketing transactions whereby the price received for downstream market exposure is exchanged for AECO plus a premium that well exceeds the transportation cost to that market. Although these transactions resulted in premium pricing versus AECO, AECO underperformed by a larger margin in the third quarter of 2022, offsetting the gains and resulting in lower recognized revenue during that quarter.

The following table outlines the Corporation's 2022 and 2023 forward-looking natural gas market exposure, excluding hedging.

Sales Markets	Forward-looking 2023 ⁽²⁾		2022	
	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)
AECO	90.9	28	128.8	43
AECO premium ⁽³⁾	10.9	3	47.9	16
Empress	89.2	28	32.1	11
Emerson	24.3	8	4.5	1
Dawn	51.5	16	52.7	18
Chicago	20.3	6	17.1	6
Ventura	15.0	5	15.0	5
PJM power price ⁽⁴⁾	18.8	6	-	-
Total	320.8⁽²⁾	100	298.1	100

⁽¹⁾ Converted on the basis of 1 Mcf = 1.055056 GJ and 1 Mcf = 1 Mmbtu.

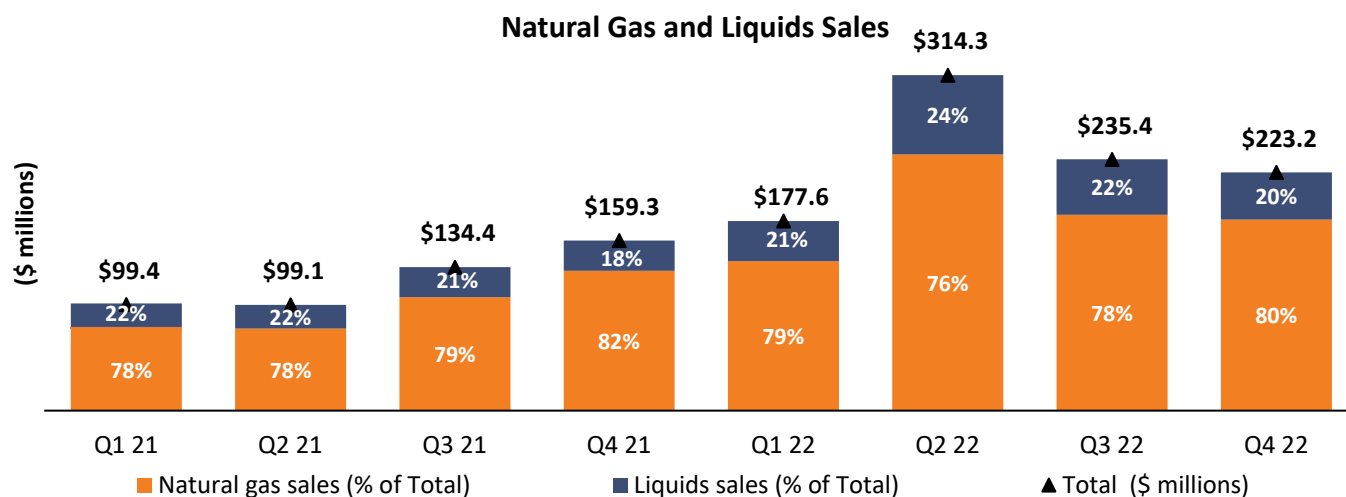
⁽²⁾ Represents the midpoint of our 2023 guidance for natural gas production volumes (see News Release dated December 1, 2022).

⁽³⁾ Represents marketing transactions where the price received for the Corporation's downstream market exposure is priced at AECO plus a fixed basis premium, which is greater than the transportation cost to reach such downstream markets.

⁽⁴⁾ Sales are based upon a spark-spread pricing formula, providing Advantage exposure to PJM power prices, back-stopped with a natural gas price collar.

Natural gas and liquids sales

(\$000, except as otherwise indicated)	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Crude oil	17,006	6,823	149	81,938	31,209	163
Condensate	10,707	8,940	20	47,129	25,226	87
NGLs	16,532	12,629	31	79,042	44,423	78
Liquids	44,245	28,392	56	208,109	100,858	106
Natural gas	178,955	130,863	37	742,349	391,177	90
Natural gas and liquids sales	223,200	159,255	40	950,458	492,035	93
per boe	43.66	36.11	21	46.69	27.26	71



Natural gas and liquids sales for the three months and year ended December 31, 2022, increased by \$63.9 million or 40% and \$458.4 million or 93%, respectively, compared to the same corresponding periods of 2021.

For the year ended December 31, 2022, natural gas sales increased by \$351.2 million or 90%, compared to 2021, due to a 72% increase in realized gas prices (see "Commodity Prices and Marketing"), accompanied with an 11% increase in natural gas production volumes (see "Production"). Liquids sales increased by \$107.3 million, or 106%, due to a 52% increase in realized liquids prices (see "Commodity Prices and Marketing"), accompanied with a 36% increase in liquids production volumes (see "Production").

For the three months ended December 31, 2022, natural gas sales increased by \$48.1 million or 37%, compared to the corresponding period in 2021, due to a 19% increase in realized gas prices (see "Commodity Prices and Marketing"), accompanied with a 15% increase in natural gas production volumes (see "Production"). Fourth quarter liquids sales increased by \$15.9 million, or 56%, due to a 21% increase in realized liquids prices (see "Commodity Prices and Marketing"), accompanied with a 29% 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 to reduce the volatility of cash provided by operating activities supporting 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 derivative contracts on up to 75% of total estimated production over the first three years and up to 50% over the fourth and fifth years. In addition, the Credit Facilities allow us to enter basis swap arrangements to any natural gas price point in North America for up to 100,000 MMBtu/d with a maximum term of seven years. Basis swap arrangements are excluded from hedged production limits.

The Corporation enters into financial risk management derivative contracts to manage the Corporation's exposure to commodity price risk, foreign exchange risk and interest rate risk. A summary of realized and unrealized derivative gains and losses for the three months and year ended December 31, 2022, and 2021 are as follows:

	Three months ended		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Realized gains (losses) on derivatives				
Natural gas	(23,114)	(30,646)	(138,871)	(58,909)
Crude oil	470	(6,489)	(2,430)	(17,353)
Foreign exchange	(1,700)	218	(2,729)	2,368
Interest rate	-	(171)	(104)	(684)
Total	(24,344)	(37,088)	(144,134)	(74,578)
Unrealized gains (losses) on derivatives				
Natural gas	69,436	49,607	29,647	16,480
Crude oil	(524)	5,831	(20)	2,074
Foreign exchange	2,329	(67)	(687)	(4,525)
Interest rate	-	171	136	666
Natural gas embedded derivative	(8,609)	28,957	42,176	54,305
Unsecured debentures	(3,651)	-	(3,965)	-
Total	58,981	84,499	67,287	69,000
Gains (losses) on derivatives				
Natural gas	46,322	18,961	(109,224)	(42,429)
Crude oil	(54)	(658)	(2,450)	(15,279)
Foreign exchange	629	151	(3,416)	(2,157)
Interest rate	-	-	32	(18)
Natural gas embedded derivative	(8,609)	28,957	42,176	54,305
Unsecured debentures	(3,651)	-	(3,965)	-
Total	34,637	47,411	(76,847)	(5,578)

Financial Risk Management (continued)

Natural gas

For the three months and year ended December 31, 2022, Advantage realized net losses on natural gas derivatives of \$23.1 million and \$138.9 million, respectively, due to the settlement of contracts with average derivative contract prices that were below average market prices.

For the three months and year ended December 31, 2022, Advantage recognized a net unrealized gain on natural gas derivatives of \$69.4 million and \$29.6 million, respectively. Unrealized gains are a result of changes in the fair value of the Corporation's outstanding natural gas derivative contracts accompanied with the settlement of contracts. For the three months and year ended December 31, 2022, the change in the fair value of our outstanding natural gas derivative contracts was impacted by the increased asset valuation of our natural gas derivative contracts due to the expiration of contracts at lower fixed prices, weakening Henry Hub prices, and narrowing of the AECO/Henry Hub basis.

Crude oil

For the three months and year ended December 31, 2022, Advantage realized a net gain on crude oil derivatives of \$0.5 million and a net loss of \$2.4 million, respectively. The gain in the three months ended December 31, 2022, is due to the settlement of contracts with average derivative contract prices that were above average market prices as a result of the decline in WTI prices during the quarter. The loss for the year ended December 31, 2022, is due to the settlement of contracts with average derivative contract prices that were below average market prices as a result of the increase in WTI prices in 2022. For the three months ended December 31, 2022, Advantage recognized a net unrealized loss on crude oil derivatives of \$0.5 million. The valuation of our crude oil derivative contracts is due to timing of 2022 contracts concluding, while not entering any further crude oil futures contracts at this time.

Foreign exchange

For the three months and year ended December 31, 2022, Advantage realized a loss on foreign exchange derivatives of \$1.7 million and \$2.7 million, respectively, while recognizing an unrealized gain of \$2.3 million and an unrealized loss of \$0.7 million, respectively. The \$2.3 million unrealized gain for the three months ended December 31, 2022 is due to the realization of losses throughout the period resulting in a lower liability at December 31, 2022.

Interest rate

Advantage has no outstanding interest rate derivative contracts as at December 31, 2022.

Financial Risk Management (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 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 year ended December 31, 2022, the Corporation's embedded derivative resulted in an unrealized gain on the natural gas embedded derivative of \$42.2 million as a result of strengthening PJM power prices relative to the host contract.

Unsecured debentures derivative

The Entropy unsecured debentures have exchange features that meet the definition of a derivative liability, as the exchange features allow the unsecured debentures to be potentially exchanged for a variable number of Entropy common shares (see "Unsecured Debentures"). The Corporation will record unrealized gains (losses) as the valuation of the conversion option changes. For the year ended December 31, 2022, the Entropy unsecured debentures derivative liability resulted in an unrealized loss of \$4.0 million due to the increased value of the conversion option.

Financial Risk Management (continued)

The fair value of derivative assets and liabilities is the estimated value to settle the outstanding contracts as at a point in time. As such, unrealized derivative gains and losses do not impact adjusted funds flow and the actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices, foreign exchange rates and interest rates as compared to the valuation assumptions. Remaining derivative contracts will settle between January 1, 2023 and December 31, 2024, apart from the Corporation's natural gas embedded derivative which is expected to be settled between the years 2023 and 2033.

As at December 31, 2022 and February 23, 2023, the Corporation had the following commodity and foreign exchange derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas – AECO 7A			
Fixed price swap	April 2023 to October 2023	18,956 Mcf/d	Cdn \$4.35/Mcf
Natural gas - Henry Hub NYMEX			
Fixed price swap	November 2022 to March 2023	105,000 Mcf/d	US \$4.98/Mcf
Fixed price swap	April 2023 to October 2023	25,000 Mcf/d	US \$3.35/Mcf
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
Basis swap	January 2023 to March 2023	5,000 Mcf/d	Henry Hub less US \$0.98/Mcf
Natural gas - Dawn			
Fixed price swap	April 2023 to October 2023	15,000 Mcf/d	US \$2.92/Mcf ⁽¹⁾

Description of Derivative	Term	Notional Amount	Rate
Forward rate - CAD/USD			
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	March 2022 to February 2023	US \$ 1,500,000/month	1.2719
Average rate currency swap	May 2022 to March 2023	US \$1,000,000/month	1.2850

(1) Contract entered into subsequent to December 31, 2022

Processing and Other Income

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Processing and other income (\$000)	3,091	-	nm	9,082	-	nm
per boe	0.60	-	nm	0.45	-	nm

Advantage earned processing income from contracts entered in 2022 whereby the Corporation charges third-parties to utilize excess capacity at the Glacier Gas Plant and the Progress battery.

Net Sales of Purchased Natural Gas

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Sales of purchased natural gas (\$000)	-	-	nm	4,826	-	nm
Natural gas purchases (\$000)	-	-	nm	(4,756)	-	nm
Net sales of purchased natural gas (\$000)	-	-	nm	70	-	nm
per boe	-	-	nm	-	-	nm

The Corporation purchased natural gas volumes to satisfy physical sales commitments during the second quarter planned downtime at the Glacier Gas Plant. 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			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Royalty expense (\$000)	27,154	8,928	204	106,257	27,530	286
per boe	5.31	2.02	163	5.22	1.53	241
Royalty rate (%) ⁽¹⁾	12.2	5.6	6.6	11.2	5.6	5.6

⁽¹⁾ Percentage of natural gas and liquids sales.

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

Royalty expense for the three months and year ended December 31, 2022, increased by \$18.2 million and \$78.7 million, respectively, compared to the same periods of the prior year. The increase in royalty expense was due to significantly higher natural gas and liquids prices accompanied with increased production and royalty rates. 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 the magnitude of production and commodity price. With the much higher commodity price environment and well productivity, Advantage's new wells quickly payout the initial capital invested thereby resulting in higher royalty rates than historically experienced. Advantage expects royalty rates to range from 9% to 12% in 2023.

Operating Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Operating expense (\$000)	17,344	12,870	35	64,269	44,893	43
per boe	3.39	2.92	16	3.16	2.49	27

Operating expense for the three months and year ended December 31, 2022, increased by \$4.5 million and \$19.4 million, increases of 35% and 43%, respectively. The higher operating expense was attributed to the increases in total production, additional third-party processing fees associated with higher production at Wembley, inflation impacts, and higher insurance premiums and property taxes tied to generating increased natural gas and liquids sales. Operating expense per boe increased by 16% and 27%, respectively, largely due to higher liquids production from our Wembley area.

Advantage expects 2023 annual operating expense per boe to remain consistent at approximately \$3.25/boe (see "Corporate Update").

Transportation Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Natural gas (\$000)	20,651	18,019	15	81,313	64,876	25
Liquids (\$000)	1,986	1,749	14	8,780	5,564	58
Total transportation expense (\$000)	22,637	19,768	15	90,093	70,440	28
per boe	4.43	4.48	(1)	4.43	3.90	14

Transportation expense represents the cost of transporting our natural gas and liquids production to the sales points, including associated fuel costs. Transportation expense for the three months and year ended December 31, 2022 increased by \$2.9 million and \$19.6 million, respectively, increases of 15% and 28%. The increase in transportation expenses are a result of the increased NGTL tolls, higher fuel costs associated with increased natural gas prices, additional downstream natural gas transportation and additional liquids transportation associated with higher liquids production.

Advantage expects 2023 annual transportation expense per boe to average approximately \$4.75/boe (see "Corporate Update"), slightly higher than 2022 as a result of increased liquids production and expected tolls increases.

Operating Netback

	Three months ended December 31			
	2022		2021	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	223,200	43.66	159,255	36.11
Realized losses on derivatives	(24,344)	(4.76)	(37,088)	(8.41)
Processing and other income	3,091	0.60	-	-
Royalty expense	(27,154)	(5.31)	(8,928)	(2.02)
Operating expense	(17,344)	(3.39)	(12,870)	(2.92)
Transportation expense	(22,637)	(4.43)	(19,768)	(4.48)
Operating netback ⁽¹⁾	134,812	26.37	80,601	18.28

	Year ended December 31			
	2022		2021	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	950,458	46.69	492,035	27.26
Realized losses on derivatives	(144,134)	(7.08)	(74,578)	(4.13)
Processing and other income	9,082	0.45	-	-
Net sales of purchased natural gas	70	-	-	-
Royalty expense	(106,257)	(5.22)	(27,530)	(1.53)
Operating expense	(64,269)	(3.16)	(44,893)	(2.49)
Transportation expense	(90,093)	(4.43)	(70,440)	(3.90)
Operating netback ⁽¹⁾	554,857	27.25	274,594	15.21

⁽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 and year ended December 31, 2022, Advantage's operating netback increased by 67% and 102%, respectively, or \$8.09/boe and \$12.04/boe. The increase in the Corporation's operating netback per boe for both periods was primarily due to the increase in natural gas and liquids sales as a result of significantly increased natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This increase was partially offset by realized losses on derivatives similarly due to significantly increased natural gas and crude oil benchmark prices (see "Financial Risk Management"), as well as higher royalty expense due to the increased natural gas and liquids sales (see "Royalty Expense").

General and Administrative Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
General and administrative expense (\$000)	5,389	4,940	9	22,283	19,860	12
per boe	1.05	1.12	(6)	1.09	1.10	(1)
Employees at December 31				52	42	24

General and administrative ("G&A") expense for the three months and year ended December 31, 2022, increased by \$0.4 million and \$2.4 million, respectively, increases of 9% and 12%. For the three months and year ended December 31, 2022, the Corporation's G&A expense increased largely due to an increase in employees including hires to properly resource the Entropy business, and other incremental G&A expense incurred by Entropy.

Share-based Compensation

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Share-based compensation (\$000)	1,843	1,761	5	7,766	6,786	14
Capitalized (\$000)	(560)	(561)	-	(2,242)	(2,051)	9
Cash settled awards (\$000)	-	-	nm	-	(682)	nm
Share-based compensation expense (\$000)	1,283	1,200	7	5,524	4,053	36
per boe	0.25	0.27	(7)	0.27	0.22	23

The Corporation'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 the Corporation's restricted and performance award incentive plan, Performance Share Units are granted to service providers of Advantage which cliff vest after three years from grant date. Capitalized share-based compensation is attributable to personnel involved with the development of the Corporation's capital projects.

The Corporation recognized \$1.3 million and \$5.5 million of share-based compensation expense during the three months and year ended December 31, 2022, respectively, and capitalized \$0.6 million and \$2.2 million. For the year ended December 31, 2022, total share-based compensation increased by 36%, as a result of an increase in grants from a higher head count, accompanied with increased weighting of performance awards issued versus cash-based awards, compared to prior years.

Finance Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Cash finance expense (\$000)	5,161	4,565	13	18,690	20,081	(7)
per boe	1.01	1.04	(3)	0.92	1.11	(17)
Accretion expense (\$000)	470	251	87	1,737	1,108	57
Total finance expense (\$000)	5,631	4,816	17	20,427	21,189	(4)
per boe	1.10	1.09	1	1.00	1.17	(15)

Advantage realized higher cash finance expense during the three months ended December 31, 2022, as a result of increasing interest rates on bank indebtedness, partially offset by a lower average outstanding bank indebtedness when compared to the same period in 2021.

Advantage realized lower cash finance expense for the year ended December 31, 2022, as a result of decreased average outstanding bank indebtedness when compared to the same periods in 2021, partially offset by an increase in interest rates on bank indebtedness, and interest on unsecured debentures. 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.

On April 5, 2022, the Corporation's subsidiary Entropy issued a \$25 million unsecured debenture that is non-recourse to Advantage. The unsecured debenture bears an interest rate of 8% that Entropy can elect to pay in cash or pay-in-kind. Any paid-in-kind interest is added to the aggregate principal amount of the unsecured debenture. For the three months and year ended December 31, 2022, Entropy incurred interest of \$0.5 million and \$1.5 million, respectively, that was paid in cash (see "Unsecured Debentures").

Depreciation Expense and Impairment Recovery

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Depreciation expense (\$000)	32,349	25,998	24	133,917	106,786	25
per boe	6.33	5.89	7	6.58	5.92	11
Impairment recovery (\$000)	-	(340,653)	nm	-	(340,653)	nm

The increase in depreciation expense during the three months and year ended December 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 2022 production (see "Production").

Income Taxes

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Income tax expense (\$000)	35,621	108,890	(67)	105,138	121,092	(13)
Effective tax rate (%)	23.9	23.2	3	23.7	22.7	4

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three months and year ended December 31, 2022, the Corporation recognized a deferred income tax expense of \$35.6 million and \$105.1 million, respectively. As at December 31, 2022, the Corporation had a deferred income tax liability of \$201.4 million. Advantage expects it will not be subject to cash taxes until calendar 2025 due to over \$1 billion in tax pools.

The estimated tax pools available at December 31, 2022 are as follows:

(\$ millions)

Canadian development expenses	218.3
Canadian exploration expenses	68.5
Canadian oil and gas property expenses	12.2
Non-capital losses	411.8
Undepreciated capital cost	240.5
Capital losses	135.1
Scientific research and experimental development expenditures	32.5
Other	6.4
	1,125.3

Net Income and Comprehensive Income attributable to Advantage shareholders

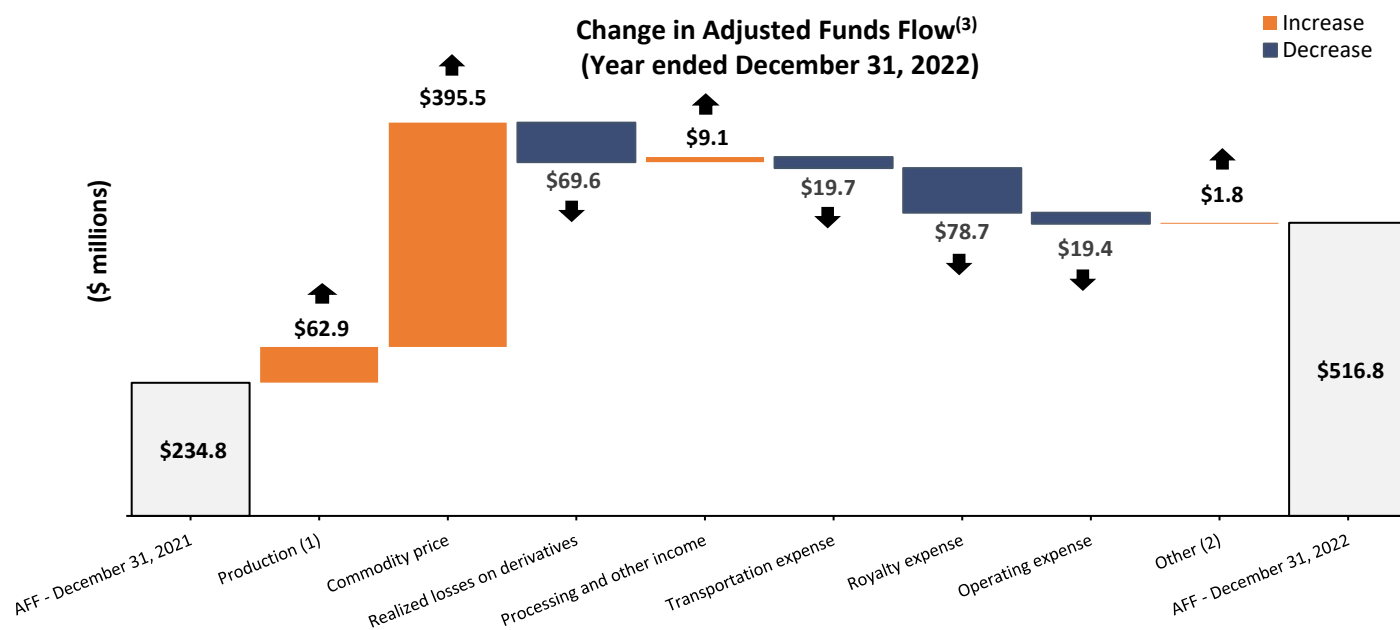
	Three months ended			Year ended		
	December 31 2022	2021	% Change	December 31 2022	2021	% Change
Net income and comprehensive income attributable to Advantage shareholders (\$000)	113,962	360,035	(68)	338,667	411,523	(18)
per share - basic	0.63	1.90	(67)	1.81	2.17	(16)
per share - diluted	0.61	1.81	(66)	1.75	2.07	(16)

Advantage recognized net income attributable to Advantage shareholders of \$114.0 million and \$338.7 million for the three months and year ended December 31, 2022, respectively. For the year ended December 31, 2022, net income and comprehensive income attributable to Advantage shareholders was lower when compared to 2021 due to the non-cash impairment recovery of \$340.7 million offset by a deferred tax expense of \$121.1 million, recognized in the fourth quarter of 2021. This is significantly offset by the much higher operating netback in 2022 driven by higher realized pricing (see "Operating Netback").

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

(\$000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Cash provided by operating activities	112,558	67,464	502,378	223,152
Expenditures on decommissioning liability	1,144	253	2,215	1,033
Changes in non-cash working capital	10,503	3,510	12,197	10,639
Adjusted funds flow ⁽¹⁾	124,205	71,227	516,790	234,824
Adjusted funds flow per boe ⁽¹⁾	24.29	16.15	25.39	13.01
Adjusted funds flow per share ⁽¹⁾	0.69	0.37	2.76	1.24

⁽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⁾ Other includes net sales of purchased natural gas, G&A expense, finance expense (excluding accretion of decommissioning liability and unsecured debentures) and foreign exchange gain.

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

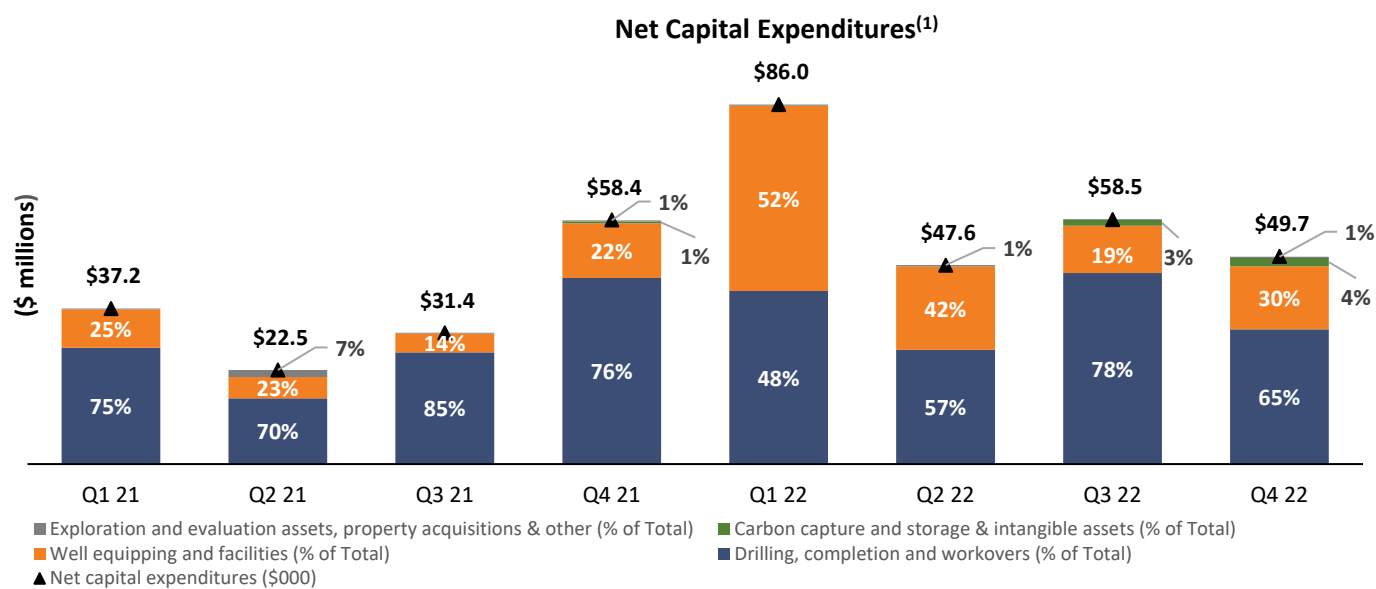
For the three months and year ended December 31, 2022, Advantage realized cash provided by operating activities of \$112.6 million and \$502.4 million, respectively, increases of \$45.1 million and \$279.2 million when compared to the same periods of 2021. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of \$124.2 million and \$516.8 million, increases of \$53.0 million and \$282.0 million when compared to the same periods of 2021. Adjusted funds flow of \$516.8 million for the year ended December 31, 2022 includes \$521.3 million attributable to Advantage and \$4.5 million of net expenses attributable to Entropy. The increase in cash provided by operating activities and adjusted funds flow for the three months and year ended December 31, 2022 was largely due to the increase in natural gas and liquids sales as a result of both significantly higher natural gas and crude oil benchmark prices and increased total production (see "Commodity Prices and Marketing" and "Production"). This increase was partially offset by higher realized losses on derivatives, and increased royalty expense (see "Financial Risk Management" and "Royalty Expense").

Cash Used in Investing Activities and Net Capital Expenditures

(\$000)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Drilling, completion and workovers	32,178	44,509	146,539	114,697
Well equipping and facilities	15,143	13,132	90,555	31,912
Property, plant and equipment Entropy ⁽¹⁾	1,554	-	2,849	-
Property acquisitions	-	72	-	1,545
Other	342	22	827	81
Expenditures on property, plant and equipment	49,217	57,735	240,770	148,235
Expenditures on exploration and evaluation assets	-	323	-	677
Expenditures on intangible assets ⁽¹⁾	470	326	1,020	491
Net capital expenditures⁽²⁾	49,687	58,384	241,790	149,403
Changes in non-cash working capital	19,373	(13,431)	27,800	(11,564)
Project funding received	-	(14)	(5)	(20,057)
Cash used in investing activities	69,060	44,939	269,585	117,782

(1) Cost incurred by the Corporation's subsidiary, Entropy.

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



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

Advantage and Entropy invested \$49.7 million and \$241.8 million on property, plant, and equipment, exploration and evaluation assets and intangible assets during the three months and year ended December 31, 2022.

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

The following table summarizes wells drilled, completed and on production for the year ended December 31, 2022:

(# of wells)	Year ended December 31, 2022		
	Drilled	Completed	On production
	Gross (Net)	Gross (Net)	Gross (Net)
Glacier	12 (12.0)	10 (10.0)	15 (13.0)
Valhalla	4 (4.0)	4 (4.0)	4 (4.0)
Wembley	6 (4.5)	9 (7.5)	9 (7.5)
Progress	2 (2.0)	-	-
	24 (22.5)	23 (21.5)	28 (24.5)

Glacier

Production at Advantage's Glacier gas property has continued to grow, surpassing a peak production level of 50,000 boe/d during the first half of 2022 after being the focus of our 2021 capital program. During the first half of 2022, 5.0 gross (3.0 net) wells were brought on production. Drilling resumed during the second half of 2022 with 12 wells rig released and 10 wells completed. All 10 of these wells were placed on production later in the fourth quarter with production climbing and surpassing 2022 levels in January 2023. Production is expected to continue to grow into the second quarter of 2023 when raw gas capacity of the Glacier Gas Plant will be expanded to 425 MMcf/d and wells drilled during the first quarter of 2023 are brought on production.

During 2022, a total of 15 gross wells (13.0 net) were brought on production with exceptional well performance driving average peak IP30 rate of the wells to 12.4 MMcf/d raw natural gas, despite wells being choked back to minimize erosional risks and impacts on existing nearby wells.

Construction and commissioning of the Glacier Gas Plant Phase 1 CCS and waste heat recovery project designed to reduce emissions by 47,000 TPA of CO₂e, was completed as expected with "first carbon" injected into permanent geological storage during August. This milestone is an important step for Advantage and Entropy in developing modular CCS technology and continuing to lower corporate emissions to achieve the Corporation's net zero 2025 target. Under the Government of Canada's proposed refundable ITC for CCUS projects, the Corporation expects it is entitled to recover approximately \$15 million to \$20 million of its incurred net capital expenditures. As the ITC has yet to receive royal ascent in the House of Commons, the Corporation is unable to recognize this benefit as at December 31, 2022.

Valhalla

Advantage drilled 4.0 gross (4.0 net) wells at Valhalla during 2022. Two wells were placed on production during the second quarter and two wells placed on production in the third quarter. The wells' IP30 average production rate was 1,179 boe/d (4.8 MMcf/d natural gas, 282 bbls/d condensate and 92 bbls/d NGLs) despite the wells being choked back to minimize erosional risks. All Valhalla production flows through Advantage-owned infrastructure to our Glacier Gas Plant. Strong well results support Management's view that our Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan.

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

Wembley

At Wembley, development of this oil-weighted property was weighted to the first half of 2022 with an active program consisting of 3.0 gross (3.0 net) wells drilled, 6.0 gross (6.0 net) wells completed and 6.0 gross (6.0 net) wells placed on production. The Wembley asset is now connected to two major processing facilities providing sufficient gas processing capacity for future growth. Following the last group of wells in the second quarter being placed on production, the property achieved record production.

Drilling resumed in the third quarter with 3.0 gross (1.5 net) wells rig released, completed and placed on production later in the fourth quarter. One of the wells on the pad has targeted a new development layer that will be evaluated by Advantage for the first time in Wembley to further evaluate this multi-layer oil-weighted property. Following up on the success of 2022, seven additional wells are scheduled to be drilled during the first half of 2023 and will utilize existing capacity in our 100% owned Wembley compressor site and liquids handling hub.

Progress

Construction of the first phase (inlet separation and compression) of our 100% owned Progress compressor site and liquids handling hub was completed early in the second quarter providing additional gas and liquids handling at Progress, generating processing income with a 5-year commitment from a third-party that will utilize excess capacity at this facility and the Glacier Gas Plant, while freeing up capacity at Valhalla. Construction of Phase 2, which will add water handling and disposal is taking place in the first quarter of 2023 and will accommodate additional production from two wells drilled during the fourth quarter. These wells will be placed on production during the second quarter of 2023 following the commissioning of the expanded site.

Entropy

Entropy incurred \$3.9 million of net capital expenditures during the year ended December 31, 2022, including \$1.0 million related to the technology development and testing of Entropy's proprietary carbon capture solvents and processes (intangible assets), and \$2.9 million related to initial engineering and design work for the Athabasca Leismer CCS project, and optimization costs for the Glacier Gas Plant Phase 1 CCS project.

Commitments and Contractual Obligations

The Corporation has commitments and contractual obligations in the normal course of operations. Such commitments include operating costs for our head office lease, natural gas processing costs associated with third-party facilities, and transportation costs for delivery of our natural gas and liquids (crude oil, condensate and NGLs) production to sales points. Transportation commitments are required to ensure our production is delivered to sales markets and Advantage actively manages our portfolio in conjunction with our future development plans ensuring we are properly diversified to multiple markets. Of our total transportation commitments, \$238 million is required for delivery of natural gas and liquids production to Alberta markets, while Advantage has proactively committed to \$212 million in additional transportation to diversify natural gas production to the Dawn, Empress and Emerson markets, with the objective of reducing price volatility and achieving higher operating netbacks (see "Transportation Expense"). Contractual obligations comprise those liabilities to third-parties incurred for the purpose of financing Advantage's business and development, including our bank indebtedness.

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

(\$ millions)	Payments due by period						
	Total	2023	2024	2025	2026	2027	Beyond
Building operating cost ⁽¹⁾	1.9	0.4	0.4	0.4	0.4	0.3	-
Processing	53.7	7.9	10.0	9.5	7.0	7.0	12.3
Transportation	450.0	74.5	74.5	72.3	60.1	48.2	120.4
Total commitments	505.6	82.8	84.9	82.2	67.5	55.5	132.7
Performance Awards	13.6	6.0	5.9	1.7	-	-	-
Lease liability	2.3	0.5	0.5	0.5	0.4	0.3	0.1
Financing liability	158.8	12.7	12.7	12.7	12.7	12.7	95.3
Bank indebtedness ⁽²⁾							
- principal	180.0	-	180.0	-	-	-	-
- interest	20.3	13.5	6.8	-	-	-	-
Unsecured debentures ⁽³⁾	25.0	-	-	-	-	-	25.0
Total contractual obligations	400.0	32.7	205.9	14.9	13.1	13.0	120.4
Total future payments	905.6	115.5	290.8	97.1	80.6	68.5	253.1

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

⁽²⁾ As at December 31, 2022 the Corporation's bank indebtedness was governed by a credit facility agreement with a syndicate of financial institutions. The Credit Facility has a tenor of two years with a maturity date in June 2024 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May and semi-annually on or before November. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time. During the term, no principal payments are required until the revolving period matures in June 2024 in the event of a reduction, or the Credit Facility not being renewed. Management fully expects that the facilities will be extended at each annual review.

⁽³⁾ The unsecured debentures are a liability of Entropy and are non-recourse to Advantage. The principal balance of unsecured debenture bears an interest rate of 8%, which can be paid-in-kind, or cash, at the discretion of Entropy (see "Unsecured Debentures").

Liquidity and Capital Resources

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

(\$000, except as otherwise indicated)	Year ended December 31, 2022	Year ended December 31, 2021
Bank indebtedness (non-current)	177,200	167,345
Unsecured debentures	15,700	-
Working capital surplus ⁽¹⁾	(71,564)	(6,865)
Net debt⁽¹⁾	121,336	160,480
Shares outstanding	171,652,768	190,828,976
Shares closing market price (\$/share)	9.47	7.41
Market capitalization	1,625,552	1,414,043
Total capitalization	1,746,888	1,574,523
Net debt to adjusted funds flow ratio⁽¹⁾	0.2	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 December 31, 2022, Advantage had a \$350 million Credit Facility of which \$157.8 million or 45% was available after deducting letters of credit of US\$9 million outstanding (see "Bank Indebtedness and Credit Facilities"). The Corporation's adjusted funds flow was utilized to fund our capital expenditure program of \$241.8 million and repurchase and cancel 22.2 million common shares for \$241.0 million (see "Corporate Update – Share Buyback Program"). The Corporation had net debt of \$121.3 million as at December 31, 2022, below our net debt target of \$200 million, with a net debt to adjusted funds flow ratio of 0.2 times. Advantage continues to be focused on preserving a strong balance sheet, maintaining a disciplined commodity risk management program, and successfully executing its multi-year development plan. Advantage intends to allocate all free cash flow in 2023 towards the Corporation's share buyback program, while maintaining our net debt target of \$200 million.

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 and Credit Facilities

As at December 31, 2022, Advantage had bank indebtedness outstanding of \$177.2 million, an increase of \$9.9 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 Alberta Energy Regulator ("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. On June 17, 2022, the Credit Facilities were renewed with no changes to the borrowing base of \$350 million, comprised of a \$30 million extendible revolving operating loan facility from one financial institution and a \$320 million extendible revolving loan facility from a syndicate of financial institutions. The Credit Facility has a tenor of two years with a maturity date in June 2024 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term, no principal payments are required until the revolving period matures in June 2024 in the event of a reduction, or the Credit Facility not being renewed. The Corporation had letters of credit of US\$9 million outstanding at December 31, 2022 (December 31, 2021 - US\$9 million). Subsequent to December 31, 2022 the Corporation issued additional letters of credit of \$2.8 million. The Credit Facilities do not contain any financial covenants, but the Corporation is subject to various affirmative and negative covenants under its Credit Facilities. The Corporation was in compliance with all covenants as at December 31, 2022 and December 31, 2021.

Advantage had a working capital surplus of \$71.6 million as at December 31, 2022, an increase in the surplus of \$64.7 million compared to December 31, 2021 due to increased receivables from higher commodity prices and differences in the timing of capital expenditures and related payments. Our working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits, trade and other accrued liabilities. Working capital varies primarily due to the timing of such items, the current level of business activity including our capital expenditure program, commodity price volatility, and seasonal fluctuations. We do not anticipate any problems in meeting future obligations as they become due as they can be satisfied with cash provided by operating activities and our available Credit Facilities.

Unsecured Debentures

On March 25, 2022, the Corporation's subsidiary Entropy entered into an investment agreement with Brookfield, who provided a capital commitment of \$300 million. Entropy will issue unsecured debentures to fund CCS projects that reach final investment decision as certain predetermined return thresholds are met. Under the terms of the unsecured debentures, Entropy and the respective investor have options that provide for the unsecured debentures to be exchanged for Entropy common shares at an exchange price of \$10 per share, subject to adjustment in certain circumstances. The investor has the option to exchange the outstanding unsecured debentures to Entropy for Entropy common shares at any time while Entropy may commence a mandatory exchange of unsecured debentures for Entropy common shares in advance of an initial public offering. The unsecured debentures have a term of 10 years, if not exchanged prior thereto, which are to be repaid at the end of the term in an amount equal to or greater of the principal amount and the investor's pro rata share of the fair market value of Entropy and are non-recourse to Advantage. Each debenture issued by Entropy bears an interest rate of 8% per annum that Entropy can elect to pay in cash or pay-in-kind, due on a quarterly basis. Any paid-in-kind interest is added to the aggregate principal, subject to certain limitations.

On April 5, 2022, Entropy issued unsecured debentures and received an initial \$25.0 million in gross proceeds and incurred \$3.8 million of issuance cost. For the year ended December 31, 2022, Entropy incurred interest of \$1.5 million that was paid in cash.

Other Liabilities

In 2020, Advantage sold a 12.5% interest in the Corporation's 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 are treated as a financing transaction with an effective interest rate of 9.1%. During the third quarter of 2022, as part of the planned capital expansion of the Glacier Gas Plant, the working interest partner participated and provided \$5.0 million in additional financing, with the volume commitment fee being revised to \$0.696/Mcf for the remainder of the term. For the year ended December 31, 2022, the Corporation made cash payments of \$12.3 million (December 31, 2020 - \$12.0 million) under the take-or-pay volume commitment agreement.

As at December 31, 2022, Advantage had a decommissioning liability of \$41.9 million (December 31, 2021 – \$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 \$62.8 million (December 31, 2021 – \$57.6 million), with 69% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the year ended December 31, 2022 was \$2.2 million (December 31, 2021 – \$1.0 million). Advantage continues to maintain an industry leading LMR of 28.4, demonstrating that the Corporation has no issues addressing its abandonment, remediation, and reclamation obligations.

Non-controlling interest ("NCI")

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

On May 5, 2021, Entropy issued common shares to Advantage and Allardyce Bower Holdings Inc. ("ABC") in exchange for intangibles and intellectual property, resulting in Advantage and ABC owning 90% and 10% of Entropy, respectively. Advantage consolidates 100% of Entropy and has recognized a non-controlling interest in shareholders' equity, representing the carrying value of the 10% shareholding of Entropy held by outside interests. ABC's contribution of intellectual property to Entropy resulted in the recognition of an intangible asset of \$2.5 million.

For the year ended December 31, 2022, the net loss and comprehensive loss attributed to non-controlling interest was \$0.9 million (December 31, 2021 - \$0.2 million).

Shareholders' Equity

On April 7, 2022, the TSX approved the Corporation commencing a NCIB. Pursuant to the NCIB, Advantage was permitted to purchase for cancellation, from time-to-time, as it considered advisable, up to a maximum of 18,704,019 common shares of the Corporation. The NCIB commenced on April 13, 2022 and is scheduled to 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 were made on the open market through the facilities of the TSX or alternative trading systems. The price that Advantage paid for its common shares under the NCIB was the prevailing market price on the TSX at the time of such purchase. All common shares acquired under the NCIB were cancelled. For the year ended December 31, 2022, the Corporation purchased 13.3 million common shares for cancellation at an average price of \$10.52 per common share for a total of \$140.1 million under the NCIB. As at February 23, 2023, having purchased and cancelled the maximum number of common shares that could be purchased under the Corporation's current NCIB, Advantage concluded its NCIB.

On November 10, 2022, the Corporation commenced a SIB pursuant to which it offered to purchase for cancellation up to \$100 million of its common shares through a modified Dutch auction. The SIB was completed on December 20, 2022, with the Corporation taking up 8,928,571 common shares at a price of \$11.20 per common share, representing an aggregate purchase of \$100 million and 4.9% of the total number of Advantage's issued and outstanding common shares as at the time the SIB was commenced. The Corporation incurred \$0.9 million in transaction costs in connection with the SIB which were included in the cost of acquiring the common shares.

As at December 31, 2022, a total of 4.0 million Performance Share Units were outstanding under the Restricted and Performance Award Incentive Plan, which represents 2.3% of Advantage's total outstanding common shares. During April 2022, 1,585,888 Performance Share Units matured and, subject to a performance payout multiplier, were settled with the issuance of 3,056,992 common shares.

As at February 23, 2023, Advantage had 166.3 million common shares outstanding.

Annual Financial Information

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

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Total revenues (\$000)	803,901	458,927	236,156
Net income (loss) attributable to Advantage shareholders (\$000)	338,667	411,523	(284,045)
Per share - basic	1.81	2.17	(1.51)
Per share - diluted	1.75	2.07	(1.51)
Total assets (\$000)	2,216,958	1,994,990	1,533,709
Total non-current liabilities (\$000)	544,478	444,258	436,531

Quarterly Performance

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(\$000, except as otherwise indicated)								
Financial Statement Highlights								
Natural gas and liquids sales	223,200	235,392	314,297	177,569	159,255	134,354	99,053	99,373
Net income (loss) and comprehensive income (loss)	113,463	40,568	164,234	19,496	359,956	43,098	8,725	(425)
per basic share ⁽²⁾	0.63	0.22	0.86	0.10	1.90	0.23	0.04	0.00
Basic weighted average shares (000)	180,248	186,717	190,415	190,829	190,829	190,829	190,501	188,113
Cash provided by operating activities	112,558	123,224	157,439	109,157	67,464	46,988	57,134	51,566
Cash provided by (used in) financing activities	(49,718)	(71,048)	(37,556)	(50,769)	(27,423)	(26,960)	(21,480)	(7,548)
Cash used in investing activities	(69,060)	(42,822)	(80,720)	(76,983)	(44,939)	(36,940)	(20,834)	(15,069)
Other Financial Highlights								
Adjusted funds flow ⁽¹⁾	124,205	96,651	187,056	108,878	71,227	63,353	46,266	53,978
per boe ⁽¹⁾	24.29	19.39	34.05	22.85	16.15	13.77	10.17	12.04
per basic share ⁽¹⁾⁽²⁾	0.69	0.52	0.98	0.57	0.37	0.33	0.24	0.29
Net capital expenditures ⁽¹⁾	46,838	58,519	47,570	86,014	58,384	31,352	22,482	37,185
Free cash flow ⁽¹⁾	77,367	38,132	139,486	22,864	12,843	32,001	23,784	16,793
Working capital surplus (deficit) ⁽¹⁾	71,564	46,960	77,858	(19,115)	6,865	29,914	27,595	27,516
Bank indebtedness	177,200	113,804	106,776	117,558	167,345	193,828	219,856	240,428
Net debt ⁽¹⁾	121,336	82,432	44,301	136,673	160,480	163,914	192,261	212,912
Operating Highlights								
Production								
Crude oil (bbls/d)	1,854	2,168	2,858	997	816	1,038	1,163	1,395
Condensate (bbls/d)	1,092	1,049	1,128	1,057	1,012	1,002	637	721
NGLs (bbls/d)	2,680	3,230	3,392	2,854	2,524	2,684	2,490	2,493
Total liquids production (bbls/d)	5,626	6,447	7,378	4,908	4,352	4,724	4,290	4,609
Natural gas (mcf/d)	299,684	286,328	317,976	288,226	261,530	271,804	274,328	271,262
Total production (boe/d)	55,573	54,168	60,374	52,946	47,940	50,025	50,011	49,819
Average prices (including realized derivatives)								
Natural gas (\$/mcf)	5.65	4.61	6.75	5.04	4.17	3.48	2.81	3.07
Liquids (\$/bbl)	86.39	87.89	107.83	82.48	50.92	49.68	47.21	48.11
Operating Netback (\$/boe)								
Natural gas and liquids sales	43.66	47.23	57.21	37.26	36.11	29.19	21.76	22.16
Realized losses on derivatives	(4.76)	(12.58)	(8.50)	(2.19)	(8.41)	(5.21)	(2.12)	(0.87)
Processing and other income	0.60	0.46	0.41	0.30	-	-	-	-
Net sales of purchased natural gas	-	-	-	0.01	-	-	-	-
Royalty expense	(5.31)	(5.80)	(6.17)	(3.42)	(2.02)	(1.75)	(1.20)	(1.13)
Operating expense	(3.39)	(3.72)	(2.75)	(2.79)	(2.92)	(2.38)	(2.21)	(2.45)
Transportation expense	(4.43)	(4.48)	(4.44)	(4.36)	(4.48)	(3.86)	(3.72)	(3.57)
Operating netback ⁽¹⁾	26.37	21.11	35.76	24.81	18.28	15.99	12.51	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.

The table above highlights the Corporation's performance for the fourth quarter of 2022 and for the preceding seven quarters. Production was steady in 2021 before decreasing in the fourth quarter due to unplanned "firm service" restrictions on TC Energy's NGTL system but then subsequently increased during 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 increased significantly in the first quarter of 2022 through the fourth quarter of 2022 due to increased production accompanied with strong natural gas and liquids benchmark prices. Natural gas and liquids sales were highest in the second quarter of 2022 due to an exceptionally strong pricing and production environment. 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. As a result of strong commodity prices, the Corporation generated significant net income, cash provided by operating activities, and free cash flow in 2022.

Climate change-related risk and opportunities

Advantage is committed to positive action on emissions reduction. Advantage's expects Scope 1 and 2 emissions to be reduced by approximately 20% with the completion of the Glacier Gas Plant Phase 1 CCS project. Advantage expects a further 40% reduction once Phase 2 is complete. Advantage intends to achieve "net zero" Scope 1 and 2 emissions as early as 2025. In order to accomplish this, Advantage's subsidiary Entropy Inc. is pursuing a carbon capture and storage business plan that will result in negative carbon emissions in excess of Advantage's emissions, assuming that Advantage retains a significant ownership of Entropy. For further information on the Corporation's sustainability results and targets, please view our sustainability reports and information available on the Corporation's website: <https://www.advantageog.com/sustainability>.

Glacier Gas Plant CCS Project

Advantage has multiple capital projects planned at the Glacier Gas Plant to be constructed through its subsidiary Entropy, that once completed, will lead to the Corporation progressing with its greenhouse gas ("GHG") reduction targets. Commissioning of Phase 1 (47,000 TPA CO₂e) was completed in the third quarter of 2022 with "first carbon" injected into permanent geological storage during August (see "Net Capital Expenditures"). Analysis of final project capital for Glacier CCS Phase 1 indicates that future projects are on-track to achieve a capital cost of \$475/tonne/annum (capture only, including inflation) for high-quality mid-sized projects, and lower for large projects.

Entropy is preparing to install its patent-pending Integrated Carbon Capture and Storage™ ("iCCS™") equipment at Glacier (Phase 1b), that is expected to be completed in 2023. Phase 1b is designed to capture and store an additional 16,000 TPA CO₂e and will be the first deployment of Entropy's iCCS™ product, whereby a new 5,000 horsepower gas compressor package will come directly from the fabricator with Entropy's built-in carbon capture process equipment, reducing energy intensity and total installed cost significantly below the cost of a retrofit installation.

Phase 2 is expected to begin construction in 2024 and will reduce the Corporation's emissions by 136,000 TPA CO₂e. Upon completion of Phase 2, Advantage will have achieved a new class of low emissions energy which the Corporation plans to market as "blue natural gas".

Climate change-related risk and opportunities (continued)

Carbon Emissions Reporting and Taxes

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

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 cash generating units ("CGUs") for the purpose of calculating impairment based on their ability to generate largely independent cash inflows. Factors considered in the classification include the integration between assets, shared 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). 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 fair value of unsecured debentures, judgments are required related to the choice of a pricing model, the estimation of share price, volatility, the interest rates, and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Corporation's future operating results.

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

Changes in Accounting Policies

There have been no changes in accounting policies during the year ended December 31, 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 year ended December 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, has evaluated the effectiveness of the Corporation's DC&P as at December 31, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the DC&P are effective as of the end of the year, in all material respects.

Evaluation of Internal Controls over Financial Reporting

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

Management of Advantage, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Corporation's ICFR as at December 31, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the ICFR are effective as of the end of the year, in all material respects.

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

(\$000)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Cash provided by operating activities	112,558	67,464	502,378	223,152
Expenditures on decommissioning liability	1,144	253	2,215	1,033
Changes in non-cash working capital	10,503	3,510	12,197	10,639
Adjusted funds flow	124,205	71,227	516,790	234,824

Net Capital Expenditures

Net capital expenditures include total capital expenditures related to property, plant and equipment, exploration and evaluation assets and intangible assets. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods and excludes cash receipts on government grants. A reconciliation of the most directly comparable financial measure has been provided below:

(\$000)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Cash used in investing activities	69,060	44,939	269,585	117,782
Changes in non-cash working capital	(19,373)	13,431	(27,800)	11,564
Project funding received	-	14	5	20,057
Net capital expenditures	49,687	58,384	241,790	149,403

Specified Financial Measures (continued)

Non-GAAP Financial Measures (continued)

Free Cash Flow

Advantage computes free cash flow as adjusted funds flow less net capital expenditures. Advantage uses free cash flow as an indicator of the efficiency and liquidity of Advantage's business by measuring its cash available after net capital expenditures to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares. A reconciliation of the most directly comparable financial measure has been provided below:

(\$000)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Cash provided by operating activities	112,558	67,464	502,378	223,152
Cash used in investing activities	(69,060)	(44,939)	(269,585)	(117,782)
Changes in non-cash working capital	29,876	(9,921)	39,997	(925)
Expenditures on decommissioning liability	1,144	253	2,215	1,033
Project funding received	-	(14)	(5)	(20,057)
Free cash flow	74,518	12,843	275,000	85,421

Operating Netback

Operating netback is comprised of natural gas and liquids sales, 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:

(\$000)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Natural gas and liquids sales	223,200	159,255	950,458	492,035
Realized losses on derivatives	(24,344)	(37,088)	(144,134)	(74,578)
Processing and other income	3,091	-	9,082	-
Net sales of purchased natural gas	-	-	70	-
Royalty expense	(27,154)	(8,928)	(106,257)	(27,530)
Operating expense	(17,344)	(12,870)	(64,269)	(44,893)
Transportation expense	(22,637)	(19,768)	(90,093)	(70,440)
Operating netback	134,812	80,601	554,857	274,594

Specified Financial Measures (continued)

Non-GAAP Ratios (continued)

Adjusted Funds Flow per Share

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

(\$000, except as otherwise indicated)	Three months ended		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Adjusted funds flow	124,205	71,227	516,790	234,824
Weighted average shares outstanding (000)	180,248	190,829	187,022	190,077
Adjusted funds flow per share (\$/share)	0.69	0.37	2.76	1.24

Adjusted Funds Flow per BOE

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

(\$000, except as otherwise indicated)	Three months ended		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Adjusted funds flow	124,205	71,227	516,790	234,824
Total production (boe/d)	55,573	47,940	55,769	49,445
Days in period	92	92	365	365
Total production (boe)	5,112,716	4,410,480	20,355,685	18,047,425
Adjusted funds flow per BOE (\$/boe)	24.29	16.15	25.39	13.01

Operating netback per BOE

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

(\$000, except as otherwise indicated)	Three months ended		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Operating netback	134,812	80,601	554,857	274,594
Total production (boe/d)	55,573	47,940	55,769	49,445
Days in period	92	92	365	365
Total production (boe)	5,112,716	4,410,480	20,355,685	18,047,425
Operating netback per BOE (\$/boe)	26.37	18.28	27.25	15.21

Specified Financial Measures (continued)

Non-GAAP Ratios (continued)

Payout Ratio

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

(\$000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Net capital expenditures	49,687	58,384	241,790	149,403
Adjusted funds flow	124,205	71,227	516,790	234,824
Payout ratio	0.4	0.8	0.5	0.6

Net Debt to Adjusted Funds Flow Ratio

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

(\$000, except as otherwise indicated)	Year ended December 31	
	2022	2021
Net Debt	121,336	160,480
Adjusted funds flow (prior four quarters)	516,790	234,824
Net debt to adjusted funds flow ratio	0.2	0.7

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.

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

	December 31 2022	December 31 2021
Cash and cash equivalents	48,940	25,238
Trade and other receivables	92,816	54,769
Prepaid expenses and deposits	14,613	3,483
Trade and other accrued liabilities	(84,805)	(76,625)
Working capital surplus	71,564	6,865

Specified Financial Measures (continued)

Capital Management Measures (continued)

Net Debt

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

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

	December 31 2022	December 31 2021
Bank indebtedness (non-current)	177,200	167,345
Unsecured debentures	15,700	-
Working capital surplus	(71,564)	(6,865)
Net debt	121,336	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)

Supplementary 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
- G&A expense per boe
- Natural gas and liquids sales per boe
- Net sales of purchased natural gas per boe
- Operating expense per boe
- Processing and other income per boe
- Realized losses on derivatives per boe
- Royalty expense per boe
- Share-based compensation expense per boe
- Transportation expense per boe

Capital Efficiency

Capital efficiency is calculated by dividing net capital expenditures by the average production additions of the applicable year to replace the corporate decline rate and deliver production growth, expressed in \$/boe/d. Net capital expenditures used in the calculation excludes expenditures related to carbon capture and storage assets which Entropy has agreed to acquire (\$19.0 million), and Entropy capital spending as these expenditures are not related to production additions. Capital efficiency is considered by Management to be a useful performance measure as a common metric used to evaluate the efficiency with which capital activity is allocated to achieve production additions.

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

FD&A cost is calculated based on adding net capital expenditures and the net change in future development capital ("FDC"), divided by reserve additions for the year from the Sproule 2022 and 2021 Reserves Report.

Payout

The point at which all costs associated with a well are recovered from the operating netback of the well. Payout is considered by management to be a useful performance measure as a common metric used to evaluate capital allocation decisions.

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.

Oil and Gas information

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

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.

Production estimates contained herein are expressed as anticipated average production over the calendar year. In determining anticipated production for the year 2023 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2023 expected drilling and completion activities.

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 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

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 NI 51-101
"NGLs" & "condensate"	- Natural Gas Liquids as defined in NI 51-101
Natural gas	- Conventional Natural Gas as defined in NI 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
TPA	- tonnes per annum
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 focus of the Corporation's 2023 capital program; the Corporation's 2023 capital guidance including its anticipated cash used in investing activities, total average production, liquids production (% of total average production), royalty rate, operating expense, transportation expense and G&A/finance expense; the incurred net capital expenditures that the Corporation estimates that it will recover under the ITC for CCUS projects on the Glacier Gas Plant Phase 1 CCS project; the Corporation's expectations that it will apply to renew its NCIB in April 2023; the anticipated benefits to be derived from Entropy's strategic investment agreement with Brookfield; Entropy's focus on commercial growth in the United States and Canada; the anticipated timing of the procurement and construction of Entropy's near-term projects and their anticipated capture rates; Entropy's expectations that its mid-term and long-term projects remain well in excess of 10 mmtpa; the Corporation's 2023 production guidance; that Advantage will continue to invest in additional transportation commitments and the anticipated benefits to be derived therefrom; the anticipated timing of when the CPV Three Rivers plant will be commissioned and the average capacity that Advantage expects to deliver in connection therewith; the Corporation's forecasted 2023 natural gas market exposure including the anticipated effective production rate; the Corporation's commodity risk management program and financial risk management program and the anticipated benefits to be derived therefrom; 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; that royalties paid on new wells drilled in Alberta are typically low until the initial capital investment is recovered; the Corporation's anticipated 2023 annual operating expense per boe and transportation expense per boe; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2025; the Corporation's expectations that the raw gas capacity of the Glacier Gas Plant will be expanded and that wells drilled in the first quarter of 2023 will be brought onto production and the anticipated benefits to be derived therefrom; the anticipated capture rate of the Glacier Gas Plant Phase 1 CCS and waste heat recovery project; that Entropy's modular technology will lower corporate emissions; the Corporation's expectations that it will achieve "net zero" Scope 1 and 2 emissions by 2025; the Corporation's expectations that its Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan; that the Corporation's Wembley asset will provide sufficient gas processing capacity for future growth; the number of wells that the Corporation expects to be drilled at Wembley in the first half of 2023; the anticipated timing of the construction of the Corporation's Progress compressor site and liquids handling hub and the anticipated benefits to be derived therefrom; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; Advantage's ability to actively manage its portfolio in conjunction with its future development plans and its ability to ensure that the Corporation is properly diversified into multiple markets; that the Corporation will allocate all free cash flow in 2023 towards the Corporation's share buyback program, while maintaining its net debt target of \$200 million; that the Corporation will monitor its capital structure and make adjustments according to market conditions; the Corporation's strategy for managing its capital structure, including by issuing new common shares, repurchasing outstanding common shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend or adjusting capital spending; the terms of the Corporation's Credit Facilities, including the timing of the next review of the Credit Facilities and the Corporation's expectations regarding the extension of the Credit Facilities at each annual review; 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 terms of Entropy's unsecured debentures; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the

Forward-Looking Information and Other Advisories (continued)

anticipated timing that such costs will be incurred; the Corporation's anticipated reductions in Scope 1 and 2 emissions and the anticipated timing thereof; Entropy's business plan and the anticipated benefits to be derived therefrom; Entropy's expectations that its future projects are on-track to achieve a capital cost of C\$475/tonne/annum (capture only, including inflation) for high-quality mid-sized projects, and lower for large projects; the anticipated timing of Glacier Phase 1b and the anticipated results to be derived therefrom; 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; delays in timing of facility installation; 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 risk that the Corporation may not apply to renew its NCIB when anticipated, or at all; the risk that the Corporation may not have sufficient financial resources to acquire its common shares pursuant to an NCIB in the future; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; that Advantage will not be able to achieve "net zero" emissions by 2025; that Entropy's existing planned capital projects may not result in completed CCS projects; the price of and market for carbon credits and offsets; current and future carbon prices and royalty regimes; the risk that Entropy's strategic investment agreement with Brookfield may not lead to the results anticipated; the risk that the procurement and construction of Entropy's near-term projects may not occur when anticipated, or at all; the risk that the CPV Three Rivers plant may not be commissioned when anticipated, or at all; the risk that the Corporation's commodity risk management program and financial risk management program may not achieve the results anticipated; the risk that the Corporation's annual operating expense per boe and transportation expense per boe may be greater than anticipated; the risk that the Corporation may be subject to cash taxes prior to calendar 2025; the risk that the raw gas capacity of the Glacier Gas Plant may not be expanded and that the wells drilled in the first quarter of 2023 may not be brought onto production when anticipated, or at all; the risk that Entropy's modular technology may not lower corporate emissions and that the Corporation may not achieve "net zero" Scope 1 and 2 emissions when anticipated, or at all; the risk that the Corporation's Valhalla asset may not play a pivotal role in the Corporation's liquids-rich gas development plan; the risk that the Corporation's Wembley asset may not provide sufficient gas processing capacity for future growth; the risk that the Corporation may drill less wells at Wembley in the first half of 2023 than anticipated; the risk that the construction of the Corporation's Progress compressor site

Forward-Looking Information and Other Advisories (continued)

and liquids handling hub may not be completed when anticipated, or at all; the risk that Advantage may not actively manage its portfolio in conjunction with its future development plans or ensure that the Corporation is properly diversified into multiple markets; the risk that the Corporation may not allocate all of its free cash flow in 2023 towards the Corporation's share buyback program or maintain its net debt target of \$200 million; the risk that the Corporation may not satisfy all of its liabilities and commitments and meet its future obligations as they become due; the risk that the undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability may be greater than anticipated; the risk that Entropy's future projects may have a greater capital cost than anticipated; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at www.sedar.com and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this MD&A, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain, including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to 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 Entropy's planned capital projects will lead to completed CCS projects; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop its 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 Corporation will have sufficient financial resources to purchase its shares under NCIBs in the future; 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.

The future acquisition by the Corporation of the Corporation's common shares pursuant to its share buyback program (including through an NCIB or an SIB), if any, and the level thereof is uncertain. Any decision to acquire common shares of the Corporation pursuant to the share buyback program 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

Forward-Looking Information and Other Advisories (continued)

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 share buyback program, if any, in the future.

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 2023 capital guidance including its anticipated cash used in investing activities, royalty rate, operating expense, transportation expense and G&A/finance expense; the incurred net capital expenditures that the Corporation estimates that it will recover under the ITC for CCUS projects on the Glacier Gas Plant Phase 1 CCS project; the terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the anticipated benefits to be derived therefrom; the Corporation's anticipated 2023 annual operating expense per boe and transportation expense per boe; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2025; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; that the Corporation will allocate all free cash flow in 2023 towards the Corporation's share buyback program, while maintaining its net debt target of \$200 million; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; and Entropy's expectations that future projects are on-track to achieve a capital cost of C\$475/tonne/annum (capture only, including inflation) for high-quality mid-sized projects, and lower for large projects; 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.

Additional Information

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

February 23, 2023



CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2022 and 2021



Independent auditor's report

To the Shareholders of Advantage Energy Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Advantage Energy Ltd. and its subsidiaries (together, the Corporation) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matter

The impact of proved and probable reserves on natural gas and liquids properties within property, plant and equipment

Refer to note 3 – Significant accounting policies, note 4 – Significant accounting judgments, estimates and assumptions and note 10 – Property, plant and equipment to the consolidated financial statements.

The Corporation has \$1,921 million of net natural gas and liquids properties as at December 31, 2022. Depreciation expense for these properties was \$133.2 million for the year then ended. Natural gas and liquids properties are depreciated using the units-of-production method by reference to the ratio of production in the period to the related proved and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Proved plus probable reserves are determined using key assumptions related to the estimated future cost of developing and extracting those reserves, recovery factors and future natural gas and liquids prices. The proved and probable reserves are estimated by the Corporation's independent qualified reserve evaluator ("management's expert").

We determined that this is a key audit matter due to (i) the judgments by management, including the use of management's expert, when estimating the proved plus probable reserves and (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures relating to the key assumptions used by management.

How our audit addressed the key audit matter

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the total proved plus probable reserves, which included the following:
 - The work of management's expert was used in performing the procedures to evaluate the reasonableness of the proved and probable reserves used to determine depreciation expense. As a basis for using this work, the competence, capabilities and objectivity of management's expert were evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's expert, tests of the data used by management's expert and an evaluation of management's expert's findings.
 - Evaluated the reasonableness of key assumptions used by management in developing the estimates, including:
 - estimates of recovery factors and future costs of developing and extracting proved and probable reserves by considering the past performance of the Corporation and whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable.
 - future natural gas and liquids prices by comparing forecasts with other reputable third party industry forecasts.
- Recalculated the units-of-production rates used to calculate depreciation expense.



Other information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards



will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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



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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 23, 2023

Advantage Energy Ltd.

Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Notes	December 31 2022	December 31 2021
ASSETS			
Current assets			
Cash and cash equivalents	5	48,940	25,238
Trade and other receivables	6	92,816	54,769
Prepaid expenses and deposits		14,613	3,483
Derivative asset	11	22,357	282
Total current assets		178,726	83,772
Non-current assets			
Derivative asset	11	93,993	57,699
Exploration and evaluation assets	7	15,791	20,713
Right-of-use assets	8	1,844	1,879
Intangible assets	9	4,011	2,991
Property, plant and equipment	10	1,922,593	1,827,936
Total non-current assets		2,038,232	1,911,218
Total assets		2,216,958	1,994,990
LIABILITIES			
Current liabilities			
Trade and other accrued liabilities		84,805	76,625
Derivative liability	11	2,197	2,765
Current portion of non-current liabilities	13, 15	20,800	11,224
Total current liabilities		107,802	90,614
Non-current liabilities			
Derivative liability	11	-	12,315
Bank indebtedness	12	177,200	167,345
Financing Liability	13	90,436	89,792
Unsecured debentures	14	15,700	-
Unsecured debentures – derivative liability	14	9,744	-
Provisions and other liabilities	15	49,976	78,522
Deferred income tax liability	16	201,422	96,284
Total non-current liabilities		544,478	444,258
Total liabilities		652,280	534,872
SHAREHOLDERS' EQUITY			
Share capital	17	2,105,013	2,370,716
Contributed surplus		142,817	110,315
Deficit		(684,577)	(1,023,244)
Total shareholders' equity attributable to Advantage shareholders		1,563,253	1,457,787
Non-controlling interest	18	1,425	2,331
Total shareholders' equity		1,564,678	1,460,118
Total liabilities and shareholders' equity		2,216,958	1,994,990

Commitments (note 26)

See accompanying Notes to the Consolidated Financial Statements

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

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

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

Advantage Energy Ltd.

Consolidated Statements of Comprehensive Income (Loss)

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

		Year ended December 31	
	Notes	2022	2021
Revenues			
Natural gas and liquids sales	21	950,458	492,035
Sales of purchased natural gas	21	4,826	-
Processing and other income	21	9,082	-
Royalty expense		(106,257)	(27,530)
Natural gas and liquids revenue		858,109	464,505
Losses on derivatives	11	(76,847)	(5,578)
Total revenues		781,262	458,927
Expenses			
Operating expense		64,269	44,893
Transportation expense		90,093	70,440
Natural gas purchases	21	4,756	-
General and administrative expense	22	22,283	19,860
Share-based compensation expense	19	5,524	4,053
Depreciation expense	8,10	133,917	106,786
Impairment recovery	10	-	(340,653)
Exploration and evaluation expense	7	-	84
Finance expense	23	20,427	21,189
Foreign exchange gain		(2,906)	(171)
Total expenses (recovery)		338,363	(73,519)
Income before taxes and non-controlling interest		442,899	532,446
Income tax expense	16	(105,138)	(121,092)
Net income and comprehensive income before non-controlling interest		337,761	411,354
Net income (loss) and comprehensive income (loss) attributable to:			
Advantage shareholders		338,667	411,523
Non-controlling interest	18	(906)	(169)
		337,761	411,354
Net income per share attributable to Advantage shareholders			
Basic	20	\$ 1.81	\$ 2.17
Diluted	20	\$ 1.75	\$ 2.07

See accompanying Notes to the Consolidated Financial Statements

Advantage Energy Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Deficit	Non-controlling interest	Total shareholders' equity
Balance, December 31, 2021	2,370,716	110,315	(1,023,244)	2,331	1,460,118
Net income and comprehensive income	-	-	338,667	(906)	337,761
Share-based compensation (note 19(b))	-	7,766	-	-	7,766
Settlement of Performance Share Units	6,948	(6,948)	-	-	-
Common shares repurchased (note 17)	(272,651)	31,684	-	-	(240,967)
Balance, December 31, 2022	2,105,013	142,817	(684,577)	1,425	1,564,678

	Share capital	Contributed surplus	Deficit	Non-controlling interest	Total shareholders' equity
Balance, December 31, 2020	2,360,647	114,280	(1,434,767)	-	1,040,160
Net income and comprehensive income	-	-	411,523	(169)	411,354
Share-based compensation (note 19(b))	-	6,786	-	-	6,786
Settlement of Performance Share Units	10,069	(10,751)	-	-	(682)
Issuance of Entropy common shares to non-controlling interest (note 18)	-	-	-	-	-
	-	-	-	2,500	2,500
Balance, December 31, 2021	2,370,716	110,315	(1,023,244)	2,331	1,460,118

See accompanying Notes to the Consolidated Financial Statements

Advantage Energy Ltd.
Consolidated Statements of Cash Flows

(Expressed in thousands of Canadian dollars)

		Year ended December 31	
	Notes	2022	2021
Operating Activities			
Income before taxes and non-controlling interest		442,899	532,446
Add (deduct) items not requiring cash:			
Unrealized gains on derivatives	11	(67,287)	(69,000)
Share-based compensation expense	19(b)	5,524	4,053
Depreciation expense	8,10	133,917	106,786
Impairment recovery	10	-	(340,653)
Exploration and evaluation expense	7	-	84
Accretion of decommissioning liability	15(d)	1,420	1,108
Accretion of unsecured debentures	14	317	-
Expenditures on decommissioning liability	15(d)	(2,215)	(1,033)
Changes in non-cash working capital	25	(12,197)	(10,639)
Cash provided by operating activities		502,378	223,152
Financing Activities			
Common shares repurchased	17	(240,967)	-
Increase (decrease) in bank indebtedness	12	9,855	(79,760)
Net proceeds from unsecured debentures	14	21,162	-
Net proceeds from financing liability	13	5,000	-
Principal repayment of lease liability	15(c)	(358)	(275)
Principal repayment of financing liability	13	(3,783)	(3,376)
Cash used in financing activities		(209,091)	(83,411)
Investing Activities			
Exploration and evaluation assets additions	7	-	(677)
Intangible assets additions	9	(1,020)	(491)
Property, plant and equipment additions	10	(240,770)	(148,235)
Project funding received	15(b)	5	20,057
Changes in non-cash working capital	25	(27,800)	11,564
Cash used in investing activities		(269,585)	(117,782)
Increase in cash and cash equivalents		23,702	21,959
Cash and cash equivalents, beginning of year		25,238	3,279
Cash and cash equivalents, end of year		48,940	25,238

See accompanying Notes to the Consolidated Financial Statements

Advantage Energy Ltd.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

1. Business and structure of Advantage Energy Ltd.

Advantage Energy Ltd. and its subsidiaries (together "Advantage" or the "Corporation") is an energy producer with a significant position in the Montney resource play located in Western Canada. Additionally, the Corporation provides carbon capture and storage solutions to emitters of carbon dioxide through its subsidiary, Entropy Inc. ("Entropy"). Advantage is domiciled and incorporated in Canada under the Business Corporations Act (Alberta). Advantage's head office address is 2200, 440 – 2nd Avenue SW, Calgary, Alberta, Canada. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "AAV".

2. Basis of preparation

(a) Statement of compliance

The Corporation prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). Certain information provided for the prior year has been reclassified to conform to the presentation adopted for the year ended December 31, 2022.

The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of February 23, 2023, the date the Board of Directors approved the statements.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

3. Significant accounting policies

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

(a) Cash and cash equivalents

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

3. Significant accounting policies (continued)

(b) Basis of consolidation

(i) Subsidiaries

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

These consolidated financial statements include the accounts of the Corporation and all subsidiaries over which it has control, including Entropy, a private Canadian corporation of which Advantage owns 90% (note 18). All inter-corporate balances, income and expenses resulting from inter-corporate transactions are eliminated.

(ii) Joint arrangements

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

(c) Financial instruments

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

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

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

Derivative assets and liabilities

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

The Corporation's unsecured debentures include an embedded derivative due to the equity conversion features. The unsecured debentures are initially measured at fair value and are separated out into their liability and derivative components. The unsecured debentures liability is recorded on the Statement of Financial Position at amortized cost. The unsecured debentures derivative liability, which represents the equity conversion feature, is separately valued with changes in fair value recognized through profit and loss.

Impairment of Financial Assets

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

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

(i) Recognition and measurement

Exploration and evaluation costs

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

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

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

3. Significant accounting policies (continued)

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

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

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

Property, plant and equipment

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

(ii) Subsequent costs

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

(iii) Depletion and depreciation

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

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

Natural gas processing plants	50 years
Furniture & equipment	5 years

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

3. Significant accounting policies (continued)

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

(iv) Dispositions

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

(v) Impairment and impairment reversal

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

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

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

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

3. Significant accounting policies (continued)

(e) Intangible assets

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

(f) Decommissioning liability

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

(g) Leases

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

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

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

3. Significant accounting policies (continued)

(h) Long-term compensation

(i) Share-based compensation

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

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

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

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

(ii) Performance Awards

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

(iii) Deferred Share Units ("DSU")

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

3. Significant accounting policies (continued)

(i) Revenue

The Corporation's revenue is comprised of natural gas and liquids sales to customers under fixed and variable volume contracts, and processing income earned under fixed fee contracts.

Natural gas and liquids sales are recognized when the Corporation has satisfied its performance obligations which occurs upon the delivery of volumes to the customer. The transaction price used to determine revenue from natural gas and liquids sales is the market price, net of any marketing and fractionation fees for sales as specified in the contract. For fixed basis physical delivery contracts, the Corporation records revenue net of the fixed basis differential.

Processing income is recognized when the Corporation has satisfied its performance obligation which is satisfied as each unit of raw gas is handled and processed by Advantage. The transaction price Advantage charges third-parties is a fixed charge per unit processed.

Payments are normally received from customers within 30 days following the end of the production month. The Corporation does not have any long-term contracts with unfulfilled performance obligations and does not disclose information about remaining performance obligations with an original expected duration of 12 months or less.

(j) Income tax

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

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

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

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

3. Significant accounting policies (continued)

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

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

(l) Share capital

Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Incremental costs directly attributable to the issue of shares and share options are recognized as a deduction from equity. Common shares repurchased by the Corporation are treated as a reduction of share capital based on the average carrying value of the common shares, with the difference between the repurchase price and average carrying value being allocated to contributed surplus.

(m) Non-controlling interest

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

(n) Government grants and investment tax credits

The Corporation may receive government grants which provide financial assistance as compensation for capital expenditures or expenses to be incurred. Government grants are recognized when there is reasonable assurance that the Corporation will comply with conditions attached to them and the grants will be received. The Corporation recognizes government grants in the Consolidated Statement of Comprehensive Income (Loss) on a systematic basis and in line with recognition of the expenditure that the grants are intended to compensate.

Investment tax credits relating to Scientific Research and Experimental Development claims are considered an income tax credit and are offset against our income tax expense when they become probable of realization.

Under the proposed Government of Canada's refundable investment tax credit for Carbon Capture, Utilization and Storage ("CCUS") program, the Corporation is eligible to recover a portion of its capital expenditures on qualified CCUS projects. Investment tax credits under this program are recorded as a reduction of the cost of the asset. Claims for investment tax credits are accrued upon the Corporation attaining reasonable assurance of collections from the Canada Revenue Agency.

4. Significant accounting judgments, estimates and assumptions

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

(a) Reserves base

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

(b) Determination of cash generating unit

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

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

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

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

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

(d) Derivative assets and liabilities

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

(e) Unsecured debentures

Determining the fair value of unsecured debentures requires judgments related to the choice of a pricing model, the estimation of share price, volatility, interest rates, and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Corporation's future operating results.

(f) Share-based compensation

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

(g) Decommissioning liability

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

(h) Income taxes

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

5. Cash and cash equivalents

	December 31 2022	December 31 2021
Cash at financial institutions	48,940	25,238

Cash at financial institutions earn interest at floating rates based on daily deposit rates. As at December 31, 2022 cash at financial institutions included US\$9.7 million (December 31, 2021 - US\$6.3 million). The Corporation only deposits cash with major financial institutions of high-quality credit ratings. Included in cash and cash equivalents as at December 31, 2022 is \$13.1 million held by the Corporation's subsidiary, Entropy, of which \$10.0 million is held in a cashable guaranteed investment certificate earning an interest rate of 4.4%.

6. Trade and other receivables

	December 31 2022	December 31 2021
Trade receivables	87,047	49,887
Receivables from joint venture partners	5,769	4,882
	92,816	54,769

7. Exploration and evaluation assets

Balance at December 31, 2020	20,580
Additions	677
Lease expiries	(84)
Transferred to property, plant and equipment (note 10)	(460)
Balance at December 31, 2021	20,713
Additions	-
Lease expiries	-
Transferred to property, plant and equipment (note 10)	(4,922)
Balance at December 31, 2022	15,791

8. Right-of-use assets

Cost	Total
Balance at December 31, 2020	2,504
Additions	169
Expired leases	(35)
Balance at December 31, 2021	2,638
Additions	339
Expired leases	-
Balance at December 31, 2022	2,977
Accumulated depreciation	
Balance at December 31, 2020	468
Depreciation	326
Expired leases	(35)
Balance at December 31, 2021	759
Depreciation	374
Expired leases	-
Balance at December 31, 2022	1,133
Net book value	
At December 31, 2021	1,879
At December 31, 2022	1,844

9. Intangible assets

Cost	
Balance at December 31, 2020	-
Intellectual property acquisition (note 18)	2,500
Additions	491
Balance at December 31, 2021	2,991
Additions	1,020
Balance at December 31, 2022	4,011
Accumulated amortization	
Balance at December 31, 2020	-
Amortization	-
Balance at December 31, 2021 and December 31, 2022	-
Net book value	
At December 31, 2021	2,991
At December 31, 2022	4,011

The Corporation has not incurred amortization on its intangible assets in 2021 or 2022 as the assets are not available for use. Amortization will be recognized once commercial operations commence.

10. Property, plant and equipment

Cost	Natural Gas and Liquids Properties	Furniture and 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 19(b))	2,051	-	2,051
Changes in decommissioning liability (note 15(d))	1,505	-	1,505
Transferred from exploration and evaluation assets (note 7)	460	-	460
Balance at December 31, 2021	2,963,486	6,773	2,970,259
Additions	239,943	827	240,770
Capitalized share-based compensation (note 19(b))	2,242	-	2,242
Changes in decommissioning liability (note 15(d))	(19,734)	-	(19,734)
Transferred from exploration and evaluation assets (note 7)	4,922	-	4,922
Balance at December 31, 2022	3,190,859	7,600	3,198,459
Accumulated depreciation			
Balance at December 31, 2020	1,371,238	5,278	1,376,516
Depreciation	106,227	233	106,460
Impairment recovery	(340,653)	-	(340,653)
Balance at December 31, 2021	1,136,812	5,511	1,142,323
Depreciation	133,224	319	133,543
Balance at December 31, 2022	1,270,036	5,830	1,275,866
Net book value			
At December 31, 2021	1,826,674	1,262	1,827,936
At December 31, 2022	1,920,823	1,770	1,922,593

During the year ended December 31, 2022, Advantage capitalized general and administrative expenditures directly related to development activities of \$6.8 million, included in additions (year ended December 31, 2021 - \$7.8 million).

Included in additions to natural gas and liquids properties is \$2.8 million in expenditures incurred by the Corporation's subsidiary, Entropy (year ended December 31, 2021 - \$nil).

Advantage included future development costs of \$2.1 billion (December 31, 2021 - \$2.0 billion) in natural gas and liquids properties costs subject to depreciation.

10. Property, plant and equipment (continued)

2022: Impairment assessment

For the year ended December 31, 2022, the Corporation evaluated its natural gas and liquids properties for indicators of any potential impairment. As a result of this assessment, no indicators were identified, and no impairment test was performed.

2021: Impairment recovery assessment

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

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

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

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

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

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

11. Financial risk management

Financial assets and liabilities recorded or disclosed at fair value in the statements of financial position are categorized based on the level associated with the inputs used to measure their fair value.

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 categorized as level 2 in the fair value hierarchy and 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.

The Corporation's unsecured debentures – derivative liability is categorized as level 3 in the fair value hierarchy as multiple inputs such as volatility, probability of a future change of control event, and share price are unobservable inputs.

Fair value less costs of disposition used to determine the recoverable amounts of Advantage's Greater Glacier CGU at December 31, 2021 were classified as Level 3 in the fair value hierarchy as certain key assumptions were not based on observable market data, but rather, Management's best estimates.

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

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

11. Financial risk management (continued)

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

	Year ended December 31	
	2022	2021
Realized gains (losses) on derivatives		
Natural gas	(138,871)	(58,909)
Crude oil	(2,430)	(17,353)
Foreign exchange	(2,729)	2,368
Interest rate	(104)	(684)
Total	(144,134)	(74,578)
Unrealized gains (losses) on derivatives		
Natural gas	29,647	16,480
Crude oil	(20)	2,074
Foreign exchange	(687)	(4,525)
Interest rate	136	666
Natural gas embedded derivative	42,176	54,305
Unsecured debenture derivative	(3,965)	-
Total	67,287	69,000
Gains (losses) on derivatives		
Natural gas	(109,224)	(42,429)
Crude oil	(2,450)	(15,279)
Foreign exchange	(3,416)	(2,157)
Interest rate	32	(18)
Natural gas embedded derivative	42,176	54,305
Unsecured debenture derivative	(3,965)	-
Total	(76,847)	(5,578)

11. Financial risk management (continued)

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

	December 31 2022	December 31 2021
Derivative type		
Natural gas derivative asset (liability)	16,475	(13,172)
Crude oil derivative asset	-	20
Foreign exchange derivative liability	(2,197)	(1,510)
Interest rate derivative liability	-	(136)
Natural gas embedded derivative asset	99,875	57,699
Unsecured debentures derivative liability (note 14)	(9,744)	-
Net derivative asset	104,409	42,901
Consolidated statement of financial position classification		
Current derivative asset	22,357	282
Non-current derivative asset	93,993	57,699
Current derivative liability	(2,197)	(2,765)
Non-current derivative liability	-	(12,315)
Unsecured debentures derivative liability (note 14)	(9,744)	-
Net derivative asset	104,409	42,901

(a) Credit risk

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

	December 31 2022	December 31 2021
Trade and other receivables	92,816	54,769
Deposits	3,720	1,858
Derivative assets	116,350	57,981
	212,886	114,608

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

11. Financial risk management (continued)

(a) Credit risk (continued)

Substantially all of the Corporation's trade and other receivables are due from customers concentrated in the North American oil and gas industry. As such, trade and other receivables are subject to normal industry credit risks. As at December 31, 2022, \$0.2 million of trade and other receivables are outstanding for 90 days or more (December 31, 2021 – \$0.2 million). The Corporation believes the entire balance is collectible, and in some instances has the ability to mitigate risk through withholding production or offsetting payables with the same parties. At December 31, 2022, the average expected credit loss for trade and other receivables was 0.63% (December 31, 2021 – 0.60%).

The Corporation's most significant customers, three North American oil and natural gas marketers, account for \$63.8 million of the trade and other receivables at December 31, 2022 (December 31, 2021 – \$33.8 million).

(b) Liquidity risk

The Corporation is subject to liquidity risk attributed from trade and other accrued liabilities, derivative liabilities, lease liabilities, performance awards, financing liabilities, unsecured debentures and bank indebtedness. Trade and other accrued liabilities are all due within one year of the Consolidated Statement of Financial Position date. The Corporation's Performance Awards are all payable within one to three years of the Consolidated Statement of Financial Position date. The Corporation's lease liability and financing liability are settled in a systematic basis over their respective terms and will be settled over the next 5 and 12 years, respectively. Advantage does not anticipate any problems in satisfying these obligations from cash provided by operating activities and the existing credit facilities.

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

The unsecured debentures held by Entropy are non-recourse to Advantage, and have a term of 10 years, if not exchanged for common shares, which are to be repaid at the end of the term. Debentures issued by Entropy bear an interest rate of 8% per annum, which can be paid-in-kind, or cash, due on a quarterly basis, at the discretion of Entropy.

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

11. Financial risk management (continued)

(b) Liquidity risk (continued)

The timing of undiscounted cash outflows and contractual maturities relating to financial liabilities as at December 31, 2022 and 2021 are as follows:

December 31, 2022	Undiscounted cash flows⁽³⁾	Less than one year	One to three years	Beyond
Trade and other accrued liabilities	84,805	84,805	-	-
Deferred Share Units	6,528	1,941	-	4,587
Derivative liability	2,197	2,197	-	-
Performance Awards	13,776	6,105	7,671	-
Lease liability	2,377	475	960	942
Financing liability	158,827	12,702	25,439	120,686
Bank indebtedness - principal	180,000	-	180,000	-
- interest ⁽¹⁾	19,926	13,284	6,642	-
Unsecured debentures ⁽²⁾	25,000	-	-	25,000
	493,436	121,509	220,712	151,215
December 31, 2021	Undiscounted cash flows⁽³⁾	Less than one year	One to three years	Beyond
Trade and other accrued liabilities	76,625	76,625	-	-
Deferred Share Units	4,773	-	-	4,773
Derivative liability	15,080	2,765	12,315	-
Performance Awards	17,666	5,644	12,022	-
Lease liability	2,331	339	750	1,242
Financing liability	162,657	12,045	24,123	126,489
Bank indebtedness - principal	168,000	-	168,000	-
- interest ⁽¹⁾	6,255	5,038	1,217	-
	453,387	102,456	218,427	132,504

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

⁽²⁾ The unsecured debentures are a liability of Entropy and are non-recourse to Advantage. The principal balance of unsecured debentures bears an interest rate of 8%, which can be paid-in-kind, or cash, at the discretion of Entropy.

⁽³⁾ The undiscounted cash flows equal the carrying value, with the exception of performance awards, lease liability, financing liability and unsecured debentures.

The Corporation's bank indebtedness is governed by credit facility agreements with a syndicate of financial institutions (note 12). The Credit Facility has a tenor of two years with a maturity date in June 2024 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May and semi-annually on or before November. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time. During the term, no principal payments are required until the revolving period matures in June 2024 in the event of a reduction, or the Credit Facility not being renewed. Management fully expects that the facilities will be extended at each annual review.

11. Financial risk management (continued)

(c) Commodity price risk

Advantage's derivative assets and liabilities are subject to price risk as their fair values are based on assumptions regarding forward market prices. The Corporation enters into non-financial derivatives to manage price risk exposure relative to actual commodity production and does not utilize derivative instruments for speculative purposes. Changes to price assumptions can have a significant effect on the fair value of the derivative assets and liabilities and thereby impact earnings. The estimated impact to net income (loss) for the year ended December 31, 2022 resulting from a 10% change to significant price assumptions is as follows:

Price Assumptions	Net Income (Loss) Impact (\$ millions)	
	+10%	(10)%
Forward AECO natural gas price	(1.0)	1.0
Forward Henry Hub natural gas price	(7.8)	7.6
Forward basis differential between Henry Hub and AECO	(4.0)	4.0
Forward PJM electricity price	9.3	(14.5)

As at December 31, 2022 and February 23, 2023, the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas – AECO 7A			
Fixed price swap	April 2023 to October 2023	18,956 Mcf/d	Cdn \$4.35/Mcf
Natural gas - Henry Hub NYMEX			
Fixed price swap	November 2022 to March 2023	105,000 Mcf/d	US \$4.98/Mcf
Fixed price swap	April 2023 to October 2023	25,000 Mcf/d	US \$3.35/Mcf
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
Basis swap	January 2023 to March 2023	5,000 Mcf/d	Henry Hub less US \$0.98/Mcf
Natural gas - Dawn			
Fixed price swap	April 2023 to October 2023	15,000 Mcf/d	US \$2.92/Mcf ⁽¹⁾

(1) Contract entered into subsequent to December 31, 2022

11. Financial risk management (continued)

(c) 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 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US \$2.50/MMbtu. The Corporation will realize gains or losses when the price received under the contract deviates from US \$2.50/MMbtu. As at December 31, 2022 the fair value of the natural gas embedded derivative resulted in an asset of \$99.9 million (December 31, 2021 – \$57.7 million asset).

The Corporation determines the fair value of the embedded derivative contract by utilizing an observable 5-year PJM electricity forecast. The remaining unobservable period beyond 5-years is estimated using the implied inflation rate in the 5-year PJM electricity forecast. At December 31, 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 \$1.5 million.

(d) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the outstanding bank indebtedness fluctuates with the interest rates posted by the lenders. The Corporation is exposed to interest rate risk and from time-to-time will enter into fixed interest rate swaps to mitigate interest rate risk. As at December 31, 2022, the Corporation had no outstanding interest rate hedges in place. Had the borrowing rate been different by 100 basis points throughout the year ended December 31, 2022, net income and comprehensive income would have changed by \$0.8 million (December 31, 2021 – \$1.6 million) based on the average debt balance outstanding during the year.

(e) Foreign exchange risk

Foreign exchange risk is the risk that future cash flows will fluctuate as a result of changes in the CAD/USD exchange rate. While the majority of the Corporation's natural gas and liquids sales are settled in Canadian dollars, certain natural gas and oil prices where the Corporation markets its natural gas and liquids production are denominated in US dollars. The Corporation has entered into average rate currency swaps to mitigate the Corporation's exposure to foreign exchange risk. Had the CAD/USD foreign exchange rate been different by \$0.02 throughout the year ended December 31, 2022, net income and comprehensive income would have changed by \$7.2 million (December 31, 2021 – \$2.6 million).

11. Financial risk management (continued)

(e) Foreign exchange risk (continued)

As at December 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	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	March 2022 to February 2023	US \$ 1,500,000/month	1.2719
Average rate currency swap	May 2022 to March 2023	US \$ 1,000,000/month	1.2850

As at December 31, 2022 the fair value of the foreign exchange derivatives outstanding resulted in an liability of \$2.2 million (December 31, 2021 – \$1.5 million liability).

(f) Capital management

The Corporation manages its capital with the following objectives:

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

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

11. Financial risk management (continued)

(f) Capital management (continued)

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 operations are sufficient to cover the short-term operating requirements. Working capital is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

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

	December 31 2022	December 31 2021
Cash and cash equivalents	48,940	25,238
Trade and other receivables	92,816	54,769
Prepaid expenses and deposits	14,613	3,483
Trade and other accrued liabilities	(84,805)	(76,625)
Working capital surplus	71,564	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 December 31, 2022 and December 31, 2021 is as follows:

	December 31 2022	December 31 2021
Bank indebtedness (non-current) (note 12)	177,200	167,345
Unsecured debentures (note 14)	15,700	-
Working capital surplus	(71,564)	(6,865)
Net debt	121,336	160,480

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

	December 31 2022	December 31 2021
Net debt	121,336	160,480
Shares outstanding (note 17)	171,652,768	190,828,976
Share closing market price (\$/share)	9.47	7.41
Market Capitalization	1,625,552	1,414,043
Total Capitalization	1,746,888	1,574,523

12. Bank indebtedness

	December 31 2022	December 31 2021
Revolving credit facility	180,000	168,000
Discount on bankers' acceptance and other fees	(2,800)	(655)
Balance, end of year	177,200	167,345

As at December 31, 2022, the Corporation had credit facilities with a borrowing base of \$350 million. The Credit Facilities are comprised of a \$30 million extendible revolving operating loan facility from one financial institution and a \$320 million extendible revolving credit facility from a syndicate of financial institutions.

In June 2022, the Credit Facilities were renewed with no changes to the borrowing base. The Credit Facility has a tenor of two years with a maturity date in June 2024 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May and semi-annually on or before November. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time. During the term, no principal payments are required until the revolving period matures in June 2024 in the event of a reduction, or the Credit Facility not being renewed. The borrowing base is determined based on, among other things, a thorough evaluation of Advantage's reserve estimates based upon the lenders commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. In the event that the lenders reduce the borrowing base below the amount drawn at the time of redetermination, the Corporation has 60 days to eliminate any shortfall by repaying amounts in excess of the new re-determined borrowing base.

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

Undrawn amounts under the Credit Facilities bear a standby fee ranging from 0.625% to 1.125% per annum, dependent on the Corporation's debt to EBITDA ratio. Repayments of principal are not required prior to maturity provided that the borrowings under the Credit Facilities do not exceed the authorized borrowing base and the Corporation is in compliance with all covenants, representations and warranties.

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

12. Bank indebtedness (continued)

The Credit Facilities contain standard commercial covenants for credit facilities of this nature. The Corporation did not have any financial covenants at December 31, 2022 and 2021, but the Corporation is subject to various affirmative and negative covenants under its Credit Facilities. Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating ("LMR") is not less than 2.0. As at December 31, 2022 the Corporation had a 28.4 LMR (December 31, 2021 – 25.6 LMR). All other applicable non-financial covenants were met at December 31, 2022 and 2021. Breach of any covenant will result in an event of default in which case the Corporation has 30 days to remedy such default. If the default is not remedied or waived, and if required by the lenders, the administrative agent of the lenders has the option to declare all obligations under the credit facilities to be immediately due and payable without further demand, presentation, protest, days of grace, or notice of any kind. The Credit Facilities are collateralized by a \$1 billion floating charge demand debenture covering all assets. For the year ended December 31, 2022, the average effective interest rate on the outstanding amounts under the facilities was approximately 6.2% (December 31, 2021 – 4.7%). The Corporation had letters of credit of US\$9.0 million outstanding at December 31, 2022 (December 31, 2021 – US\$9.0 million).

13. Financing Liability

In 2020, Advantage sold a 12.5% interest in the Corporation's Glacier Gas Plant for \$100 million, before transaction costs, and entered into a 15-year take-or-pay volume commitment agreement with the purchaser for 50 MMcf/d capacity at a fee of \$0.66/Mcf. During the third quarter of 2022, as part of the planned capital expansion of the Glacier Gas Plant, the working interest partner chose to participate pursuant to the agreement and provided \$5.0 million in additional financing, with the volume commitment fee being revised to \$0.696/Mcf for the remainder of the term. The volume commitment agreement is treated as a financing transaction with an effective interest rate associated with the financing transaction of 9.1%.

A reconciliation of the financing liability is provided below:

	Year ended December 31, 2022	Year ended December 31, 2021
Balance, beginning of the year	93,488	96,864
Additions	5,000	-
Interest expense	8,537	8,669
Financing payments	(12,320)	(12,045)
Balance, end of year	94,705	93,488
Current financing liability	4,269	3,696
Non-current financing liability	90,436	89,792

14. Unsecured debentures

On March 25, 2022, the Corporation's subsidiary Entropy entered into an investment agreement with an investor who provided a capital commitment of \$300 million. Entropy will issue unsecured debentures to fund carbon capture and storage projects that reach final investment decision as certain predetermined return thresholds are met. Under the terms of the agreement, Entropy and the investor have options that provide for the unsecured debentures to be exchanged for common shares at an exchange price of \$10 per share, subject to adjustment in certain circumstances. The investor has the option to exchange the outstanding unsecured debentures for common shares at any time while Entropy may commence a mandatory exchange of unsecured debentures for common shares in advance of an initial public offering ("IPO"). The unsecured debentures have a term of 10 years, if not exchanged for common shares, which are to be repaid at the end of the term in the amount greater of the principal amount and the investor's pro rata share of the fair market value of Entropy and are non-recourse to Advantage.

14. Unsecured debentures (continued)

Each debenture issued by Entropy bears an interest rate of 8% per annum that Entropy can elect to pay in cash or pay-in-kind, due on a quarterly basis. Any paid-in-kind interest is added to the aggregate principal, subject to certain limitations.

On April 5, 2022, Entropy issued unsecured debentures and received \$25.0 million gross proceeds and incurred \$3.8 million of issuance costs. For the year ended December 31, 2022, Entropy incurred interest of \$1.5 million that was paid in cash, and \$0.3 million of accretion expense.

The exchange features of the unsecured debentures meet the definition of a derivative liability, as the exchange features allow the unsecured debentures to be potentially exchanged for a variable amount of common shares, and as such does not meet the fixed-for-fixed criteria for equity classification. The unsecured debenture - derivative liability is classified as Level 3 within the fair value hierarchy.

The following table provides a summary of the outstanding aggregate principal balance of the Corporation's unsecured debentures:

	December 31 2022
Aggregate principal balance, beginning of the year	-
Unsecured debentures issued	25,000
Aggregate principal balance, end of year	25,000

The following tables disclose the components associated with the unsecured debentures at initial recognition. The changes in the unsecured debentures are as follows:

	December 31 2022
Balance, beginning of the year	-
Initial recognition	19,221
Issuance costs	(3,838)
Accretion expense	317
Balance, end of year	15,700

The changes in the unsecured debentures - derivative liability related to the exchange features are as follows:

	December 31 2022
Balance, beginning of the year	-
Initial recognition	5,779
Revaluation	3,965
Balance, end of year	9,744

The Corporation determined the value of the conversion feature using a probability weighted Black-Scholes calculation. Unobservable inputs used to determine the valuation at December 31, 2022 includes estimated share price, estimated timing of an IPO, share price volatility and credit spread. The below table provides the impact to the valuation of the derivative liability by adjusting the inputs below:

\$ millions	Increase	(Decrease)
\$1 change in estimated share price	1.5	(1.5)
10% change in volatility	1.0	(1.0)
1% change in credit spread	0.4	(0.4)
1 year change in estimated timing of an IPO	1.8	(2.5)

15. Provisions and other liabilities

	Year ended December 31, 2022	Year ended December 31, 2021
Performance Awards (note 19(c))	9,277	9,970
Deferred Share Units (note 19(d))	6,528	4,773
Deferred revenue (a)	6,603	6,603
Project funding grant (b)	-	57
Lease liability (c)	2,154	2,173
Decommissioning liability (d)	41,945	62,474
Balance, end of year	66,507	86,050
Current provisions and other liabilities	16,531	7,528
Non-current provisions and other liabilities	49,976	78,522

(a) Deferred revenue

Deferred revenue represents an advance payment received by Advantage in consideration for the future sales of natural gas. The balance has been classified as short-term as the performance obligation related to the deferred revenue is expected to be satisfied in 2023.

(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.

(c) Lease liability

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

A reconciliation of the lease liability is provided below:

	Year ended December 31, 2022	Year ended December 31, 2021
Balance, beginning of the year	2,173	2,279
Additions	339	169
Interest expense	93	96
Lease payments	(451)	(371)
Balance, end of year	2,154	2,173
Current lease liability	434	364
Non-current lease liability	1,720	1,809

15. Provisions and other liabilities (continued)

(d) 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 2023 and 2078. A risk-free rate of 3.28% (December 31, 2021 - 1.76%) and an inflation factor of 2.0% (December 31, 2021 - 2.0%) were used to calculate the fair value of the decommissioning liability at December 31, 2022. As at December 31, 2022, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$62.8 million (December 31, 2021 - \$57.6 million).

A reconciliation of the decommissioning liability is provided below:

	Year ended December 31, 2022	Year ended December 31, 2021
Balance, beginning of the year	62,474	60,894
Accretion expense	1,420	1,108
Liabilities incurred	2,003	1,737
Change in estimates	(1,189)	(1,800)
Effect of change in risk-free rate and inflation rate factor	(20,548)	1,568
Liabilities settled	(2,215)	(1,033)
Balance, end of year	41,945	62,474
Current decommissioning liability	2,000	2,000
Non-current decommissioning liability	39,945	60,474

16. Income taxes

The provision for income taxes is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
Current income tax expense	-	-
Deferred income tax expense	105,138	121,092
Income tax expense	105,138	121,092

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

	Year ended December 31, 2022	Year ended December 31, 2021
Income before taxes and non-controlling interest	442,899	532,446
Combined federal and provincial income tax rates	23.0 %	23.0 %
Expected income tax expense	101,867	122,463
Increase (decrease) in income taxes resulting from:		
Non-deductible share-based compensation	1,280	937
Valuation allowance	910	-
Other	1,081	(2,308)
Income tax expense	105,138	121,092
Effective tax rate	23.7 %	22.7 %

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

	At December 31, 2021	Credited (charged) to income	At December 31, 2022
Deferred income tax assets:			
Decommissioning liability	14,369	(4,208)	10,161
Non-capital losses	167,352	(73,547)	93,805
Financing liability	21,502	(870)	20,632
Other	22,022	217	22,239
	225,245	(78,408)	146,837
Deferred income tax liabilities:			
Property, plant and equipment	(311,239)	(10,188)	(321,427)
Derivative asset/liability	(9,867)	(16,388)	(26,255)
Other	(423)	(154)	(577)
	(321,529)	(26,730)	(348,259)
Deferred income tax liability	(96,284)	(105,138)	(201,422)

16. Income taxes (continued)

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

The estimated tax pools available at December 31, 2022 are as follows:

Canadian development expenses	218,327
Canadian exploration expenses	68,470
Canadian oil and gas property expenses	12,242
Non-capital losses	411,805
Undepreciated capital cost	240,549
Capital losses	135,119
Scientific research and experimental development expenditures	32,506
Other	6,421
	1,125,439

The non-capital loss carry forward balances expire no earlier than 2029.

No deferred tax asset has been recognized for capital losses of \$135 million (December 31, 2021 – \$147 million). Recognition is dependent on the realization of future taxable capital gains.

17. 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	2,716,179	-
Contributed surplus transferred on Performance Share Unit settlements	-	10,069
Balance at December 31, 2021	190,828,976	2,370,716
Shares issued on Performance Share Unit settlements (note 19 (a))	3,056,992	-
Contributed surplus transferred on Performance Share Unit settlements	-	6,948
Shares purchased and cancelled under NCIB	(13,304,629)	(163,157)
Shares purchased and cancelled under SIB	(8,928,571)	(109,494)
Balance at December 31, 2022	171,652,768	2,105,013

For the year ended December 31, 2022, the Corporation purchased 22.2 million common shares for cancellation for a total of \$241.0 million. Share capital was reduced by \$272.7 million while contributed surplus was increased by \$31.7 million, representing the excess average carrying value of the common shares over the purchase price.

(c) Normal Course Issuer Bid ("NCIB")

On April 7, 2022, the Toronto Stock Exchange (the "TSX") approved the Corporation commencing a 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 is scheduled to 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 were made on the open market through the facilities of the TSX or alternative trading systems. The price that Advantage paid for its common shares under the NCIB was the prevailing market price on the TSX at the time of such purchase. All Common shares acquired under the NCIB were cancelled.

For the year ended December 31, 2022, the Corporation purchased 13.3 million common shares for cancellation at an average price of \$10.52 per common share for a total of \$140.1 million. Subsequent to December 31, 2022, the Corporation purchased 5.4 million common shares for a total of \$47.9 million, reaching the maximum number of common shares that can be purchased under the NCIB.

(d) Substantial Issuer Bid ("SIB")

On November 10, 2022, the Corporation commenced a SIB pursuant to which it offered to purchase for cancellation up to \$100 million of its common shares through a modified Dutch auction. The SIB was completed on December 20, 2022, with the Corporation taking up 8.9 million common shares at a price of \$11.20 per common share, representing an aggregate purchase of \$100 million and 4.9% of the total number of Advantage's issued and outstanding common shares. The Corporation incurred \$0.9 million in transaction cost in connection with the SIB which were included in the cost of acquiring the common shares.

18. Non-controlling interest ("NCI")

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

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

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

	Year ended December 31	
	2022	2021
Balance, beginning of the year	2,331	-
Consideration contributed by NCI	-	2,500
Net loss and comprehensive loss attributable to NCI	(906)	(169)
Balance, end of year	1,425	2,331

19. Long-term compensation plans

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

Under the Restricted and Performance Award Incentive Plan, service providers can be granted two types of equity incentive awards: Restricted Share Units and Performance Share Units. As at December 31, 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	4,880,684
Granted	720,641
Settled	(1,585,888)
Forfeited	(32,491)
Balance at December 31, 2022	3,982,946

During April 2022, 1,585,888 Performance Share Units matured and were settled with the issuance of 3,056,992 common shares.

19. Long-term compensation plans (continued)

(b) Share-based compensation expense

Share-based compensation expense after capitalization for the years ended December 31, 2022 and 2021 are as follows:

	Year ended December 31	
	2022	2021
Total share-based compensation	7,766	6,786
Capitalized (note 10)	(2,242)	(2,051)
Cash settled awards	-	(682)
Share-based compensation expense	5,524	4,053

(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 15) until eventually settled in cash.

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

	Year ended December 31, 2022	Year ended December 31, 2021
Balance, beginning of the year	9,970	4,620
Performance Award expense	5,902	5,284
Interest expense	46	66
Performance Awards settled	(6,641)	-
Balance, end of year	9,277	9,970
Current	5,553	5,107
Non-current	3,724	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	45,217
Settled	-
Balance at December 31, 2022	689,310

19. Long-term compensation plans (continued)

(d) Deferred Share Units (continued)

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:

	Year ended December 31, 2022	Year ended December 31, 2021
Balance, beginning of the year	4,773	1,076
Granted	425	418
Revaluation of outstanding Deferred Share Units	1,330	3,599
Settled	-	(320)
Balance, end of year	6,528	4,773
Current	1,941	-
Non-current	4,587	4,773

20. Net income per share attributable to Advantage shareholders

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

	Year ended December 31	
	2022	2021
Net income attributable to Advantage shareholders		
Basic and diluted	338,667	411,523
Weighted average shares outstanding		
Basic	187,022,242	190,077,376
Performance Share Units	6,847,114	8,526,599
Diluted	193,869,356	198,603,975
Net income per share attributable to Advantage shareholders		
Basic (\$/share)	\$ 1.81	\$ 2.17
Diluted (\$/share)	\$ 1.75	\$ 2.07

21. 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 years ended December 31, 2022 and 2021, natural gas and liquids sales was as follows:

	Year ended December 31	
	2022	2021
Crude oil	81,938	31,209
Condensate	47,129	25,226
NGLs	79,042	44,423
Liquids	208,109	100,858
Natural Gas	742,349	391,177
Natural gas and liquids sales	950,458	492,035

At December 31, 2022, receivables from contracts with customers, which are included in trade and other receivables, were \$84.6 million (December 31, 2021 - \$49.5 million).

(b) Sales of purchased natural gas

During the year ended December 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:

	Year ended December 31	
	2022	2021
Sales of purchased natural gas	4,826	-
Natural gas purchases	(4,756)	-
Net sales of purchased natural gas	70	-

(c) Processing and other income

During the year ended December 31, 2022, the Corporation earned income from the processing of third-party natural gas at the Corporation's gas plant. Processing and other income was as follows:

	Year ended December 31	
	2022	2021
Processing income	8,783	-
Other	299	-
Total processing and other income	9,082	-

22. General and administrative expense

	Year ended December 31	
	2022	2021
Personnel	21,920	19,673
Revaluation of outstanding Deferred Share Units	1,330	3,599
Professional fees	1,601	1,286
Information technology cost	2,043	1,995
Office rent and administration cost	2,197	1,148
Total general and administrative	29,091	27,701
Capitalized (note 10)	(6,808)	(7,841)
General and administrative expense	22,283	19,860

23. Finance expense

	Year ended December 31	
	2022	2021
Interest on bank indebtedness (note 12)	9,364	11,250
Interest on provisions and other liabilities (note 13, 15(c), 19(c))	8,676	8,831
Accretion of decommissioning liability (note 15(d))	1,420	1,108
Interest and accretion on unsecured debentures (note 14)	1,796	-
Interest income	(829)	-
Total finance expense	20,427	21,189

24. Related party transactions

(a) Key management compensation

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

	Year ended December 31	
	2022	2021
Salaries, director fees and short-term benefits	4,972	4,903
Share-based compensation and Performance Awards ⁽¹⁾	4,753	5,075
	9,725	9,978

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

As at December 31, 2022, there is a commitment of \$4.8 million (December 31, 2021 – \$4.4 million) related to change of control or termination of employment of officers.

(b) Management Services Agreement

The Corporation entered into a Management Services Agreement with Entropy whereas Advantage provides certain administrative, accounting, financial, strategic, planning and management services to Entropy, which are in the in the normal course of operations. During the year ended December 31, 2022, Advantage incurred and charged \$1.8 million (December 31, 2021 – \$0.8 million) in G&A to Entropy in connection with the Management Services Agreement.

25. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Year ended December 31	
	2022	2021
Source (use) of cash:		
Trade and other receivables	(38,047)	(26,278)
Prepaid expense and deposits	(11,130)	(1,462)
Trade and other accrued liabilities	8,180	39,618
Performance Awards	(693)	5,350
Deferred Share Units	1,755	3,697
Project funding	(62)	(20,000)
	(39,997)	925
Related to operating activities	(12,197)	(10,639)
Related to financing activities	-	-
Related to investing activities	(27,800)	11,564
	(39,997)	925

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

	Year ended December 31	
	2022	2021
Cash flows		
Common shares repurchased	(240,967)	-
Draws on credit facility	310,000	30,000
Repayment of credit facility	(298,000)	(110,000)
Bankers' acceptance and other fees	(10,019)	(10,288)
Net proceeds from unsecured debentures	21,162	-
Net proceeds from financing liability	5,000	-
Lease payments	(451)	(371)
Financing payments	(12,320)	(12,045)
Total cash flows	(225,595)	(102,704)
Non-cash changes		
Amortization of bankers' acceptance and other fees	7,874	10,528
Lease interest expense	93	96
Financing liability interest expense	8,537	8,669
Total non-cash changes	16,504	19,293
Cash used in financing activities	(209,091)	(83,411)

26. Commitments

At December 31, 2022 Advantage had commitments relating to building operating cost of \$1.9 million, processing commitments of \$53.7 million and transportation commitments of \$450 million. The estimated remaining payments are as follows:

(\$ millions)	Payments due by period						
	Total	2023	2024	2025	2026	2027	Beyond
Building operating cost ⁽¹⁾	1.9	0.4	0.4	0.4	0.4	0.3	-
Processing	53.7	7.9	10.0	9.5	7.0	7.0	12.3
Transportation	450.0	74.5	74.5	72.3	60.1	48.2	120.4
Total commitments	505.6	82.8	84.9	82.2	67.5	55.5	132.7

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

ADVISORY

Forward-Looking Information and Other Advisories

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

In particular, forward-looking statements in this document include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; that Advantage will focus on growing AFF per share while maintaining its net debt target; Advantage's anticipated production growth and annual spending over the next three years; the focus of the Corporation's 2023 capital program; the Corporation's 2023 capital guidance including its anticipated cash used in investing activities, total average production, liquids production (% of total average production), royalty rate, operating expense, transportation expense and G&A/finance expense; the incurred net capital expenditures that the Corporation estimates that it will recover under the ITC for CCUS projects on the Glacier Gas Plant Phase 1 CCS project; the Corporation's expectations that it will apply to renew its NCIB in April 2023; the anticipated benefits to be derived from Entropy's strategic investment agreement with Brookfield; Entropy's focus on commercial growth in the United States and Canada; the anticipated timing of the procurement and construction of Entropy's near-term projects and their anticipated capture rates; Entropy's expectations that its mid-term and long-term projects remain well in excess of 10 mmtpa; the Corporation's 2023 production guidance; that Advantage will continue to invest in additional transportation commitments and the anticipated benefits to be derived therefrom; the anticipated timing of when the CPV Three Rivers plant will be commissioned and the average capacity that Advantage expects to deliver in connection therewith; the Corporation's forecasted 2023 natural gas market exposure including the anticipated effective production rate; the Corporation's commodity risk management program and financial risk management program and the anticipated benefits to be derived therefrom; 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; that royalties paid on new wells drilled in Alberta are typically low until the initial capital investment is recovered; the Corporation's anticipated 2023 annual operating expense per boe and transportation expense per boe; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2025; the Corporation's expectations that the raw gas capacity of the Glacier Gas Plant will be expanded and that wells drilled in the first quarter of 2023 will be brought onto production and the anticipated benefits to be derived therefrom; the anticipated capture rate of the Glacier Gas Plant Phase 1 CCS and waste heat recovery project; that Entropy's modular technology will lower corporate emissions; the Corporation's expectations that it will achieve "net zero" Scope 1 and 2 emissions by 2025; the Corporation's expectations that its Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan; that the Corporation's Wembley asset will provide sufficient gas processing capacity for future growth; the number of wells that the Corporation expects to be drilled at Wembley in the first half of 2023; the anticipated timing of the construction of the Corporation's Progress compressor site and liquids handling hub and the anticipated benefits to be derived therefrom; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; Advantage's ability to actively manage its portfolio in conjunction with its future development plans and its ability to ensure that the Corporation is properly diversified into multiple markets; that the Corporation will allocate all free cash flow in 2023 towards the Corporation's share buyback program, while maintaining its net debt target of \$200 million; that the Corporation will monitor its capital structure and make adjustments according to market conditions; the Corporation's strategy for managing its capital structure, including by issuing new common shares, repurchasing outstanding common shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend or adjusting capital spending; the terms of the Corporation's Credit Facilities, including the timing of the next review of the Credit Facilities and the Corporation's expectations regarding the extension of the Credit Facilities at each annual review; the Corporation's ability to satisfy

Forward-Looking Information and Other Advisories (continued)

all liabilities and commitments and meet future obligations as they become due and the means for satisfying such future obligations; the terms of Entropy's unsecured debentures; 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 Corporation's anticipated reductions in Scope 1 and 2 emissions and the anticipated timing thereof; Entropy's business plan and the anticipated benefits to be derived therefrom; Entropy's expectations that its future projects are on-track to achieve a capital cost of C\$475/tonne/annum (capture only, including inflation) for high-quality mid-sized projects, and lower for large projects; the anticipated timing of Glacier Phase 1b and the anticipated results to be derived therefrom; the statements under "critical accounting estimates" in the 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; delays in timing of facility installation; 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 risk that Advantage may not grow AFF per share; the risk that Advantage may not return all excess cash to its shareholders via buybacks; the failure to extend the credit facilities at each annual review; competition from other producers; the risk that the Corporation may not apply to renew its NCIB when anticipated, or at all; the risk that the Corporation may not have sufficient financial resources to acquire its common shares pursuant to an NCIB in the future; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; that Advantage will not be able to achieve "net zero" emissions by 2025; that Entropy's existing planned capital projects may not result in completed CCS projects; the price of and market for carbon credits and offsets; current and future carbon prices and royalty regimes; the risk that Entropy's strategic investment agreement with Brookfield may not lead to the results anticipated; the risk that the procurement and construction of Entropy's near-term projects may not occur when anticipated, or at all; the risk that the CPV Three Rivers plant may not be commissioned when anticipated, or at all; the risk that the Corporation's commodity risk management program and financial risk management program may not achieve the results anticipated; the risk that the Corporation's annual operating expense per boe and transportation expense per boe may be greater than anticipated; the risk that the Corporation may be subject to cash taxes prior to calendar 2025; the risk that the raw gas capacity of the Glacier Gas Plant may not be expanded and that the wells drilled in the first quarter of 2023 may not be brought onto production when anticipated, or at all; the risk that Entropy's modular technology may not lower corporate emissions and that the Corporation may not achieve "net zero" Scope 1 and 2 emissions when anticipated, or at all; the risk that the Corporation's Valhalla asset

Forward-Looking Information and Other Advisories (continued)

may not play a pivotal role in the Corporation's liquids-rich gas development plan; the risk that the Corporation's Wembley asset may not provide sufficient gas processing capacity for future growth; the risk that the Corporation may drill less wells at Wembley in the first half of 2023 than anticipated; the risk that the construction of the Corporation's Progress compressor site and liquids handling hub may not be completed when anticipated, or at all; the risk that Advantage may not actively manage its portfolio in conjunction with its future development plans or ensure that the Corporation is properly diversified into multiple markets; the risk that the Corporation may not allocate all of its free cash flow in 2023 towards the Corporation's share buyback program or maintain its net debt target of \$200 million; the risk that the Corporation may not satisfy all of its liabilities and commitments and meet its future obligations as they become due; the risk that the undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability may be greater than anticipated; the risk that Entropy's future projects may have a greater capital cost than anticipated; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at www.sedar.com and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this document, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain, including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to 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 Entropy's planned capital projects will lead to completed CCS projects; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop its 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 Corporation will have sufficient financial resources to purchase its shares under NCIBs in the future; and that the estimates of the Corporation's production, reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

The future acquisition by the Corporation of the Corporation's common shares pursuant to its share buyback program (including through an NCIB or an SIB), if any, and the level thereof is uncertain. Any decision to acquire common shares of the Corporation pursuant to the share buyback program 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 share buyback program, if any, in the future.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this document in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and,

Forward-Looking Information and Other Advisories (continued)

accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this document and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This document contains information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to: that Advantage will focus on growing AFF per share while maintaining its net debt target of \$200 million; Advantage's anticipated annual spending over the next three years; the Corporation's 2023 capital guidance including its anticipated cash used in investing activities, royalty rate, operating expense, transportation expense and G&A/finance expense; the incurred net capital expenditures that the Corporation estimates that it will recover under the ITC for CCUS projects on the Glacier Gas Plant Phase 1 CCS project; the terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the anticipated benefits to be derived therefrom; the Corporation's anticipated 2023 annual operating expense per boe and transportation expense per boe; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2025; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; that the Corporation will allocate all free cash flow in 2023 towards the Corporation's share buyback program, while maintaining its net debt target of \$200 million; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; and Entropy's expectations that future projects are on-track to achieve a capital cost of C\$475/tonne/annum (capture only, including inflation) for high-quality mid-sized projects, and lower for large projects; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this document and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this this document was made as of the date of this document 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 document is not conclusive and is subject to change.

Oil and Gas Information

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

This document contains metrics commonly used in the oil and natural gas industry which have been prepared by management such as "operating netback", "net asset value", "reserve additions", "reserve per share" and "reserve life index". These terms do not have standard meaning and may not be comparable to similar measures presented by other companies and, therefore, should not be used to make such comparisons. Management uses these oil and natural gas metrics for its own performance measurements, and to provide shareholders with measures to compare Advantage's operations overtime. Readers are cautioned that the information provided by these metrics, or that can be derived from metrics presented in the MD&A, should not be relied upon for investment or other purposes.

References in this document 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.

Production estimates contained herein are expressed as anticipated average production over the calendar year. In determining anticipated production for the year 2023 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2023 expected drilling and completion activities.

Sproule was engaged as an independent qualified reserve evaluator to evaluate Advantage's year-end reserves as of December 31, 2022 ("Sproule 2022 Reserves Report") in accordance with NI 51-101 and the COGE Handbook. Reserves are stated on a gross (before royalties) working interest basis unless otherwise indicated. Additional details are provided in the accompanying tables to this release and additional reserve information as required under NI 51-101 are included in our Annual Information Form which is available at www.sedar.com and www.advantageog.com. The recovery and reserve estimates of reserves provided in this document are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual reserves may eventually prove to be greater than, or less than, the estimates provided herein.

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

Specified Financial Measures

Throughout this document and in other documents disclosed by the Corporation, Advantage discloses certain measures to analyze financial performance, financial position, and cash flow. These specified financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The specified financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss) and comprehensive income (loss), cash provided by operating activities, and cash used in investing activities, as indicators of Advantage's performance. Refer to "Specified Financial Measures" on page 34 of the Corporation's Consolidated Management's Discussion & Analysis for the year ended December 31, 2022, which is available at www.sedar.com and www.advantageog.com, for additional information about certain financial measures, including reconciliations to the nearest GAAP measures, as applicable.

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

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

FD&A is a Non-GAAP financial measure as it includes net capital expenditures. FD&A cost is calculated based on adding net capital expenditures and the net change in future development capital ("FDC"), divided by reserve additions for the year from the Sproule 2022 and 2021 Reserves Report.

Net Asset Value

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

Additional Information

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

March 17, 2023

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
NCIB	means "Normal course issuer bid"
PJM	a regional transmission organization that coordinates the movement of wholesale electricity in the Mid Atlantic region of the US
SIB	Means "Substantial issuer bid"
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 NI 51-101
Natural gas	Conventional Natural Gas as defined in NI 51-101
"NGLs" & "condensate"	Natural Gas Liquids as defined in NI 51-101
Liquids	Total of crude oil, condensate and NGLs

Directors

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⁽²⁾ Member of Reserves and Health, Safety and Environment Committee

⁽³⁾ Member of Compensation Committee

⁽⁴⁾ Member of Governance & Sustainability Committee

Officers

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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
ATB Financial
Business Development Bank of Canada
Wells Fargo Bank N.A., /Canada Branch

Independent Reserve Evaluators

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