

## 2023 Fourth Quarter Report

### Financial Highlights

(\$'000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
<b>Financial Statement Highlights</b>				
Natural gas and liquids sales	<b>147,137</b>	223,200	<b>541,100</b>	950,458
Net income and comprehensive income <sup>(3)</sup> per basic share <sup>(2)</sup>	<b>41,026</b> <b>0.25</b>	113,962 0.63	<b>101,597</b> <b>0.61</b>	338,667 1.81
Basic weighted average shares (000)	<b>163,939</b>	180,248	<b>166,553</b>	187,022
Cash provided by operating activities	<b>89,048</b>	112,558	<b>323,345</b>	502,378
Cash used in financing activities	<b>(52,120)</b>	(49,718)	<b>(70,263)</b>	(209,091)
Cash used in investing activities	<b>(58,846)</b>	(69,060)	<b>(282,761)</b>	(269,585)
<b>Other Financial Highlights</b>				
Adjusted funds flow <sup>(1)</sup> per boe <sup>(1)</sup> per basic share <sup>(1)(2)</sup>	<b>82,494</b> <b>13.11</b> <b>0.50</b>	124,205 24.29 0.69	<b>313,570</b> <b>14.16</b> <b>1.88</b>	516,790 25.39 2.76
Net capital expenditures <sup>(1)</sup>	<b>39,938</b>	49,687	<b>282,796</b>	241,790
Free cash flow <sup>(1)</sup>	<b>42,556</b>	74,518	<b>30,774</b>	275,000
Working capital surplus <sup>(1)</sup>	<b>18,651</b>	71,564	<b>18,651</b>	71,564
Bank indebtedness	<b>212,854</b>	177,200	<b>212,854</b>	177,200
Net debt <sup>(1)</sup>	<b>222,022</b>	121,336	<b>222,022</b>	121,336
<b>Operating Highlights</b>				
Production				
Crude oil (bbls/d)	<b>3,254</b>	1,854	<b>2,710</b>	1,972
Condensate (bbls/d)	<b>1,264</b>	1,092	<b>1,166</b>	1,082
NGLs (bbls/d)	<b>3,345</b>	2,680	<b>3,021</b>	3,039
Total liquids production (bbls/d)	<b>7,863</b>	5,626	<b>6,897</b>	6,093
Natural gas (Mcf/d)	<b>363,124</b>	299,684	<b>322,687</b>	298,053
Total production (boe/d)	<b>68,384</b>	55,573	<b>60,678</b>	55,769
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	<b>2.84</b>	5.65	<b>3.24</b>	5.55
Liquids (\$/bbl)	<b>81.55</b>	86.39	<b>78.35</b>	92.48
<b>Operating Netback (\$/boe)</b>				
Natural gas and liquids sales	<b>23.39</b>	43.66	<b>24.43</b>	46.69
Realized gains (losses) on derivatives	<b>0.98</b>	(4.76)	<b>1.59</b>	(7.08)
Processing and other income	<b>0.39</b>	0.60	<b>0.34</b>	0.45
Net sales of purchased natural gas	-	-	<b>(0.01)</b>	-
Royalty expense	<b>(1.64)</b>	(5.31)	<b>(1.92)</b>	(5.22)
Operating expense	<b>(3.61)</b>	(3.39)	<b>(3.81)</b>	(3.16)
Transportation expense	<b>(4.08)</b>	(4.43)	<b>(4.09)</b>	(4.43)
Operating netback <sup>(1)</sup>	<b>15.43</b>	26.37	<b>16.53</b>	27.25

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

<sup>(2)</sup> Based on basic weighted average shares outstanding.

<sup>(3)</sup> Net income and comprehensive income attributable to Advantage shareholders.

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## MESSAGE TO SHAREHOLDERS

Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to report 2023 year-end financial and operating results as well as year-end 2023 reserves.

Advantage achieved exceptional results during 2023, including record production, improved well results, and significant share buybacks, while ending the year below our net debt target. Additional achievements included an unbudgeted \$10 million acquisition of 53 net Montney sections at Conroy and successfully executing a 17-day Glacier plant turnaround.

Following a comprehensive review of our capital program, we have materially reduced our planned 2024 capital expenditures by \$40 million to between \$220 million and \$250 million. Thanks to continued outperformance of our recent development program, we can deliver this reduced capital level without changing our production guidance or compromising our long-term adjusted funds flow ("AFF") per share focus.

### 2024 Capital Program Update

Advantage continuously reviews its capital program to adjust to rapidly changing supply/demand dynamics in North America. Our 2024 capital spending guidance has been revised to a range of \$220 million to \$250 million (from \$260 million to \$290 million). Budgetary reductions include at least two fewer wells, the deferral of debottlenecking and reliability projects, and a previously unbudgeted capital recovery. Production guidance remains unchanged, thanks to continued outperformance of our development program.

Significant discretionary capital remains in the budget for the second half of 2024, including a steady one-rig drilling program and the first phase of the 150 mmcf/d Progress gas plant project, currently on-schedule to be commissioned mid-year 2025. In the event that North American supply growth continues to overwhelm demand and create further downward pressure on futures pricing, any discretionary investments that fail to meet threshold metrics may be deferred allowing incremental free cash flow to be redeployed to the share buyback.

Based on current futures pricing, Advantage estimates capital spending will be approximately 75% of forecasted total AFF for 2024 and 2025, preserving balance sheet flexibility and optionality for opportunistic, counter-cyclical share repurchases.

### Marketing Update

Advantage has hedged approximately 20% of its forecast natural gas production for summer 2024, 11% for winter 2024/25, 5% for summer 2025 and 6% for winter 2025/26. Advantage has only approximately 8% exposure to AECO volatility this summer through a combination of fixed price hedges and physical market diversification.

### Looking Forward

To maximize shareholder value, Advantage remains focused on growing AFF per share<sup>(a)</sup> while maintaining a net debt<sup>(a)</sup> target of \$200 million to \$250 million. Advantage's three-year plan is to deliver compounding AFF per share growth via careful capital allocation, with annual spending between \$220 million and \$300 million and production growth capped at 10%. 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 may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

## RESERVES

Advantage engaged its independent qualified reserves evaluator Sproule Associates Ltd. ("Sproule") to evaluate its year-end reserves as of December 31, 2023 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 March 4, 2024 and is available at [www.advantageog.com](http://www.advantageog.com) and [www.sedarplus.ca](http://www.sedarplus.ca).

### Highlights – Gross Working Interest Reserves

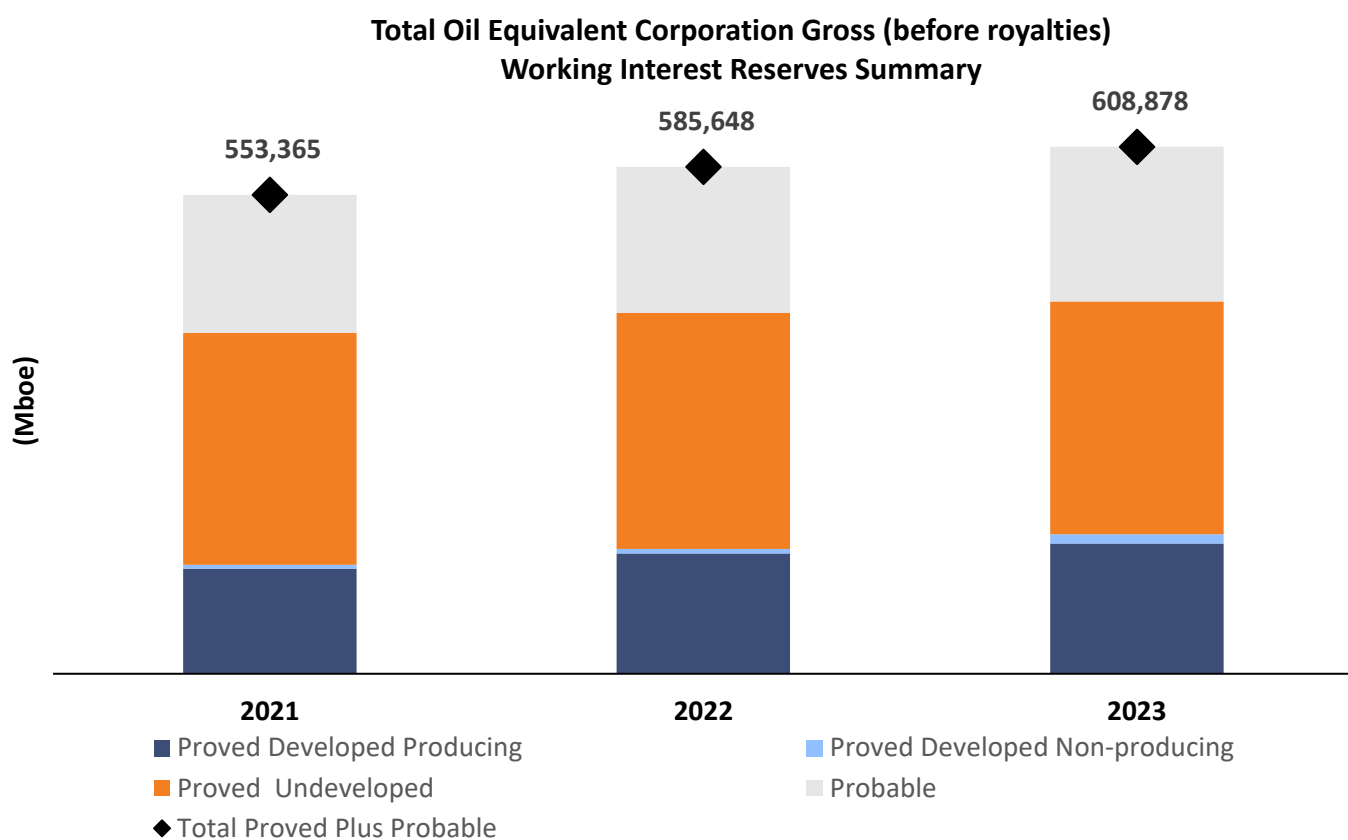
	December 31 2023	December 31 2022 <sup>(4)</sup>
Proved plus probable reserves (mboe)	608,878	585,648
Net Present Value of future net revenue of 2P reserves discounted at 10%, before tax (\$000) <sup>(1)</sup>	4,229,092	4,745,165
Net Asset Value per Share discounted at 10%, before tax <sup>(2)(5)</sup>	25.07	27.16
Reserve Life Index (proved plus probable - years) <sup>(3)</sup>	24.4	28.9
Reserves per share (proved plus probable - boe) <sup>(2)</sup>	3.75	3.41
Bank indebtedness per boe of reserves (proved plus probable)	0.35	0.30

#### Notes:

- <sup>(1)</sup> Assumes that development of each property will occur, without regard to the likely availability to the Corporation of funding required for that development.
- <sup>(2)</sup> Based on 166.2 million shares outstanding at December 31, 2023 and 171.7 million at December 31, 2022.
- <sup>(3)</sup> Based on fourth quarter average production and Corporation interest reserves.
- <sup>(4)</sup> Reserves based upon an evaluation by Sproule with an effective date of December 31, 2022 contained in a report of Sproule dated February 22, 2023 using the IQRE average product price forecast effective December 31, 2022.
- <sup>(5)</sup> 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, 2023**

	Light Crude Oil and Medium Crude Oil (Mbbbl)	Conventional Natural Gas (Mmcf)	Natural Gas Liquids (Mbbbl)	Total Oil Equivalent (Mboe)
<b>Proved</b>				
Developed Producing	4,278	819,376	9,462	150,303
Developed Non-producing	-	62,250	380	10,755
Undeveloped	8,343	1,455,505	18,210	269,137
<b>Total Proved</b>	<b>12,622</b>	<b>2,337,130</b>	<b>28,051</b>	<b>430,195</b>
Probable	6,795	957,328	12,334	178,683
<b>Total Proved Plus Probable</b>	<b>19,416</b>	<b>3,294,457</b>	<b>40,385</b>	<b>608,878</b>

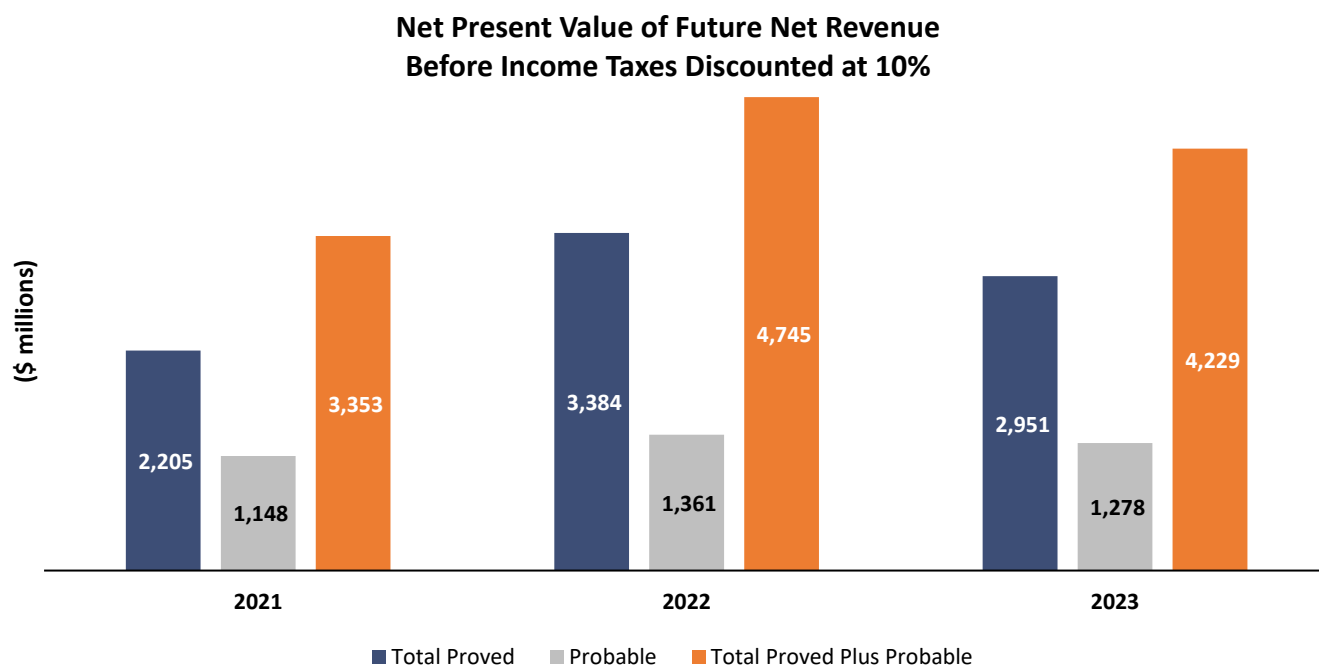


**Corporation Net Present Value of Future Net Revenue using IQRE Average price and cost forecasts<sup>(1)(2)(3)</sup>**

(\$000)	Before Income Taxes Discounted at		
	0%	10%	15%
<b>Proved</b>			
Developed Producing	2,489,682	1,392,412	1,139,988
Developed Non-producing	187,858	91,048	70,802
Undeveloped	4,805,440	1,467,675	923,922
<b>Total Proved</b>	<b>7,482,980</b>	<b>2,951,135</b>	<b>2,134,712</b>
Probable	4,287,209	1,277,958	870,359
<b>Total Proved Plus Probable</b>	<b>11,770,188</b>	<b>4,229,092</b>	<b>3,005,071</b>

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, 2023, 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.



## IQRE Average Forecasts and Assumptions

The net present value of future net revenue at December 31, 2023 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, 2023. 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:

<b>Year</b>	<b>Canadian Light Sweet Crude Oil 40° API (\$Cdn/bbl)</b>	<b>AECO-C Spot (\$Cdn/MMbtu)</b>	<b>Edmonton Pentanes Plus (\$Cdn/bbl)</b>	<b>Edmonton Butane (\$Cdn/bbl)</b>	<b>Edmonton Propane (\$Cdn/bbl)</b>
2024	92.91	2.20	29.65	47.69	96.79
2025	95.04	3.37	35.13	48.83	98.75
2026	96.07	4.05	35.43	49.36	100.71
2027	97.99	4.13	36.14	50.35	102.72
2028	99.95	4.21	36.86	51.35	104.78
2029	101.94	4.30	37.60	52.38	106.87
2030	103.98	4.38	38.35	53.43	109.01

<b>Year</b>	<b>Operating Cost Inflation Rate %/year</b>	<b>Capital Cost Inflation Rate %/year</b>	<b>Exchange Rate (\$US/\$Cdn)</b>
2024	0.0%	0.0%	0.75
2025	2.0%	2.0%	0.75
2026	2.0%	2.0%	0.76
2027	2.0%	2.0%	0.76
2028	2.0%	2.0%	0.76
2029	2.0%	2.0%	0.76
2030	2.0%	2.0%	0.76

## 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 <sup>(1)</sup> - December 31, 2022	\$ 75.28	\$ 27.16	\$ 19.62
Net present value proved and probable reserves	11,770,188	4,229,092	3,005,071
Undeveloped land <sup>(2)</sup>	15,960	15,960	15,960
Working capital and other <sup>(3)(4)</sup>	127,196	127,196	127,196
Bank indebtedness	(212,854)	(212,854)	(212,854)
Financing liability	(92,897)	(92,897)	(92,897)
Net asset value - December 31, 2023 <sup>(3)</sup>	11,607,593	4,066,497	2,842,476
Net asset value per share <sup>(1)(3)</sup> - December 31, 2023	\$ 71.55	\$ 25.07	\$ 17.52

### Notes:

- <sup>(1)</sup> Based on 166.2 million shares outstanding at December 31, 2023 and 171.7 million at December 31, 2022.
- <sup>(2)</sup> The value of undeveloped land is based on book value.
- <sup>(3)</sup> Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".
- <sup>(4)</sup> 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

<b>Proved</b>	<b>Light Crude Oil and Medium Crude Oil (Mbbbl)</b>	<b>Conventional Natural Gas (Mmcf)</b>	<b>Natural Gas Liquids (Mbbbl)</b>	<b>Total Oil Equivalent (Mboe)</b>
Opening balance December 31, 2022	12,432	2,278,778	24,650	416,879
Extensions and improved recovery <sup>(1)</sup>	2,607	502,415	7,752	94,095
Technical revisions <sup>(1)</sup>	(1,440)	(325,118)	(2,822)	(58,448)
Discoveries	-	-	-	-
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Economic factors	12	(1,164)	(1)	(184)
Production	(989)	(117,781)	(1,528)	(22,148)
Closing balance at December 31, 2023	12,622	2,337,130	28,051	430,195

<b>Proved Plus Probable</b>	<b>Light Crude Oil and Medium Crude Oil (Mbbbl)</b>	<b>Conventional Natural Gas (Mmcf)</b>	<b>Natural Gas Liquids (Mbbbl)</b>	<b>Total Oil Equivalent (Mboe)</b>
Opening balance December 31, 2022	19,456	3,186,329	35,137	585,648
Extensions and improved recovery <sup>(1)</sup>	4,028	484,625	9,859	94,658
Technical revisions <sup>(1)</sup>	(3,079)	(258,568)	(3,085)	(49,258)
Discoveries	-	-	-	-
Acquisitions	-	-	-	-
Dispositions	-	-	-	-
Economic factors	-	(146)	2	(22)
Production	(989)	(117,781)	(1,528)	(22,148)
Closing balance at December 31, 2023	19,416	3,294,458	40,385	608,878

### Notes:

<sup>(1)</sup> Proved and Proved Plus Probable reserves have been reassigned to different areas to align with the Corporation's current development plan, which includes the expansion of processing facilities at Progress and Valhalla to develop reserves with higher liquid recoveries. Certain locations at Glacier have been removed and replaced by new locations at Valhalla. The removed locations are reported as negative technical revisions and replaced new locations categorized as extensions and improved recovery in the same table. Included in technical revisions, but not apparent due to the large negative revisions, are positive revisions at existing wells and locations due to increased performance, amounting to 15,647.2 Mboe Gross Proved and 17,983.7 Mboe Gross Proved Plus Probable.

<sup>(2)</sup> Table may not add due to rounding.

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

### Corporation 2023 F&D Cost – Gross (before royalties) Working Interest Reserves Including Future Development Capital<sup>(1)(2)(3)</sup>

	Proved	Proved Plus Probable
Net capital expenditures (\$000) <sup>(4)(5)</sup>	266,187	266,187
Acquisitions	(10,159)	(10,159)
Net change in Future Development Capital (\$000)	45,375	114,752
Total capital (\$000)	301,403	370,780
Total mboe, end of year	430,195	608,878
Total mboe, beginning of year	416,879	585,648
Production, mboe	(22,148)	(22,148)
Reserve additions, mboe	35,464	45,378
2023 F&D cost (\$/boe) <sup>(4)(5)</sup>	\$8.50	\$8.17
2022 F&D cost (\$/boe) <sup>(4)(5)</sup>	\$7.48	\$6.62
Three-year average F&D cost (\$/boe) <sup>(4)(5)</sup>	\$7.60	\$6.90

#### 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 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, 2023 and 2022

## CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of March 4, 2024, 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, 2023, and should be read in conjunction with the December 31, 2023, audited consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "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 ratios, capital management measures and 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" sections found at the end of this MD&A.

<b>Financial Highlights</b>	<b>Three months ended</b>		<b>Year ended</b>	
	<b>December 31</b>		<b>December 31</b>	
<b>(\$000, except as otherwise indicated)</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Financial Statement Highlights</b>				
Natural gas and liquids sales	<b>147,137</b>	223,200	<b>541,100</b>	950,458
Net income and comprehensive income <sup>(3)</sup>	<b>41,026</b>	113,962	<b>101,597</b>	338,667
per basic share <sup>(2)</sup>	<b>0.25</b>	0.63	<b>0.61</b>	1.81
Basic weighted average shares (000)	<b>163,939</b>	180,248	<b>166,553</b>	187,022
Cash provided by operating activities	<b>89,048</b>	112,558	<b>323,345</b>	502,378
Cash used in financing activities	<b>(52,120)</b>	(49,718)	<b>(70,263)</b>	(209,091)
Cash used in investing activities	<b>(58,846)</b>	(69,060)	<b>(282,761)</b>	(269,585)
<b>Other Financial Highlights</b>				
Adjusted funds flow <sup>(1)</sup>	<b>82,494</b>	124,205	<b>313,570</b>	516,790
per boe <sup>(1)</sup>	<b>13.11</b>	24.29	<b>14.16</b>	25.39
per basic share <sup>(1)(2)</sup>	<b>0.50</b>	0.69	<b>1.88</b>	2.76
Net capital expenditures <sup>(1)</sup>	<b>39,938</b>	49,687	<b>282,796</b>	241,790
Free cash flow <sup>(1)</sup>	<b>42,556</b>	74,518	<b>30,774</b>	275,000
Working capital surplus <sup>(1)</sup>	<b>18,651</b>	71,564	<b>18,651</b>	71,564
Bank indebtedness	<b>212,854</b>	177,200	<b>212,854</b>	177,200
Net debt <sup>(1)</sup>	<b>222,022</b>	121,336	<b>222,022</b>	121,336

<sup>(1)</sup> 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.

<sup>(2)</sup> Based on basic weighted average shares outstanding.

<sup>(3)</sup> Net income and comprehensive income attributable to Advantage Shareholders.

## Operating Highlights

	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
<b>Operating</b>				
Production				
Crude oil (bbls/d)	<b>3,254</b>	1,854	<b>2,710</b>	1,972
Condensate (bbls/d)	<b>1,264</b>	1,092	<b>1,166</b>	1,082
NGLs (bbls/d)	<b>3,345</b>	2,680	<b>3,021</b>	3,039
Total liquids production (bbls/d)	<b>7,863</b>	5,626	<b>6,897</b>	6,093
Natural gas (Mcf/d)	<b>363,124</b>	299,684	<b>322,687</b>	298,053
Total production (boe/d)	<b>68,384</b>	55,573	<b>60,678</b>	55,769
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	<b>2.84</b>	5.65	<b>3.24</b>	5.55
Liquids (\$/bbl)	<b>81.55</b>	86.39	<b>78.35</b>	92.48
<b>Operating Netback (\$/boe)</b>				
Natural gas and liquids sales	<b>23.39</b>	43.66	<b>24.43</b>	46.69
Realized gains (losses) on derivatives	<b>0.98</b>	(4.76)	<b>1.59</b>	(7.08)
Processing and other income	<b>0.39</b>	0.60	<b>0.34</b>	0.45
Net sales of purchased natural gas	-	-	<b>(0.01)</b>	-
Royalty expense	<b>(1.64)</b>	(5.31)	<b>(1.92)</b>	(5.22)
Operating expense	<b>(3.61)</b>	(3.39)	<b>(3.81)</b>	(3.16)
Transportation expense	<b>(4.08)</b>	(4.43)	<b>(4.09)</b>	(4.43)
Operating netback <sup>(1)</sup>	<b>15.43</b>	26.37	<b>16.53</b>	27.25

<sup>(1)</sup> 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

### 2024 Guidance

On November 30, 2023, the Corporation announced its 2024 budget (see News Release dated November 30, 2023).

Advantage's 2024 capital program continues our focus on growing adjusted funds flow per share via disciplined capital allocation between high rate-of-return development drilling and our share buyback program. To maximize shareholder value, Advantage remains focused on growing adjusted funds flow per share, while maintaining a net debt target of between \$200 million and \$250 million.

Thanks in part to exceptional well results, Advantage expects be able to deliver its 2024 program with reduced capital, which is anticipated to range from \$220 million to \$250 million.

The below table summarizes Advantage's 2024 guidance:

<b>Forward Looking Information<sup>(1)</sup></b>	<b>Original Guidance<sup>(3)</sup></b>	<b>Revised Guidance<sup>(3)</sup></b>
Cash Used in Investing Activities <sup>(2)</sup> (\$ millions)	260 to 290	220 to 250
Total Average Production (boe/d)	65,000 to 68,000	-
Liquids Production (% of total average production)	~10%	-
Royalty Rate (%)	7 to 9	-
Operating Expense (\$/boe)	3.85	-
Transportation Expense (\$/boe)	3.95	-
G&A/Finance Expense (\$/boe)	1.90	-
Net debt (\$ millions)	200 to 250	-

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

<sup>(2)</sup> 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.

<sup>(3)</sup> Guidance numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc.

### 2023 Guidance Comparison

The below table summarizes Advantage's 2023 guidance compared to actual 2023 financial and operational results:

	<b>Original 2023 Guidance<sup>(1)(4)</sup></b>	<b>Q2 2023 Revision<sup>(2)(4)</sup></b>	<b>2023 Actual<sup>(4)</sup></b>
Net capital expenditures (\$ millions)	250 to 280	-	266.2
Total Average Production (boe/day)	59,000 to 62,500	-	60,678
Liquids Production (% of total average production)	~12%	-	11.4%
Royalty Rate (%)	9 to 12	7 to 9	7.8
Operating Expense (\$/boe)	3.25	3.65	3.78
Transportation Expense (\$/boe)	4.75	4.50	4.09
G&A/Finance Expense <sup>(3)</sup> (\$/boe)	1.40	2.00	2.04
Net debt (\$ millions)	170 to 230	-	195.9

#### Notes:

<sup>(1)</sup> See December 31, 2022 MD&A dated February 23, 2023.

<sup>(2)</sup> See June 30, 2023 MD&A dated July 27, 2023.

<sup>(3)</sup> Finance expense includes foreign exchange and excludes accretion of decommissioning liability.

<sup>(4)</sup> Guidance and actual numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc.

## **Corporate Update (continued)**

### **2023 Guidance Comparison (continued)**

#### *Net Capital Expenditures*

Actual net capital expenditures for the year ended December 31, 2023 was within Advantage's guidance range including the Corporation's unbudgeted acquisition of 53 equivalent net sections in the Northeast British Columbia liquids rich Montney trend at Conroy. Excluding this acquisition, net capital expenditures was to the lower end of Advantage's 2023 guidance at \$256.0 million due to high capital efficiencies and stronger well results.

#### *Production*

As a result of strong operational execution, Advantage achieved annual total production within its 2023 guidance range. Advantage's liquids production was slightly below its guidance range at 11.4% of total production. The lower liquids production was due to third-party outages and unplanned downtime.

#### *Royalty Rate*

Given the decreased commodity price environment, the Corporation decreased its royalty rate guidance range in the second quarter of 2023 to between 7% and 9%. The Corporation's actual royalty rate was within its revised guidance range.

#### *Operating Expense*

As a result of increased third-party processing fees associated with higher volumes at Wembley, continued inflationary pressures, and higher maintenance costs at the Glacier Gas Plant, the Corporation increased its operating expense guidance in the second quarter of 2023 to \$3.65/boe, with actual operating expense per boe coming within 4% of such revised guidance.

#### *Transportation Expense*

As a result of lower transportation fuel costs and lower than expected transportation costs for liquids, the Corporation's actual transportation expense was below its 2023 guidance at \$4.09/boe.

#### *G&A/Finance Expense*

As a result of increases in interest rates throughout 2023, the Corporation increased its G&A/Finance expense guidance to \$2.00/boe. Advantage's G&A/Finance expense of \$2.04/boe was within 2% of our revised guidance.

#### *Share Buyback Program*

The Corporation has continued its share buyback program purchasing \$13.1 million shares in 2023 at an average price of \$8.96 per share. The Corporation plans to continue to dedicate 100% of free cash flow to the buyback program while current market conditions persist as part of its return of capital strategy.

## **Corporate Update (continued)**

### **Entropy**

Entropy Inc. ("Entropy") is a private corporation founded by Advantage, engaged in providing carbon capture and storage ("CCS") solutions to emitters of carbon dioxide. While Advantage retains a majority ownership in Entropy, it's governance and funding are independent of Advantage.

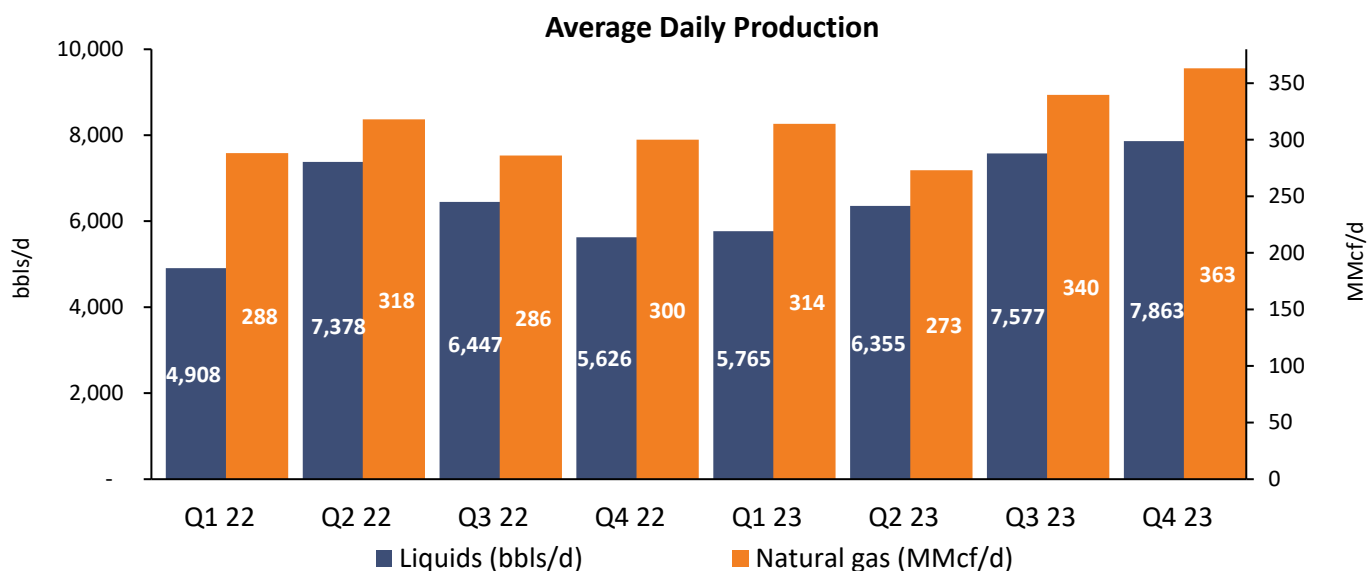
On December 20, 2023, Entropy announced a strategic investment agreement with Canada Growth Fund Inc. ("CGF"), whereby CGF has agreed to a \$200 million investment in Entropy coupled with a fixed-price carbon credit purchase agreement ("Carbon Credit Offtake Commitment" or "CCO") of up to one million tonnes per annum ("tpa") (see News Release dated December 20, 2023).

Under the terms of the CCO, CGF has committed to purchase up to 9 million tonnes (up to 600,000 tpa over a 15-year term, with the option of an additional 400,000 tpa at CGF's discretion) of TIER or equivalent carbon credits from Entropy projects. The initial project to benefit from the CCO is intended to be Advantage Glacier Phase 2, drawing up to 185,000 tpa at an initial price of \$86.50 per tonne, with annual escalation for a term of 15 years. The balance of the remaining CCO will be available for Entropy to underwrite third-party projects on terms that are expected to provide similar investment returns to Advantage Glacier Phase 2. Upon successful deployment of the initial 600,000 tpa of CCO, CGF may make available a further 400,000 tpa of CCOs for additional Entropy Canadian CCS projects.



## Production

Average Daily Production	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Crude oil (bbls/d)	3,254	1,854	76	2,710	1,972	37
Condensate (bbls/d)	1,264	1,092	16	1,166	1,082	8
NGLs (bbls/d)	3,345	2,680	25	3,021	3,039	(1)
<b>Total liquids production (bbls/d)</b>	<b>7,863</b>	<b>5,626</b>	<b>40</b>	<b>6,897</b>	<b>6,093</b>	<b>13</b>
Natural gas (Mcf/d)	363,124	299,684	21	322,687	298,053	8
<b>Total production (boe/d)</b>	<b>68,384</b>	<b>55,573</b>	<b>23</b>	<b>60,678</b>	<b>55,769</b>	<b>9</b>
Liquids (% of total production)	11	10		11	11	
Natural gas (% of total production)	89	90		89	89	



For the three months and year ended December 31, 2023, Advantage recorded record total production averaging 68,384 boe/d and 60,678 boe/d, respectively, increases of 23% and 9% compared to the same periods of the prior year.

Natural gas production for the three months and year ended December 31, 2023 averaged 363 MMcf/d and 323 MMcf/d, respectively, increases of 21% and 8% compared to the same periods of the prior year. Advantage's natural gas production increased as a result of ongoing 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"). Throughout 2023 Advantage was able to successfully mitigate industry-wide interruptions from wildfires and severe temperatures, while managing "firm service" restrictions on TC Energy's NGTL system and completing the planned turnaround at the Glacier Gas Plant that took 17 days in May of 2023, achieving production within our 2023 production guidance range.

Liquids production for the three months and year ended December 31, 2023 averaged 7,863 bbls/d and 6,897 bbls/d, respectively, increases of 40% and 13% 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 2023 (see "Cash Used in Investing Activities and Net Capital Expenditures").

Advantage expects total annual production to increase to between 65,000 and 68,000 boe/d in 2024 based on the Corporation's planned 2024 capital program (see "Corporate Update").

## Commodity Prices and Marketing

Average Realized Prices <sup>(2)</sup>	Three months ended			Year ended		
	December 31 2023	December 31 2022	% Change	December 31 2023	December 31 2022	% Change
<b>Natural gas</b>						
Excluding derivatives (\$/Mcf)	2.64	6.49	(59)	2.92	6.82	(57)
Including derivatives (\$/Mcf)	2.84	5.65	(50)	3.24	5.55	(42)
<b>Liquids</b>						
Crude oil (\$/bbl)	97.89	99.70	(2)	94.35	113.84	(17)
Condensate (\$/bbl)	97.88	106.58	(8)	98.80	119.34	(17)
NGLs (\$/bbl)	59.49	67.05	(11)	56.10	71.26	(21)
Total liquids excluding derivatives (\$/bbl)	81.55	85.48	(5)	78.35	93.58	(16)
Total liquids including derivatives (\$/bbl)	81.55	86.39	(6)	78.35	92.48	(15)
<b>Average Benchmark Prices</b>						
<b>Natural gas</b> <sup>(1)</sup>						
AECO daily (\$/Mcf)	2.30	5.10	(55)	2.64	5.24	(50)
AECO monthly (\$/Mcf)	2.66	5.68	(53)	2.93	5.57	(47)
Empress daily (\$/Mcf)	2.32	6.04	(62)	2.65	6.50	(59)
Henry Hub (\$US/MMbtu)	2.74	6.26	(56)	2.53	6.47	(61)
Emerson daily (\$US/MMbtu)	1.99	4.94	(60)	2.20	5.52	(60)
Dawn daily (\$US/MMbtu)	2.28	5.16	(56)	2.33	6.05	(61)
Chicago Citygate (\$US/MMbtu)	2.29	5.57	(59)	2.30	6.29	(63)
Ventura (\$US/MMbtu)	2.23	5.77	(61)	2.26	6.31	(64)
<b>Liquids</b>						
WTI (\$US/bbl)	78.26	82.63	(5)	77.57	94.23	(18)
MSW Edmonton (\$/bbl)	99.56	110.06	(10)	100.60	119.56	(16)
Average Exchange rate (\$US/\$CAD)	0.7346	0.7363	-	0.7409	0.7687	(4)

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

<sup>(2)</sup> 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, 2023 was \$81.55/bbl and \$78.35/bbl, respectively, decreases of 5% and 16% compared to the same periods of the prior year. Realized crude oil, condensate and NGL prices excluding derivatives all decreased in 2023 when compared to 2022 largely due to increasing global supply and slowing demand growth. 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 73% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attracts higher market prices than other liquids.

## Commodity Prices and Marketing (continued)

### Natural gas

Advantage's realized natural gas price excluding derivatives for the three months and year ended December 31, 2023 was \$2.64/Mcf and \$2.92/Mcf, respectively, decreases of 59% and 57% compared to the same periods of the prior year. These decreases were attributed to lower natural gas benchmark prices in all markets where Advantage physically delivers natural gas and has market diversification exposure. North American natural gas benchmark prices have decreased from the extreme highs experienced in 2022 largely due to strong North American natural gas production accompanied by a mild 2023 winter resulting in gas inventories rising above historical averages.

Advantage's natural gas exposure consists of the AECO, Empress, Emerson, Dawn, Chicago and Ventura markets. Additionally, beginning in April 2023, the Corporation began deliveries of 25,000 MMBtu/d pursuant to a long-term natural gas supply agreement whereby Advantage receives a PJM electricity-based spark-spread price, less Alliance tolls. Advantage incurs additional transportation expense to deliver production beyond AECO to the Empress, Emerson and Dawn markets (see "Transportation Expense"). Our Chicago and Ventura contracts are netback arrangements where the Corporation incurs a fixed price differential with the net amount recorded to revenue.

The following table outlines the Corporation's 2024 forward-looking natural gas market exposure, and 2023 actual natural gas market exposure, excluding hedging.

Sales Markets	Forward-looking 2024 <sup>(2)</sup>		2023	
	Effective production (MMcf/d) <sup>(1)</sup>	Percentage of Natural Gas Production (%)	Actual production (MMcf/d) <sup>(1)</sup>	Percentage of Natural Gas Production (%)
AECO	99.3	28%	88.3	27%
AECO Other <sup>(4)</sup>	30.5	8%	28.7	9%
Empress	80.1	22%	71.0	22%
Emerson	43.1	12%	28.8	9%
Dawn	52.7	15%	51.5	16%
Chicago	15.9	4%	22.9	7%
Ventura	12.5	4%	13.8	4%
PJM electricity price <sup>(5)</sup>	25.0	7%	17.7	6%
<b>Total</b>	<b>359.1<sup>(3)</sup></b>	<b>100%</b>	<b>322.7</b>	<b>100%</b>

<sup>(1)</sup> All volumes contracted converted on the basis of 1 Mcf = 1.055056 GJ and 1 Mcf = 1 Mmbtu.

<sup>(2)</sup> Natural gas market exposure based on contracts in-place at December 31, 2023.

<sup>(3)</sup> Represents the midpoint of our 2024 guidance for natural gas production volumes (see News Release dated November 30, 2023).

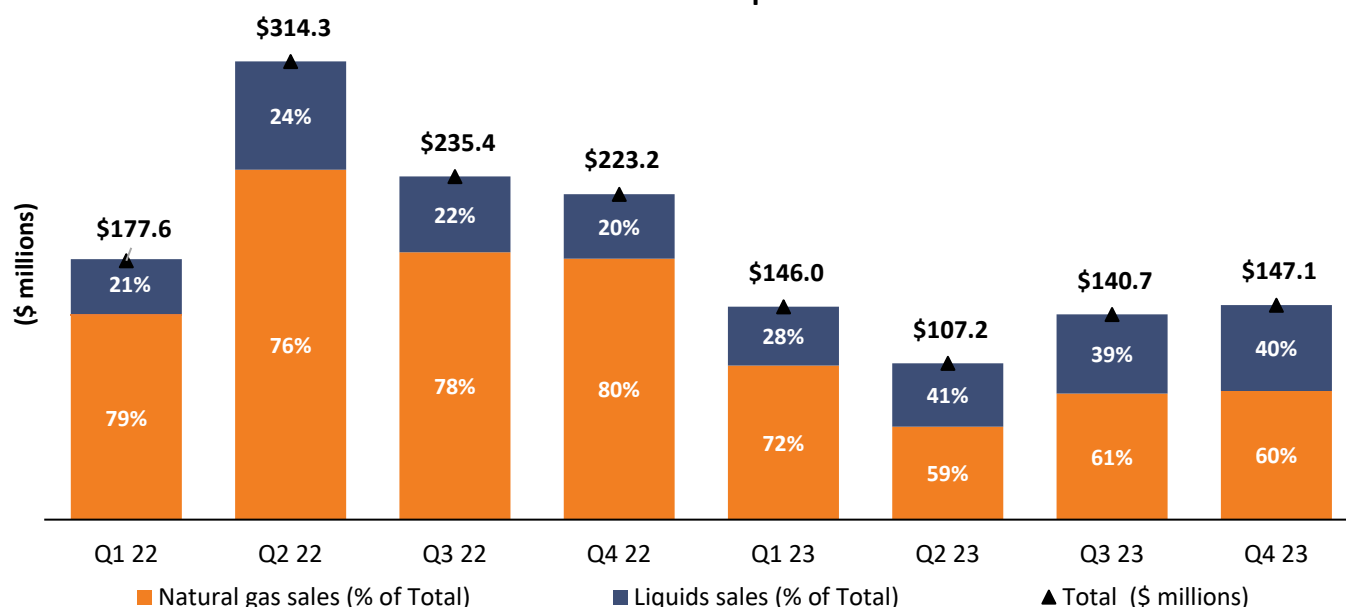
<sup>(4)</sup> Transactions that are priced at AECO but may include either a premium or discount to AECO as negotiated with counterparties.

<sup>(5)</sup> Sales are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity 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		%
	2023	2022	Change	2023	2022	Change
Crude oil	29,304	17,006	72	93,330	81,938	14
Condensate	11,382	10,707	6	42,047	47,129	(11)
NGLs	18,306	16,532	11	61,856	79,042	(22)
<b>Liquids</b>	<b>58,992</b>	<b>44,245</b>	<b>33</b>	<b>197,233</b>	<b>208,109</b>	<b>(5)</b>
Natural gas	88,145	178,955	(51)	343,867	742,349	(54)
<b>Natural gas and liquids sales</b>	<b>147,137</b>	<b>223,200</b>	<b>(34)</b>	<b>541,100</b>	<b>950,458</b>	<b>(43)</b>
per boe	23.39	43.66	(46)	24.43	46.69	(48)

### Natural Gas and Liquids Sales



Natural gas and liquids sales for the three months and year ended December 31, 2023, decreased by \$76.1 million, or 34%, and \$409.4 million, or 43%, respectively, compared to the same corresponding periods of 2022.

For the year ended December 31, 2023, natural gas sales decreased by \$398.5 million or 54%, compared to 2022, due to a 57% decrease in realized gas prices (see "Commodity Prices and Marketing"), partially offset by an 8% increase in natural gas production volumes (see "Production"). Liquids sales decreased by \$10.9 million, or 5%, due to a 16% decrease in realized liquids prices (see "Commodity Prices and Marketing"), partially offset by a 13% increase in liquids production volumes (see "Production").

For the three months ended December 31, 2023, natural gas sales decreased by \$90.8 million or 51%, compared to the corresponding period in 2022, due to a 59% decrease in realized gas prices (see "Commodity Prices and Marketing"), partially offset by a 21% increase in natural gas production volumes (see "Production"). Fourth quarter liquids sales increased by \$14.7 million, or 33%, due to a 40% increase in liquids production volumes (see "Production"), partially offset by a 5% decrease in realized liquids prices (see "Commodity Prices and Marketing").

## 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, 2023, and 2022 are as follows:

(\$000)	Three months ended		Year ended	
	December 31		December 31	
	2023	2022	2023	2022
<b>Realized gains (losses) on derivatives</b>				
Natural gas	6,636	(23,114)	38,184	(138,871)
Crude oil	-	470	-	(2,430)
Foreign exchange	(27)	(1,700)	(2,033)	(2,729)
Interest rate	-	-	-	(104)
Natural gas embedded derivative	(469)	-	(908)	-
<b>Total</b>	<b>6,140</b>	<b>(24,344)</b>	<b>35,243</b>	<b>(144,134)</b>
<b>Unrealized gains (losses) on derivatives</b>				
Natural gas	17,264	69,436	6,233	29,647
Crude oil	-	(524)	-	(20)
Foreign exchange	682	2,329	3,090	(687)
Interest rate	-	-	-	136
Natural gas embedded derivative	12,777	(8,609)	(13,192)	42,176
Unsecured debenture derivative	365	(3,651)	(5,606)	(3,965)
<b>Total</b>	<b>31,088</b>	<b>58,981</b>	<b>(9,475)</b>	<b>67,287</b>
<b>Gains (losses) on derivatives</b>				
Natural gas	23,900	46,322	44,417	(109,224)
Crude oil	-	(54)	-	(2,450)
Foreign exchange	655	629	1,057	(3,416)
Interest rate	-	-	-	32
Natural gas embedded derivative	12,308	(8,609)	(14,100)	42,176
Unsecured debenture derivative	365	(3,651)	(5,606)	(3,965)
<b>Total</b>	<b>37,228</b>	<b>34,637</b>	<b>25,768</b>	<b>(76,847)</b>

## **Financial Risk Management (continued)**

### Natural gas

For the three months and year ended December 31, 2023, Advantage realized net gains on natural gas derivatives of \$6.6 million and \$38.2 million, respectively, due to the settlement of contracts with average derivative contract prices that were above average market prices.

For the three months and year ended December 31, 2023, Advantage recognized a net unrealized gain on natural gas derivatives of \$17.3 million and \$6.2 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, 2023, 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 weakening natural gas prices.

### Foreign exchange

For the three months and year ended December 31, 2023, Advantage realized a loss on foreign exchange derivatives of nil and \$2.0 million, respectively, while recognizing an unrealized gain of \$0.7 million and \$3.1 million, respectively. The \$0.7 million unrealized gain for the three months ended December 31, 2023 is due to the strengthening of the forward strip rate of the Canadian dollar versus the US dollar. The \$3.1 million unrealized gain for the year ended December 31, 2023 is a result of the decreased liability valuation associated with the foreign exchange contracts that settled in the first six months of 2023 coupled with the new foreign exchange contracts entered into during 2023 that are in an asset position at December 31, 2023.

### Natural gas embedded derivative

Advantage has a long-term natural gas supply agreement under which Advantage will supply 25,000 MMbtu/d of natural gas for a 10-year period, that commenced in April 2023. Commercial terms of the agreement are based upon a spark-spread price, 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 price 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 realized gains (losses) on the embedded derivative when the realized settlement price differs from US\$2.50/MMbtu, resulting in a realized loss of \$0.9 million for the year ended December 31, 2023 (year ended December 31, 2022 – nil). The Corporation will have unrealized gains (losses) on the embedded derivative based on movements in the forward curve for PJM electricity prices. For the three months and year ended December 31, 2023 the Corporation recognized an unrealized gain on the natural gas embedded derivative of \$12.8 million and an unrealized loss of \$13.2 million, respectively. The unrealized gain for the three months ended is due to strengthening PJM electricity prices resulting in an increased asset position of the derivative compared to the third quarter of 2023. The unrealized loss for the year ended December 31, 2023 is due to weakening of PJM electricity prices compared with the year end of December 31, 2022 resulting in a lower asset position of the derivative.

### Unsecured debentures derivative

The Corporation's subsidiary Entropy issued unsecured debentures that 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, 2023, the Entropy unsecured debentures derivative liability resulted in an unrealized loss of \$5.6 million due to the increased value of the conversion option which increased as a result of a higher estimated share price subsequent to CGF's investment agreement with Entropy announced in the fourth quarter of 2023.

## 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, 2024 and March 31, 2025, apart from the Corporation's natural gas embedded derivative which is expected to be settled between the years 2024 and 2033.

As at December 31, 2023 and March 4, 2024, the Corporation had the following commodity and foreign exchange derivative contracts in place:

Description of Derivative	Term	Volume	Price
<b>Natural gas - Henry Hub NYMEX</b>			
Fixed price swap	January 2024 to December 2024	20,000 Mcf/d	US \$3.41/Mcf
<b>Natural gas - AECO/Henry Hub Basis Differential</b>			
Basis swap	January 2024 to December 2024	40,000 Mcf/d	Henry Hub less US \$1.19/Mcf
<b>Natural gas - AECO</b>			
Fixed price swap	January 2024 to March 2024	23,695 Mcf/d	\$3.34/Mcf
Fixed price swap	April 2024 to October 2024	56,869 Mcf/d	\$2.60/Mcf <sup>(1)</sup>
Fixed price swap	November 2024 to December 2024	37,913 Mcf/d	\$3.42/Mcf <sup>(1)</sup>
Fixed price swap	January 2025 to March 2025	33,174 Mcf/d	\$3.46/Mcf <sup>(1)</sup>
Fixed price swap	April 2025 to October 2025	23,695 Mcf/d	\$2.97/Mcf <sup>(1)</sup>
Fixed price swap	November 2025 to March 2026	28,435 Mcf/d	\$4.05/Mcf <sup>(1)</sup>
<b>Natural gas - Chicago</b>			
Fixed price swap	January 2024 to March 2024	15,000 Mcf/d	US \$3.88/Mcf
<b>Natural gas - Dawn</b>			
Fixed price swap	January 2024 to March 2024	10,000 Mcf/d	US \$3.07/Mcf
Description of Derivative	Term	Notional Amount	Rate
<b>Forward rate - CAD/USD</b>			
Average rate currency swap	January 2024 to August 2024	US \$ 2,000,000/month	1.3558
Average rate currency swap	January 2024 to September 2024	US \$ 1,000,000/month	1.3650

(1) Contains contracts entered into subsequent to December 31, 2023.

## Processing and Other Income

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Processing and other income (\$000)	2,484	3,091	(20)	7,627	9,082	(16)
per boe	0.39	0.60	(35)	0.34	0.45	(24)

Advantage earns processing income from contracts whereby the Corporation charges third-parties to utilize excess capacity at its Glacier Gas Plant and Progress battery. For the three months and year ended December 31, 2023, the Corporation generated processing and other income of \$2.5 million and \$7.6 million, respectively, decreases of 20% and 16% compared to the same periods of the prior year. The decrease in processing income is due to lower volumes processed for third-parties compared to the prior year attributed to the planned turnaround at the Glacier Gas Plant in May and the prioritization of the Corporation's own production volumes over third-party volumes.

## Net Sales of Purchased Natural Gas

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Sales of purchased natural gas (\$000)	-	-	nm	3,124	4,826	(35)
Natural gas purchases (\$000)	-	-	nm	(3,371)	(4,756)	(29)
<b>Net sales of purchased natural gas (\$000)</b>	-	-	<b>nm</b>	<b>(247)</b>	<b>70</b>	<b>nm</b>
per boe	-	-	nm	(0.01)	-	nm

During the year ended December 31, 2023, the Corporation purchased natural gas volumes to satisfy physical sales commitments during the planned turnaround at the Glacier Gas Plant in the second quarter of 2023.

## Royalty Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Royalty expense (\$000)	10,302	27,154	(62)	42,432	106,257	(60)
per boe	1.64	5.31	(69)	1.92	5.22	(63)
Royalty rate (%) <sup>(1)</sup>	7.0	12.2	(5.2)	7.8	11.2	(3.4)

<sup>(1)</sup> 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, 2023, decreased by \$16.9 million and \$63.8 million, respectively, compared to the same periods of the prior year. The decrease in royalty expense for each period was primarily due to lower natural gas and liquids prices when compared to 2022 resulting in a lower royalty rate paid on natural gas and liquids sales.

Advantage expects royalty rates to range from 7% to 9% in 2024.



## Operating Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Operating expense (\$000)	22,724	17,344	31	84,453	64,269	31
per boe	3.61	3.39	6	3.81	3.16	21

Operating expense for the three months and year ended December 31, 2023, increased by \$5.4 million and \$20.2 million, increases of 31% and 31%, respectively, compared to the same periods of the prior year. The higher operating expense was attributed to additional third-party processing fees associated with higher liquids production at Wembley, inflationary impacts, and increased maintenance costs at the Glacier Gas Plant and Valhalla Liquids Hub related to hot weather experienced in the summer.

Operating expense per boe for the three months and year ended December 31, 2023 was \$3.61/boe and \$3.81/boe, respectively. The increase in operating expense per boe when compared to the same periods of the prior year is attributed to the higher costs primarily associated with increased liquids production. For the year ended December 31, 2023, operating expense per boe was inflated due to downtime in the second quarter associated with the planned 17-day turnaround at the Glacier Gas Plant, while operating costs are primarily fixed.

Advantage expects 2024 annual operating expense per boe to be comparable to 2023 at approximately \$3.85/boe (see "Corporate Update").

## Transportation Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Natural gas (\$000)	21,337	20,651	3	77,364	81,313	(5)
Liquids (\$000)	4,327	1,986	118	13,239	8,780	51
<b>Total transportation expense (\$000)</b>	<b>25,664</b>	<b>22,637</b>	<b>13</b>	<b>90,603</b>	<b>90,093</b>	<b>1</b>
per boe	4.08	4.43	(8)	4.09	4.43	(8)

Transportation expense represents the cost of transporting our natural gas and liquids production to the sales points, including associated fuel costs. Transportation expense for the three months ended December 31, 2023 increased by \$3.0 million, or 13% compared to the same period of the prior year. The increase in transportation expenses is a result of the higher gas volumes and additional liquids transportation associated with the KAPS pipeline system and higher liquids production.

Transportation expense for the year ended December 31, 2023 increased by \$0.5 million or 1%. The increase in transportation expenses is due to additional liquids transportation associated with higher liquids production and tolls incurred on the KAPS pipeline system whereby the Corporation began shipping liquids production in the third quarter of 2023, partially offset by lower natural gas transportation costs due to lower fuel costs.

Transportation expense per boe fell for both the three months and year ended December 31, 2023 as a result of lower fuel costs when compared to 2022.

Advantage expects 2024 annual transportation expense per boe to average approximately \$3.95/boe (see "Corporate Update"), as a result of slightly higher gas production as a % of total production.

## Operating Netback

	Three months ended December 31			
	2023		2022	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	147,137	23.39	223,200	43.66
Realized gains (losses) on derivatives	6,140	0.98	(24,344)	(4.76)
Processing and other income	2,484	0.39	3,091	0.60
Royalty expense	(10,302)	(1.64)	(27,154)	(5.31)
Operating expense	(22,724)	(3.61)	(17,344)	(3.39)
Transportation expense	(25,664)	(4.08)	(22,637)	(4.43)
<b>Operating netback<sup>(1)</sup></b>	<b>97,071</b>	<b>15.43</b>	<b>134,812</b>	<b>26.37</b>

	Year ended December 31			
	2023		2022	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	541,100	24.43	950,458	46.69
Realized gains (losses) on derivatives	35,243	1.59	(144,134)	(7.08)
Processing and other income	7,627	0.34	9,082	0.45
Net sales of purchased natural gas	(247)	(0.01)	70	-
Royalty expense	(42,432)	(1.92)	(106,257)	(5.22)
Operating expense	(84,453)	(3.81)	(64,269)	(3.16)
Transportation expense	(90,603)	(4.09)	(90,093)	(4.43)
<b>Operating netback<sup>(1)</sup></b>	<b>366,235</b>	<b>16.53</b>	<b>554,857</b>	<b>27.25</b>

<sup>(1)</sup> 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, 2023, Advantage's operating netback decreased by 28% and 34%, respectively, or \$10.94/boe and \$10.72/boe. The decrease in the Corporation's operating netback per boe for both periods was primarily due to the decrease in natural gas and liquids sales as a result of lower natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This decrease was partially offset by realized gains on derivatives from lower natural gas benchmark prices (see "Financial Risk Management"), and lower royalty expenses (see "Royalty Expense").

## General and Administrative Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
General and administrative (\$000)	8,687	7,402	17	29,962	29,091	3
Capitalized (\$000)	(1,486)	(2,013)	(26)	(5,325)	(6,808)	(22)
<b>General and administrative expense (\$000)</b>	<b>7,201</b>	<b>5,389</b>	<b>34</b>	<b>24,637</b>	<b>22,283</b>	<b>11</b>
per boe	1.14	1.05	9	1.11	1.09	2
Employees at December 31				61	52	17

General and administrative ("G&A") expense for the three months and year ended December 31, 2023, increased by \$1.8 million and \$2.4 million, respectively, increases of 34% and 11% compared to the same periods of the prior year. For the three months and year ended December 31, 2023, 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. Total G&A expense incurred by Entropy for the three months and year ended December 31, 2023 was \$2.1 million (three months ended December 31, 2022 - \$0.9 million) and \$6.0 million (year ended December 31, 2022 - \$3.3 million), respectively.

## Share-based Compensation

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Share-based compensation (\$000)	2,281	1,843	24	8,788	7,766	13
Capitalized (\$000)	(573)	(560)	2	(2,242)	(2,242)	-
<b>Share-based compensation expense (\$000)</b>	<b>1,708</b>	<b>1,283</b>	<b>33</b>	<b>6,546</b>	<b>5,524</b>	<b>19</b>
per boe	0.27	0.25	8	0.30	0.27	11

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 \$1.7 million and \$6.5 million of share-based compensation expense during the three months and year ended December 31, 2023, respectively, and capitalized \$0.6 million and \$2.2 million. For the three months and year ended December 31, 2023, total share-based compensation increased by 33% and 19%, respectively, compared to the same periods of the prior year, 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		%
	2023	2022	Change	2023	2022	Change
Cash finance expense (\$000)	7,001	5,161	36	27,569	18,690	48
per boe	1.11	1.01	10	1.24	0.92	35
Paid-in-kind interest (\$000)	504	-	nm	504	-	nm
Accretion expense (\$000)	525	470	12	2,017	1,737	16
<b>Total finance expense (\$000)</b>	<b>8,030</b>	<b>5,631</b>	<b>43</b>	<b>30,090</b>	<b>20,427</b>	<b>47</b>
per boe	1.28	1.10	16	1.36	1.00	36

Advantage realized higher cash finance expense during the three months and year ended December 31, 2023, as a result of increased average outstanding bank indebtedness and higher interest rates when compared to the same periods in 2022 (see "Bank Indebtedness, Credit Facilities and Working Capital"). 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.

During 2023, the Corporation's subsidiary Entropy issued \$15 million of unsecured debentures (December 31, 2022 - \$25 million). As at December 31, 2023, Entropy's unsecured debentures have an outstanding aggregate principal amount of \$40.8 million (including paid-in-kind interest). The unsecured debentures bear 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. The unsecured debentures issued by Entropy are non-recourse to Advantage. For the three months and year ended December 31, 2023, Entropy incurred interest of \$0.8 million and \$2.5 million, respectively, of which \$0.8 million was paid-in-kind and added to the aggregate principal amount and \$1.7 million that was paid in cash (see "Unsecured Debentures").

## Depreciation and Amortization Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Depreciation and amortization expense (\$000)	43,741	32,349	35	148,897	133,917	11
per boe	6.95	6.33	10	6.72	6.58	2

The increase in depreciation and amortization expense during the three months and year ended December 31, 2023, was attributable to an increased net book value associated with the Corporation's property, plant and equipment accompanied with increased 2023 production (see "Production"). Depreciation and amortization expense per boe for the three months ended December 31, 2023, increased compared to prior year due to an increase in the Corporation's natural gas and liquids depletable base and additional depreciation expense associated with Entropy's CCUS equipment without an associated increase in production.

## Income Taxes

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Income tax expense (\$000)	16,124	35,621	(55)	35,635	105,138	(66)
Effective tax rate (%)	28.3	23.9	4.4	26.2	23.7	2.5

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, 2023, the Corporation recognized a deferred income tax expense of \$16.1 million and \$35.6 million, respectively. As at December 31, 2023, the Corporation had a deferred income tax liability of \$237.1 million. Advantage expects it will not be subject to cash taxes until calendar 2027 due to over \$1 billion in tax pools.

The estimated tax pools available at December 31, 2023 are as follows:

### (\$ millions)

Canadian development expenses	246,411
Canadian exploration expenses	68,509
Canadian oil and gas property expenses	18,735
Non-capital losses	347,724
Undepreciated capital cost	264,480
Capital losses	135,369
Scientific research and experimental development expenditures	32,506
Other	6,421
	<b>1,120,155</b>

## Net Income and Comprehensive Income attributable to Advantage shareholders

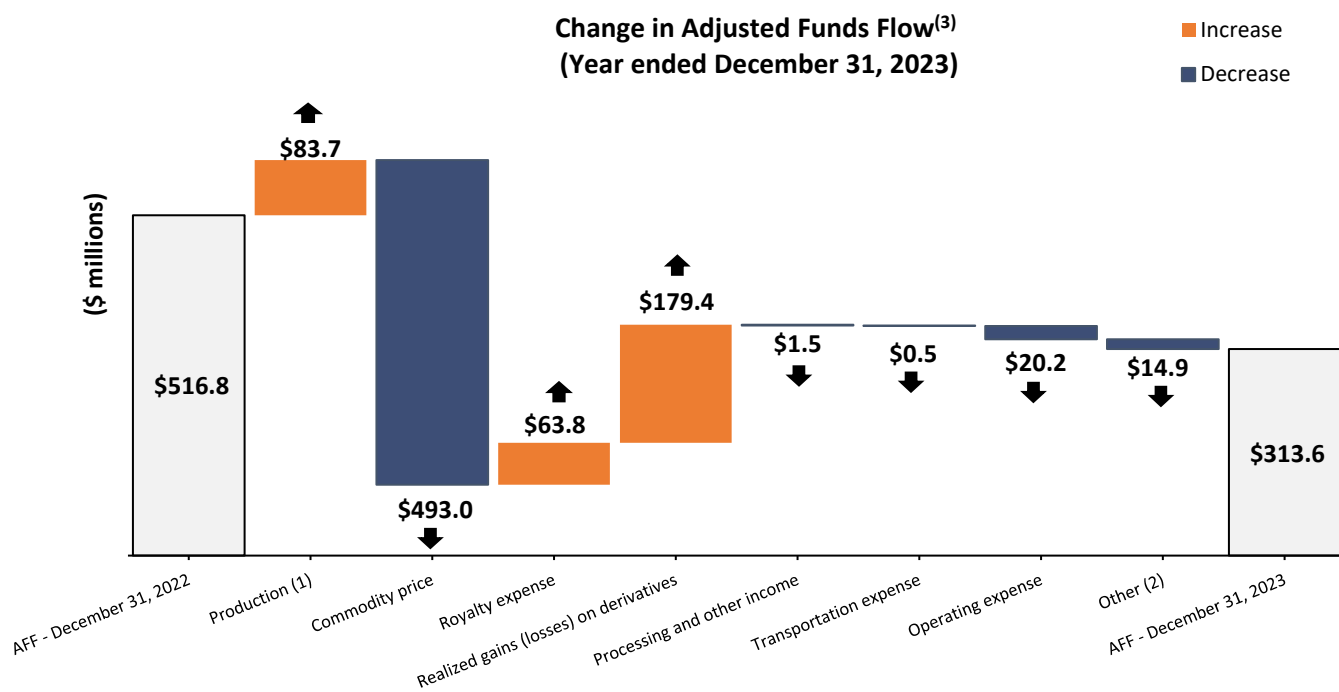
	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Net income and comprehensive income attributable to Advantage shareholders (\$000)	41,026	113,962	(64)	101,597	338,667	(70)
per share - basic	0.25	0.63	(60)	0.61	1.81	(66)
per share - diluted	0.24	0.61	(60)	0.59	1.75	(66)

Advantage recognized net income attributable to Advantage shareholders of \$41.0 million and \$101.6 million for the three months and year ended December 31, 2023, respectively. For the year ended December 31, 2023, net income and comprehensive income attributable to Advantage shareholders was lower when compared to 2022 due to the lower natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This was partially offset by higher production, realized gains on derivatives, and decreased royalty expense (see "Production", "Financial Risk Management" and "Royalty Expense").

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

(\$'000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
<b>Cash provided by operating activities</b>	<b>89,048</b>	<b>112,558</b>	<b>323,345</b>	<b>502,378</b>
Expenditures on decommissioning liability	2,124	1,144	4,043	2,215
Changes in non-cash working capital	(8,678)	10,503	(13,818)	12,197
<b>Adjusted funds flow <sup>(1)</sup></b>	<b>82,494</b>	<b>124,205</b>	<b>313,570</b>	<b>516,790</b>
Adjusted funds flow per boe <sup>(1)</sup>	13.11	24.29	14.16	25.39
Adjusted funds flow per share <sup>(1)</sup>	0.50	0.69	1.88	2.76

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



<sup>(1)</sup> 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.

<sup>(2)</sup> Other includes net sales of purchased natural gas, G&A expense, finance expense (excluding accretion of decommissioning liability and unsecured debentures and paid-in-kind interest) and foreign exchange gain.

<sup>(3)</sup> 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, 2023, Advantage realized cash provided by operating activities of \$89.0 million and \$323.3 million, respectively, decreases of \$23.5 million and \$179.0 million when compared to the same periods of 2022. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of \$82.5 million and \$313.6 million, decreases of \$41.7 million and \$203.2 million when compared to the same periods of 2022. Adjusted funds flow of \$313.6 million for the year ended December 31, 2023 includes \$320.2 million attributable to Advantage and \$6.6 million of net expenses attributable to Entropy. The decrease in cash provided by operating activities and adjusted funds flow for the three months and year ended December 31, 2023 was largely due to the decrease in natural gas and liquids sales as a result of lower natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This decrease was partially offset by higher production, realized gains on derivatives, and decreased royalty expense (see "Production", "Financial Risk Management" and "Royalty Expense").

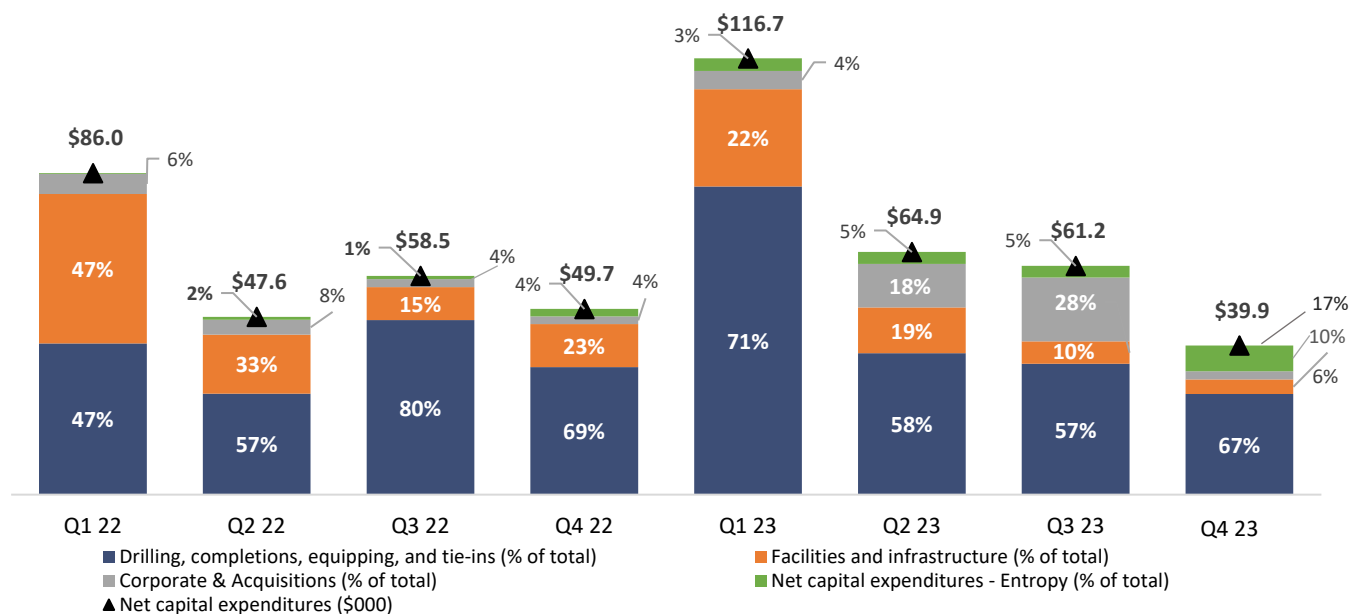
## Cash Used in Investing Activities and Net Capital Expenditures

(\$000)	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Drilling, completions, equipping, and tie-ins	26,931	34,097	182,157	148,190
Facilities and infrastructure	3,882	11,534	48,175	76,206
Corporate <sup>(2)</sup>	2,138	2,032	25,696	13,525
Acquisitions	124	-	10,159	-
<b>Net capital expenditures – Advantage<sup>(1)</sup></b>	<b>33,075</b>	<b>47,663</b>	<b>266,187</b>	<b>237,921</b>
Carbon capture and storage facilities	6,397	1,554	15,144	2,849
Intangible assets	466	470	1,465	1,020
<b>Net capital expenditures - Entropy<sup>(1)</sup></b>	<b>6,863</b>	<b>2,024</b>	<b>16,609</b>	<b>3,869</b>
<b>Net capital expenditures<sup>(1)</sup></b>	<b>39,938</b>	<b>49,687</b>	<b>282,796</b>	<b>241,790</b>
Changes in non-cash working capital	18,908	19,373	(35)	27,800
Project funding received	-	-	-	(5)
<b>Cash used in investing activities</b>	<b>58,846</b>	<b>69,060</b>	<b>282,761</b>	<b>269,585</b>

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

(2) Corporate includes workovers, turnaround cost, seismic, capitalized G&A, and office furniture and equipment.

## Net Capital Expenditures



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

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

### Advantage

Advantage invested \$33.1 million and \$266.2 million on net capital expenditures during the three months and year ended December 31, 2023, respectively. Advantage's net capital expenditures of \$266.2 million were within our guidance range of \$250 million and \$280 million, which includes the \$10 million unbudgeted Conroy acquisition and excludes net capital expenditures incurred by Entropy (see "Cash Used in Investing Activities and Net Capital Expenditures – Advantage – Conroy").

The following table summarizes wells drilled, completed and on production for the year ended December 31, 2023:

(# of wells)	Three months ended December 31, 2023			Year ended December 31, 2023		
	Drilled Gross (Net)	Completed Gross (Net)	On production Gross (Net)	Drilled Gross (Net)	Completed Gross (Net)	On production Gross (Net)
Glacier	5 (5.0)	5 (5.0)	8 (8.0)	18 (16.0)	13 (11.0)	15 (13.0)
Valhalla	-	-	-	2 (2.0)	2 (2.0)	2 (2.0)
Wembley	-	-	-	7 (7.0)	7 (7.0)	7 (7.0)
Progress	-	-	-	-	2 (2.0)	2 (2.0)
	<b>5 (5.0)</b>	<b>5 (5.0)</b>	<b>8 (8.0)</b>	<b>27 (25.0)</b>	<b>24 (22.0)</b>	<b>26 (24.0)</b>

### Glacier

2023 was an active year at our Glacier property with 18 gross (16.0 net) wells drilled, 13 gross (11.0 net) completed, and 15 gross (13.0 net) placed on production. Raw gas handling capacity at the Glacier Gas Plant was expanded to a maximum of 425 MMcf/d with the installation of additional inlet compression, which drove production growth from Glacier as new wells were brought on production.

The last 18 wells drilled and placed on production have yielded exceptional performance driving average well IP30 rates to 14.0 MMcf/d raw natural gas, despite the wells being choked back to minimize erosional risks and impacts on existing nearby wells.

Operation of the Glacier Gas Plant Phase 1a CCS and waste heat recovery project designed to reduce emissions by 47,000 tonnes per annum of CO<sub>2</sub>e, continued through 2023. Under the Government of Canada's proposed refundable investment tax credit ("ITC") for CCUS projects, Advantage expects it is entitled to recover up to \$15 million of its 2022 net capital expenditures related to the Phase 1a project. The ITC which is included in Bill C-59 has yet to receive royal assent in the House of Commons as at December 31, 2023, thus the Corporation is unable to recognize this potential benefit.

### Valhalla

In 2023, Advantage drilled and completed 2 gross (2.0 net) wells at Valhalla. The new wells were placed on production in the third quarter, achieving significant average well IP30 production rates of 1,936 boe/d (7.5 MMcf/d natural gas, 499 bbls/d condensate and 180 bbls/d NGLs). The last six wells placed on production in Valhalla have averaged IP30 production rates of 1,431 boe/d (5.7 MMcf/d natural gas, 354 bbls/d condensate and 121 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 focused on drilling 7 gross (7.0 net) wells in 2023, including wells with 2-mile-long laterals. Completion activity on all seven wells was finished in the second quarter and the wells were placed on production throughout the last two quarters achieving record production from the property. Average IP30 production rates from the seven wells was 1,549 boe/d (3.7 MMcf/d natural gas, 605 bbls/d crude oil and 328 bbls/d NGLs). The Wembley asset is connected to two major third-party gas processing facilities and utilizes existing capacity in our 100% owned Wembley compressor site and liquids handling hub.

One of the wells drilled, targeted a new development layer that has been evaluated by Advantage for the first time at Wembley to further evaluate this multi-layer oil-weighted property. Advantage has now successfully drilled in three different layers within the Wembley asset.

### Progress

Construction of Phase 2 of the existing Progress compressor and liquids handling hub which added emulsion handling and water disposal was completed in April 2023. Two wells previously drilled in the fourth quarter of 2022 were completed in the first quarter of 2023 and placed on production following commissioning of Phase 2 and the conclusion of the Glacier Gas Plant turnaround in May 2023.

### Conroy

During the third quarter of 2023, Advantage acquired equivalent to 53 net sections of contiguous 100% working interest land in the Northeast British Columbia liquids-rich Montney trend for \$10 million. The acquired lands have a long tenure with no incremental drilling required until 2029, providing a possible development horizon post the commencement of LNG operations in Canada.

### **Entropy**

Net capital expenditures incurred by Entropy are funded through the issuance of unsecured debentures to investors that have provided Entropy access to \$500 million in committed capital, of which \$40 million has been drawn as at December 31, 2023.

Entropy invested \$6.9 million and \$16.6 million in net capital expenditures during the three months and year ended December 31, 2023. Expenditures in Entropy were mainly incurred on Entropy's Glacier Phase 1b project, whereby Entropy has installed its patent-pending integrated carbon capture and storage equipment ("iCCS™") which was commissioned in the fourth quarter of 2023 in-line with its budget. For the three months and year ended December 31, 2023, Entropy also incurred expenditures on intangible assets associated with ongoing research and development projects and EntropyIQ™, a proprietary emissions tracking, processing and reporting software platform that is a complete solution for all carbon capture and storage measurement, monitoring and verification data.

Entropy expects it is entitled to recover up to \$6 million of its 2023 net capital expenditures related to the Phase 1b project once Bill C-59 receives royal assent in the House of Commons.

## 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, \$232 million is required for delivery of natural gas and liquids production to Alberta markets, while Advantage has proactively committed to \$266 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	2024	2025	2026	2027	2028	Beyond
Building operating cost <sup>(1)</sup>	1.5	0.4	0.4	0.4	0.3	0.0	0.0
Processing	45.7	10.0	9.5	7.0	7.0	7.0	5.2
Transportation	498.0	83.6	79.8	66.2	54.4	29.9	184.1
<b>Total commitments</b>	<b>545.2</b>	<b>94.0</b>	<b>89.7</b>	<b>73.6</b>	<b>61.7</b>	<b>36.9</b>	<b>189.3</b>
Performance Awards	9.6	5.9	1.7	2.0	-	-	-
Lease liability	2.5	0.6	0.6	0.5	0.4	0.2	0.2
Financing liability	150.2	13.1	13.1	13.1	13.1	13.1	84.7
Bank indebtedness <sup>(2)</sup>							
- principal	215.0	-	215.0	-	-	-	-
- interest	27.0	18.0	9.0	-	-	-	-
Unsecured debentures <sup>(3)</sup>	40.8	-	-	-	-	-	40.8
<b>Total contractual obligations</b>	<b>445.1</b>	<b>37.6</b>	<b>239.4</b>	<b>15.6</b>	<b>13.5</b>	<b>13.3</b>	<b>125.7</b>
<b>Total future payments</b>	<b>990.3</b>	<b>131.6</b>	<b>329.1</b>	<b>89.2</b>	<b>75.2</b>	<b>50.2</b>	<b>315.0</b>

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

<sup>(2)</sup> As at December 31, 2023 the Corporation's bank indebtedness was governed by the Credit Facilities, which have a two-year term with a syndicate of financial institutions. The Credit Facilities are revolving and extendible for a further 364-day period upon an annual review and at the option of the syndicate. If not extended, the Credit Facilities will mature with any outstanding principal payable at the end of the two-year term (see "Bank Indebtedness, Credit Facilities and Working Capital").

<sup>(3)</sup> 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:

<b>(\$000, except as otherwise indicated)</b>	<b>Year ended December 31, 2023</b>	<b>Year ended December 31, 2022</b>
Bank indebtedness	212,854	177,200
Unsecured debentures	27,819	15,700
Working capital surplus <sup>(1)</sup>	(18,651)	(71,564)
<b>Net debt<sup>(1)</sup></b>	<b>222,022</b>	<b>121,336</b>
Shares outstanding	162,225,180	171,652,768
Shares closing market price (\$/share)	8.53	9.47
<b>Market capitalization</b>	<b>1,383,781</b>	<b>1,625,552</b>
<b>Total capitalization</b>	<b>1,605,803</b>	<b>1,746,888</b>
<b>Net debt to adjusted funds flow ratio<sup>(1)</sup></b>	<b>0.7</b>	<b>0.2</b>

<sup>(1)</sup> 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, 2023, Advantage had a \$350 million Credit Facility of which \$122.1 million or 35% was available after deducting letters of credit of \$12.9 million outstanding (see "Bank Indebtedness, Credit Facilities and Working Capital"). The Credit Facilities and adjusted funds flow was utilized to fund Advantage's capital expenditure program of \$266.2 million and repurchase and cancel 13.1 million common shares for \$117.3 million (see "Shareholders' Equity"). The Corporation had net debt of \$222.0 million, consisting of \$195.9 million with Advantage and \$26.1 million with Entropy. Advantage's net debt of \$195.9 million was below our net debt target of \$200 million to \$250 million. 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 2024 towards the Corporation's share buyback program, while maintaining our net debt target.

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

## **Bank Indebtedness, Credit Facilities and Working Capital**

As at December 31, 2023, Advantage had bank indebtedness outstanding of \$212.9 million, an increase of \$35.7 million since December 31, 2022. Advantage's credit facilities are governed by a credit facility agreement with a syndicate of financial institutions which provides for 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. In May 2023, the Credit Facilities were renewed with no changes to the borrowing base. The Credit Facilities have a tenor of two years with a maturity date in June 2025 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 2025 in the event of a reduction, or the Credit Facilities not being renewed. The Corporation had letters of credit of \$12.9 million outstanding at December 31, 2023 (December 31, 2022 - \$12.2 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, 2023 and December 31, 2022.

Advantage had a working capital surplus of \$18.7 million as at December 31, 2023, a decrease in the surplus of \$52.9 million compared to December 31, 2022 due to decreased receivables from lower 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**

The Corporation's subsidiary Entropy has entered into two Investment Agreements with investors who provided capital commitments of \$300 million and \$200 million. In connection with the Investment Agreements, 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 agreements, Entropy and the investors have options that provide for the unsecured debentures to be exchanged for common shares at an exchange price of \$10.00 per share and \$12.75 per share, respectively, subject to adjustment in certain circumstances. The investors have 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. 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. As at December 31, 2023, Entropy's unsecured debentures have an outstanding aggregate principal balance of \$40.8 million (including paid-in-kind interest) (December 31, 2022 - \$25.0 million).

## **Unsecured Debentures (continued)**

During 2023, Entropy issued unsecured debentures for gross proceeds of \$15.0 million (December 31, 2022 - \$25.0 million) and incurred \$1.2 million of issuance costs (December 31, 2022 - \$3.8 million). For the year ended December 31, 2023, Entropy incurred interest of \$2.5 million (December 31, 2022 - \$1.5 million), of which \$1.7 million was paid in cash (December 31, 2022 - \$1.5 million), and \$0.8 million was paid-in-kind (December 31, 2022 - \$nil).

## **Other Liabilities**

The Corporation has a 15-year take-or-pay volume commitment with a 12.5% working interest partner due to expire in 2035 for 53,125 Mcf/d capacity at a fee of \$0.673/Mcf. During the fourth quarter of 2023, as part of the 2023 planned capital expansion of the Glacier Gas Plant, the working interest partner chose to participate pursuant to the agreement and provided \$2.5 million in additional financing. The volume commitment agreement is treated as a financing transaction with an effective interest rate associated with the financing transaction of 9.1%. As at December 31, 2023, the financing liability was \$92.9 million (December 31, 2022- \$94.7 million) and for the year ended December 31, 2023, the Corporation made cash payments of \$12.8 million (December 31, 2022 - \$12.3 million) under the agreement.

As at December 31, 2023, Advantage had a decommissioning liability of \$62.2 million (December 31, 2022 – \$41.9 million) for the future abandonment and reclamation of the Corporation's natural gas and liquids properties. The decommissioning liability includes assumptions in respect of actual costs to abandon and reclaim wells and facilities, the time frame in which such costs will be incurred, annual inflation factors and discount rates. The total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$82.6 million (December 31, 2022 – \$62.8 million), with 62% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the year ended December 31, 2023, was \$4.0 million (year ended December 31, 2022 – \$2.2 million). Advantage continues to maintain an industry leading LMR of 27.7, demonstrating that the Corporation has no issues addressing its abandonment, remediation, and reclamation obligations.

## **Non-controlling interest ("NCI")**

On July 1, 2023, Advantage transferred certain CCS equipment to Entropy in exchange for 6,002,516 common shares of Entropy, resulting in Advantage increasing its common share ownership in Entropy from 90% to 92%. Advantage consolidates 100% of Entropy and has recognized a non-controlling interest in shareholders' equity, representing the carrying value of the 8% common shares of Entropy held by outside interests.

For the year ended December 31, 2023, the net loss and comprehensive loss attributed to non-controlling interest was \$1.3 million (December 31, 2022 - \$0.9 million).

## Shareholders' Equity

On April 6, 2023, the TSX approved the Corporation renewing its normal course issuer bid ("NCIB"). Pursuant to the NCIB, Advantage will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 16,201,997 common shares of the Corporation. The NCIB commenced on April 13, 2023 and will terminate on April 12, 2024 or such earlier time as the NCIB is completed or terminated at the option of Advantage. Purchases pursuant to the NCIB will be made on the open market through the facilities of the TSX and/or Canadian alternative trading systems. The price that Advantage will pay for any common shares under the NCIB will be the prevailing market price on the TSX at the time of such purchase. Common shares acquired under the NCIB will be cancelled.

For the year ended December 31, 2023, the Corporation purchased 13.1 million common shares for cancellation at an average price of \$8.96 per common share for a total of \$117.3 million. Since initiating our buyback in April 2022, Advantage has repurchased 19.5% of its outstanding common shares.

As at December 31, 2023, a total of 2.8 million Performance Share Units were outstanding under the Corporation's Restricted and Performance Award Incentive Plan, which represents 1.7% of Advantage's total outstanding common shares. During 2023, 2,012,178 Performance Share Units matured and were settled with the issuance of 3,675,083 common shares.

As at March 4, 2024, Advantage had 159.8 million common shares outstanding.

## Annual Financial Information

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

	Year ended December 31, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Total revenues (\$000)	535,187	781,262	458,927
Net income attributable to Advantage shareholders (\$000)	101,597	338,667	411,523
Per share - basic	0.61	1.81	2.17
Per share - diluted	0.59	1.75	2.07
Total assets (\$000)	2,299,028	2,216,958	1,994,990
Total non-current liabilities (\$000)	646,195	539,891	444,258

## Quarterly Performance

	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>(\$000, except as otherwise indicated)</b>								
<b>Financial Statement Highlights</b>								
Natural gas and liquids sales	147,137	140,724	107,240	145,999	223,200	235,392	314,297	177,569
Net income and comprehensive income <sup>(3)</sup>	41,026	28,314	2,538	29,719	113,962	40,792	164,334	19,579
per basic share <sup>(2)</sup>	0.25	0.17	0.02	0.18	0.63	0.22	0.86	0.10
Basic weighted average shares (000)	163,939	167,702	167,268	167,311	180,248	186,717	190,415	190,829
Cash provided by operating activities	89,048	90,376	37,966	105,955	112,558	123,224	157,439	109,157
Cash provided by (used in) financing activities	(52,120)	(3,562)	43,778	(58,359)	(49,718)	(71,048)	(37,556)	(50,769)
Cash used in investing activities	(58,846)	(49,886)	(88,439)	(85,590)	(69,060)	(42,822)	(80,720)	(76,983)
<b>Other Financial Highlights</b>								
Adjusted funds flow <sup>(1)</sup>	82,494	81,862	52,381	96,833	124,205	96,651	187,056	108,878
per boe <sup>(1)</sup>	13.11	13.86	11.10	18.50	24.29	19.39	34.05	22.85
per basic share <sup>(1)(2)</sup>	0.50	0.49	0.31	0.58	0.69	0.52	0.98	0.57
Net capital expenditures <sup>(1)</sup>	39,938	61,234	64,924	116,700	49,687	58,519	47,570	86,014
Free cash flow <sup>(1)</sup>	42,556	20,628	(12,543)	(19,867)	74,518	38,132	139,486	22,864
Working capital surplus (deficit) <sup>(1)</sup>	18,651	29,816	12,949	(12,449)	71,564	46,960	77,858	(19,115)
Bank indebtedness	212,854	226,127	226,442	167,260	177,200	113,804	106,776	117,558
Net debt <sup>(1)</sup>	222,022	217,064	229,426	195,523	121,336	82,432	44,301	136,673
<b>Operating Highlights</b>								
Production								
Crude oil (bbls/d)	3,254	3,035	2,801	1,731	1,854	2,168	2,858	997
Condensate (bbls/d)	1,264	1,368	871	1,157	1,092	1,049	1,128	1,057
NGLs (bbls/d)	3,345	3,174	2,683	2,877	2,680	3,230	3,392	2,854
Total liquids production (bbls/d)	7,863	7,577	6,355	5,765	5,626	6,447	7,378	4,908
Natural gas (mcf/d)	363,124	339,709	272,919	314,273	299,684	286,328	317,976	288,226
Total production (boe/d)	68,384	64,195	51,842	58,144	55,573	54,168	60,374	52,946
Average prices (including realized derivatives)								
Natural gas (\$/mcf)	2.84	2.95	2.81	4.42	5.65	4.61	6.75	5.04
Liquids (\$/bbl)	81.55	77.91	75.36	77.77	86.39	87.89	107.83	82.48
<b>Operating Netback (\$/boe)</b>								
Natural gas and liquids sales	23.39	23.83	22.73	27.90	43.66	47.23	57.21	37.26
Realized gains (losses) on derivatives	0.98	1.02	1.07	3.44	(4.76)	(12.58)	(8.50)	(2.19)
Processing and other income	0.39	0.39	0.22	0.35	0.60	0.46	0.41	0.30
Net sales of purchased natural gas	-	-	(0.05)	-	-	-	-	0.01
Royalty expense	(1.64)	(1.55)	(1.33)	(3.19)	(5.31)	(5.80)	(6.17)	(3.42)
Operating expense	(3.61)	(3.85)	(4.44)	(3.44)	(3.39)	(3.72)	(2.75)	(2.79)
Transportation expense	(4.08)	(3.70)	(4.34)	(4.33)	(4.43)	(4.48)	(4.44)	(4.36)
Operating netback <sup>(1)</sup>	15.43	16.14	13.86	20.73	26.37	21.11	35.76	24.81

(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.

(3) Net income and comprehensive income attributable to Advantage Shareholders.

The table above highlights the Corporation's performance for the fourth quarter of 2023 and for the preceding seven quarters. In 2022 the Corporation saw a large increase in both natural gas and liquids sales and adjusted funds flow due to higher natural gas and liquids benchmark prices and higher production due to the Corporation's drilling program. Adjusted funds flow was the highest in the second quarter of 2022 coinciding with high natural gas and liquids benchmark prices. Adjusted funds flow declined in the third and fourth quarter of 2022 due to lower natural gas and liquids benchmark prices. Natural gas and liquids sales and adjusted funds flow decreased again in the first and second quarter of 2023 due to lower natural gas and liquids benchmark prices as well as the planned turnaround at the Glacier Gas Plant in the second quarter.

## Quarterly Performance (continued)

Natural gas and liquids sales and adjusted funds flow increased in the third and fourth quarter of 2023 due to higher production due to the Corporation's drilling program. 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. Overall, the Corporation achieved strong net income, cash flow, and operating netbacks throughout 2023 despite difficult operating conditions and weaker commodity prices.

## Climate change-related risk and opportunities

Advantage is committed to positive action on emissions reduction. Advantage's Scope 1 and 2 emissions are expected to be reduced by approximately 20% with the full implementation of Phase 1a and 1b Entropy CCS equipment at the Glacier Gas Plant. Advantage's subsidiary Entropy Inc. is actively engaged in a carbon capture and storage business that helps emitters reduce their emissions. 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

Since 2021, Advantage through its subsidiary Entropy has completed construction on Glacier Phase 1a and Phase 1b which will allow the Corporation to reduce its greenhouse gas emissions ("GHG"). Commissioning of Phase 1a was completed in the third quarter of 2022 with "first carbon" injected into permanent geological storage. During the fourth quarter of 2023, Entropy commissioned its patent-pending Integrated Carbon Capture and Storage™ ("iCCS™") equipment for Glacier Phase 1b, with "first carbon" injected into permanent geological storage.

Glacier Phase 2 is expected to begin construction in 2024 pending final investment decision. 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".

### 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 for nearly a decade.



## 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 property, plant and equipment. 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.

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, share price volatility, timing and probability of an IPO, credit spread, 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.

## **Changes in Accounting Policies**

The Corporation has adopted the following accounting policies during the year ended December 31, 2023.

### Amendments to IAS 12 *Income Taxes*

On January 1, 2023, the Corporation adopted the amendments to IAS 12 *Income Taxes* requiring entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was not a material impact to the Corporation's consolidated financial statements.

### **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, 2023, if applicable.

## **Environmental Reporting**

Environmental regulations impacting climate-related matters continue to evolve and may have additional disclosure requirements in the future. The International Sustainability Standards Board published the new IFRS sustainability disclosure standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, with the aim to develop an environment sustainability disclosure framework that is accepted globally. In addition, the Canadian Securities Administrators have proposed National Instrument 51-107 – *Disclosure of Climate-related Matters*, with additional climate-related disclosure requirements for certain reporting issuers in Canada. If the Corporation is unable to meet future sustainability reporting requirements of regulators or current and future expectations of stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals and authorizations from various government authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolved over time, has not yet been quantified.

## **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, 2023. 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, 2023. 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, 2023 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		Year ended	
	December 31		December 31	
	2023	2022	2023	2022
Cash provided by operating activities	89,048	112,558	323,345	502,378
Expenditures on decommissioning liability	2,124	1,144	4,043	2,215
Changes in non-cash working capital	(8,678)	10,503	(13,818)	12,197
Adjusted funds flow	82,494	124,205	313,570	516,790

#### 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		Year ended	
	December 31		December 31	
	2023	2022	2023	2022
Cash used in investing activities	58,846	69,060	282,761	269,585
Changes in non-cash working capital	(18,908)	(19,373)	35	(27,800)
Project funding received	-	-	-	5
Net capital expenditures	39,938	49,687	282,796	241,790

## 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	
	2023	2022	2023	2022
Cash provided by operating activities	89,048	112,558	323,345	502,378
Cash used in investing activities	(58,846)	(69,060)	(282,761)	(269,585)
Changes in non-cash working capital	10,230	29,876	(13,853)	39,997
Expenditures on decommissioning liability	2,124	1,144	4,043	2,215
Project funding received	-	-	-	(5)
Free cash flow	42,556	74,518	30,774	275,000

#### 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	
	2023	2022	2023	2022
Natural gas and liquids sales	147,137	223,200	541,100	950,458
Realized gains (losses) on derivatives	6,140	(24,344)	35,243	(144,134)
Processing and other income	2,484	3,091	7,627	9,082
Net sales of purchased natural gas	-	-	(247)	70
Royalty expense	(10,302)	(27,154)	(42,432)	(106,257)
Operating expense	(22,724)	(17,344)	(84,453)	(64,269)
Transportation expense	(25,664)	(22,637)	(90,603)	(90,093)
Operating netback	97,071	134,812	366,235	554,857

## Specified Financial Measures (continued)

### Non-GAAP Ratios

#### Adjusted Funds Flow per Share

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

(\$000, except as otherwise indicated)	Three months ended		Year ended	
	December 31		December 31	
	2023	2022	2023	2022
Adjusted funds flow	82,494	124,205	313,570	516,790
Weighted average shares outstanding (000)	163,939	180,248	166,553	187,022
Adjusted funds flow per share (\$/share)	0.50	0.69	1.88	2.76

#### 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	
	2023	2022	2023	2022
Adjusted funds flow	82,494	124,205	313,570	516,790
Total production (boe/d)	68,384	55,573	60,678	55,769
Days in period	92	92	365	365
Total production (boe)	6,291,328	5,112,716	22,147,470	20,355,685
Adjusted funds flow per BOE (\$/boe)	13.11	24.29	14.16	25.39

#### 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	
	2023	2022	2023	2022
Operating netback	97,071	134,812	366,235	554,857
Total production (boe/d)	68,384	55,573	60,678	55,769
Days in period	92	92	365	365
Total production (boe)	6,291,328	5,112,716	22,147,470	20,355,685
Operating netback per BOE (\$/boe)	15.43	26.37	16.53	27.25

## 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	
	2023	2022	2023	2022
Net capital expenditures	39,938	49,687	282,796	241,790
Adjusted funds flow	82,494	124,205	313,570	516,790
Payout ratio	0.5	0.4	0.9	0.5

#### Net Debt to Adjusted Funds Flow Ratio

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

(\$000, except as otherwise indicated)	Year ended December 31	
	2023	2022
Net Debt	222,022	121,336
Adjusted funds flow (prior four quarters)	313,570	516,790
Net debt to adjusted funds flow ratio	0.7	0.2

### 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, 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, 2023 and December 31, 2022 is as follows:

	December 31 2023	December 31 2022
Cash and cash equivalents	19,261	48,940
Trade and other receivables	53,378	92,816
Prepaid expenses and deposits	16,618	14,613
Trade and other accrued liabilities	(70,606)	(84,805)
<b>Working capital surplus</b>	<b>18,651</b>	<b>71,564</b>

## 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, 2023 and December 31, 2022 is as follows:

	<b>December 31 2023</b>	<b>December 31 2022</b>
Bank indebtedness	212,854	177,200
Unsecured debentures	27,819	15,700
Working capital surplus	(18,651)	(71,564)
<b>Net debt</b>	<b>222,022</b>	<b>121,336</b>

### 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 and amortization 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 gains (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 acquisitions and dispositions, and net capital expenditures incurred by Entropy 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 and Development Costs ("F&D")

FD&A cost is calculated based on adding net capital expenditures excluding acquisitions and dispositions, and the net change in future development capital ("FDC"), divided by reserve additions for the year from the Sproule 2023 and 2022 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.

#### Recycle Ratio

Recycle ratio is calculated by dividing Advantage's fourth quarter operating netback by the calculated F&D cost or FD&A cost of the applicable year and expressed as a ratio. Management uses recycle ratio to relate the cost of adding reserves to a recent operating netback.

#### 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.

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 2024 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2024 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
CCUS	- carbon capture utilization 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 2024 capital program; the Corporation's anticipated top-line production growth and its expectations that all free cash flow will be allocated to its share buyback program; Advantage's focus on growing adjusted funds flow per share; the Corporation's 2024 capital guidance including its anticipated cash used in investing activities, total average production, liquids production (% of total average production), royalty rate, operating expense per boe, transportation expense per boe, G&A/finance expense per boe and net debt; Advantage's expectations that it will be able to deliver its 2024 capital program with reduced capital; the anticipated benefits to be derived from CGF's investment structure in Entropy; 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 anticipated benefits to be derived from Entropy's strategic investment agreement with CGF, including the CCO; that Advantage will continue to invest in additional transportation commitments and the anticipated benefits to be derived therefrom; the Corporation's forecasted 2024 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; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2027; the anticipated capture rate of the Glacier Gas Plant Phase 1a CCS and waste heat recovery project; that Entropy's modular technology will lower corporate emissions; the Corporation's anticipated reductions in Scope 1 and 2 emissions and its expectations that it will achieve "net zero" Scope 1 and 2 emissions by 2026; the anticipated timing of when construction will begin on Glacier Phase 2 and the anticipated benefits to be derived therefrom; the Corporation's expectations that its Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan; 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 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 anticipated timing that such costs will be incurred; Entropy's business plan and the anticipated benefits 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 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

## **Forward-Looking Information and Other Advisories (continued)**

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 the Credit Facilities may not be renewed at each annual review; competition from other producers; the risk that the Corporation's actual 2024 results may not be consistent with its 2024 guidance; the risk that the Corporation's 2024 annual average production may be less than anticipated; the risk that the Corporation may not deliver its 2024 capital program with reduced capital; 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 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 agreements with Brookfield Renewables and CGF may not lead to the results anticipated; 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 may be subject to cash taxes prior to calendar 2027; 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 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 2024 towards the Corporation's share buyback program; 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.sedarplus.ca](http://www.sedarplus.ca) and [www.advantageog.com](http://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; 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

## **Forward-Looking Information and Other Advisories (continued)**

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), 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.

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 expectations that all free cash flow will be allocated to its share buyback program; the Corporation's 2024 capital guidance including its anticipated cash used in investing activities, royalty rate, operating expense per boe, transportation expense per boe, G&A/finance expense per boe and net debt; 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 estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2027; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; 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

## **Forward-Looking Information and Other Advisories (continued)**

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.sedarplus.ca](http://www.sedarplus.ca) and the Corporation's website at [www.advantageog.com](http://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 4, 2024



## **CONSOLIDATED FINANCIAL STATEMENTS**

For the years ended December 31, 2023 and 2022





## Independent auditor's report

To the Shareholders of Advantage Energy Ltd.

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### 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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of comprehensive income 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, comprising material accounting policy information and other explanatory information.

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### 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.

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



## 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, 2023. 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.

### Key audit matter

### How our audit addressed the key audit matter

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

*Refer to note 3 – Material accounting policies, note 4 – Significant accounting judgments, estimates and assumptions and note 9 – Natural gas and liquids properties to the consolidated financial statements.*

The Corporation has \$2,072 million of net property, plant and equipment within natural gas and liquids properties as at December 31, 2023. The related depreciation expense was \$148 million for the year then ended. Property, plant and equipment is 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 considered this a key audit matter due to (i) the judgments by management, including the use of management's expert, when estimating the

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



Key audit matter	How our audit addressed the key audit matter
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.	<p>whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable; and</p> <ul style="list-style-type: none"><li>○ future natural gas and liquids prices by comparing forecasts with other reputable third party industry forecasts.</li><li>• Recalculated the units-of-production rates used to calculate depreciation expense.</li></ul>

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### Other information

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

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

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

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

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### 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 Accounting Standards, 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.

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### **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

March 4, 2024

## Advantage Energy Ltd.

### Consolidated Statements of Financial Position

(Expressed in thousands of Canadian dollars)

	Notes	December 31 2023	December 31 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	19,261	48,940
Trade and other receivables	7	53,378	92,816
Prepaid expenses and deposits		16,618	14,613
Derivative asset	10	31,200	22,357
Total current assets		<b>120,457</b>	<b>178,726</b>
<b>Non-current assets</b>			
Derivative asset	10	80,048	93,993
Inventory	6	3,958	-
Intangible assets	8	5,363	4,011
Natural gas and liquids properties	9	2,089,202	1,940,228
Total non-current assets		<b>2,178,571</b>	<b>2,038,232</b>
Total assets		<b>2,299,028</b>	<b>2,216,958</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other accrued liabilities		70,606	84,805
Derivative liability	10	964	2,197
Financing liability	12	4,813	4,269
Provisions and other liabilities	14	20,054	21,118
Total current liabilities		<b>96,437</b>	<b>112,389</b>
<b>Non-current liabilities</b>			
Bank indebtedness	11	212,854	177,200
Financing liability	12	88,084	90,436
Unsecured debentures	13	46,263	25,444
Provisions and other liabilities	14	61,937	45,389
Deferred income tax liability	15	237,057	201,422
Total non-current liabilities		<b>646,195</b>	<b>539,891</b>
Total liabilities		<b>742,632</b>	<b>652,280</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	16	1,952,241	2,105,013
Contributed surplus		187,034	142,817
Deficit		(582,980)	(684,577)
Total shareholders' equity attributable to Advantage shareholders		<b>1,556,295</b>	<b>1,563,253</b>
Non-controlling interest	17	101	1,425
Total shareholders' equity		<b>1,556,396</b>	<b>1,564,678</b>
Total liabilities and shareholders' equity		<b>2,299,028</b>	<b>2,216,958</b>

#### Commitments (note 25)

See accompanying Notes to the Consolidated Financial Statements

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

Deirdre M. Choate, Director: (signed) "Deirdre M. Choate"      Michael Belenkie, Director: (signed) "Michael Belenkie"

## Advantage Energy Ltd.

### Consolidated Statements of Comprehensive Income

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

	Notes	Year ended December 31	
		2023	2022
<b>Revenues</b>			
Natural gas and liquids sales	20	541,100	950,458
Sales of purchased natural gas	20	3,124	4,826
Processing and other income	20	7,627	9,082
Royalty expense		(42,432)	(106,257)
Natural gas and liquids revenue		509,419	858,109
Gains (losses) on derivatives	10	25,768	(76,847)
<b>Total revenues</b>		<b>535,187</b>	<b>781,262</b>
<b>Expenses</b>			
Operating expense		84,453	64,269
Transportation expense		90,603	90,093
Natural gas purchases	20	3,371	4,756
General and administrative expense	21	24,637	22,283
Share-based compensation expense	18	6,546	5,524
Depreciation and amortization expense	8,9	148,897	133,917
Finance expense	22	30,090	20,427
Foreign exchange loss (gain)		459	(2,906)
Other expenses	6,9,14	10,223	-
<b>Total expenses</b>		<b>399,279</b>	<b>338,363</b>
<b>Income before taxes and non-controlling interest</b>		<b>135,908</b>	<b>442,899</b>
Income tax expense	15	(35,635)	(105,138)
<b>Net income and comprehensive income before non-controlling interest</b>		<b>100,273</b>	<b>337,761</b>
<b>Net income (loss) and comprehensive income (loss) attributable to:</b>			
Advantage shareholders		101,597	338,667
Non-controlling interest	17	(1,324)	(906)
		<b>100,273</b>	<b>337,761</b>
<b>Net income per share attributable to Advantage shareholders</b>			
Basic	19	0.61	1.81
Diluted	19	0.59	1.75

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, 2022	2,105,013	142,817	(684,577)	1,425	<b>1,564,678</b>
Net income and comprehensive income	-	-	101,597	(1,324)	<b>100,273</b>
Share-based compensation (note 18(b))	-	8,788	-	-	<b>8,788</b>
Settlement of Performance Share Units	6,509	(6,509)	-	-	-
Common shares repurchased (note 16)	(159,281)	41,938	-	-	<b>(117,343)</b>
<b>Balance, December 31, 2023</b>	<b>1,952,241</b>	<b>187,034</b>	<b>(582,980)</b>	<b>101</b>	<b>1,556,396</b>

	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	<b>1,460,118</b>
Net income and comprehensive income	-	-	338,667	(906)	<b>337,761</b>
Share-based compensation (note 18(b))	-	7,766	-	-	<b>7,766</b>
Settlement of Performance Share Units	6,948	(6,948)	-	-	-
Common shares repurchased (note 16)	(272,651)	31,684	-	-	<b>(240,967)</b>
<b>Balance, December 31, 2022</b>	<b>2,105,013</b>	<b>142,817</b>	<b>(684,577)</b>	<b>1,425</b>	<b>1,564,678</b>

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	2023	2022
<b>Operating Activities</b>			
Income before taxes and non-controlling interest		135,908	442,899
Add (deduct) items not requiring cash:			
Unrealized losses (gains) on derivatives	10	9,475	(67,287)
Share-based compensation expense	18(b)	6,546	5,524
Depreciation and amortization expense	8,9	148,897	133,917
Accretion of decommissioning liability	14(c)	1,444	1,420
Accretion of unsecured debentures	13	573	317
Interest paid-in-kind	13	504	-
Other expenses	6,9,14	10,223	-
Expenditures on decommissioning liability	14(c)	(4,043)	(2,215)
Changes in non-cash working capital	24	13,818	(12,197)
<b>Cash provided by operating activities</b>		<b>323,345</b>	<b>502,378</b>
<b>Financing Activities</b>			
Common shares repurchased	16	(117,343)	(240,967)
Increase in bank indebtedness	11	35,654	9,855
Net proceeds from unsecured debentures	13	13,833	21,162
Net proceeds from financing liability	12	2,500	5,000
Principal repayment of lease liability	14(b)	(599)	(358)
Principal repayment of financing liability	12	(4,308)	(3,783)
<b>Cash used in financing activities</b>		<b>(70,263)</b>	<b>(209,091)</b>
<b>Investing Activities</b>			
Property, plant and equipment additions	9	(272,150)	(240,770)
Exploration and evaluation assets additions	9	(9,181)	-
Intangible assets additions	8	(1,465)	(1,020)
Project funding received		-	5
Changes in non-cash working capital	24	35	(27,800)
<b>Cash used in investing activities</b>		<b>(282,761)</b>	<b>(269,585)</b>
Increase (decrease) in cash and cash equivalents		(29,679)	23,702
Cash and cash equivalents, beginning of year		48,940	25,238
<b>Cash and cash equivalents, end of year</b>		<b>19,261</b>	<b>48,940</b>
Cash interest paid		27,766	18,690
Cash income taxes paid		-	-

See accompanying Notes to the Consolidated Financial Statements

## **Advantage Energy Ltd.**

### **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2023 and 2022

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 as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "IFRS"). Certain information provided for the prior year has been reclassified to conform to the presentation adopted for the year ended December 31, 2023.

The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 4, 2024, 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 10.

##### **(c) Functional and presentation currency**

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

### 3. Material 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.

#### (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 92% of the outstanding common shares (note 17). 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 or fair value through profit and loss. The Corporation's classification of each identified financial instrument is provided below:

<b>Financial Instrument</b>	<b>Measurement Category</b>
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Prepaid expenses and deposits	Amortized cost
Inventory	Fair value through profit and loss
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. Material 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 assets and liabilities measured at fair value. Gains and losses on derivative instruments are recorded as gains and losses on derivatives in the Consolidated Statement of Comprehensive Income 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.

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. 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. 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 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. Material 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 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 as incurred.

##### (iii) Depreciation

A portion of the Corporation's net carrying value of property, plant, and equipment 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 and carbon capture equipment included in property, plant, 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
Carbon capture equipment	50 years

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

### 3. Material 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.

##### (v) Impairment

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. If any such indication exists, the asset's recoverable amount is estimated. For the purpose of impairment 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, or 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 on property, plant and equipment are recognized in the Consolidated Statement of Comprehensive Income as an impairment expense 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.

### 3. Material accounting policies (continued)

#### (e) 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.

#### (f) 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. Material accounting policies (continued)**

#### **(g) 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 production 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.

#### **(h) 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. Material accounting policies (continued)

#### (i) Net income per share attributable to Advantage shareholders

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

#### (j) 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.

#### (k) Government grants and investment tax credits

The Corporation may receive government grants which provide financial assistance 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 or the Consolidated Statement of Financial Position 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.

#### (l) New accounting policies

##### Amendments to IAS 12 Income Taxes

On January 1, 2023, the Corporation adopted the amendments to IAS 12 Income Taxes requiring entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was not a material impact to the Corporation's consolidated financial statements.

### **3. Material accounting policies (continued)**

#### **(m) Future accounting pronouncements**

##### Amendments to IAS 1, Presentation of Financial Statements

In October 2022, the IASB amended IAS 1 Presentation of Financial Statements to address the classification of liabilities with covenants as current or non-current in the Statements of Financial Position. The amendment is applicable to periods beginning on or after January 1, 2024. The Corporation is currently in the process of assessing the impact of the amendment to the Corporation's consolidated financial statements upon adoption.

### **4. Material 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. Material estimates and judgments made in the preparation of the consolidated financial statements are outlined below.

#### **(a) Reserves base**

A portion of the Corporation's property, plant, and equipment is 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.

#### **4. Material accounting judgments, estimates and assumptions (continued)**

##### **(c) Indicators of impairment and calculation of impairment**

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.

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

##### **(d) Derivative assets and liabilities**

Derivative assets and liabilities are recorded at their fair values at the reporting date, with gains and losses recognized directly into comprehensive income 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, timing and probability of an IPO, credit spread, 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.

#### 4. Material accounting judgments, estimates and assumptions (continued)

##### (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 2023	December 31 2022
Cash at financial institutions	19,261	48,940

Cash at financial institutions earn interest at floating rates based on daily deposit rates. As at December 31, 2023 cash at financial institutions included US\$5.2 million (December 31, 2022 - US\$9.7 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, 2023 is \$5.3 million held by Entropy (December 31, 2022 - \$13.1 million).

#### 6. Inventory

Balance at December 31, 2022	-
Additions	4,842
Revaluation	(884)
<b>Balance at December 31, 2023</b>	<b>3,958</b>

Inventory consists of linefill, the Corporation's share of purchased condensate and NGL barrels used to fill a pipeline. Inventory is recorded at historical cost and is subsequently valued at the lower of weighted average cost or net realizable value.

## 7. Trade and other receivables

	December 31 2023	December 31 2022
Trade receivables	49,604	87,047
Receivables from joint venture partners	3,774	5,769
	<b>53,378</b>	<b>92,816</b>

## 8. Intangible assets

### Cost

Balance at December 31, 2021	2,991
Additions	1,020
<b>Balance at December 31, 2022</b>	<b>4,011</b>
Additions	1,465
<b>Balance at December 31, 2023</b>	<b>5,476</b>

### Accumulated amortization

Balance at December 31, 2022 and 2021	-
Amortization	113
<b>Balance at December 31, 2023</b>	<b>113</b>

### Net book value

At December 31, 2022	4,011
<b>At December 31, 2023</b>	<b>5,363</b>

## 9. Natural gas and liquids properties

Cost	Right-of-use assets	Exploration and evaluation assets	Property, plant and equipment	Total
Balance at December 31, 2021	2,638	20,713	2,970,259	2,993,610
Additions	339	-	240,770	241,109
Capitalized share-based compensation (note 18(b))	-	-	2,242	2,242
Changes in decommissioning liability (note 14(c))	-	-	(19,734)	(19,734)
Transfers	-	(4,922)	4,922	-
<b>Balance at December 31, 2022</b>	<b>2,977</b>	<b>15,791</b>	<b>3,198,459</b>	<b>3,217,227</b>
Additions	412	9,181	272,150	281,743
Capitalized share-based compensation (note 18(b))	-	-	2,242	2,242
Capitalized interest paid-in-kind	-	-	303	303
Changes in decommissioning liability (note 14(c))	-	-	13,911	13,911
Transfers	-	(8,570)	8,570	-
Lease expiries	-	(441)	-	(441)
Expired right-of-use assets	(136)	-	-	(136)
<b>Balance at December 31, 2023</b>	<b>3,253</b>	<b>15,961</b>	<b>3,495,635</b>	<b>3,514,849</b>
<b>Accumulated depreciation</b>				
Balance at December 31, 2021	759	-	1,142,323	1,143,082
Depreciation	374	-	133,543	133,917
<b>Balance at December 31, 2022</b>	<b>1,133</b>	<b>-</b>	<b>1,275,866</b>	<b>1,276,999</b>
Depreciation	526	-	148,258	148,784
Expired right-of-use assets	(136)	-	-	(136)
<b>Balance at December 31, 2023</b>	<b>1,523</b>	<b>-</b>	<b>1,424,125</b>	<b>1,425,647</b>
<b>Net book value</b>				
At December 31, 2022	1,844	15,791	1,922,593	1,940,228
<b>At December 31, 2023</b>	<b>1,730</b>	<b>15,961</b>	<b>2,071,511</b>	<b>2,089,202</b>

During the year ended December 31, 2023, Advantage capitalized general and administrative expenditures directly related to development activities of \$5.3 million, included in additions (year ended December 31, 2022 - \$6.8 million).

During the year ended December 31, 2023, Entropy capitalized borrowing cost directly related to funding CCS development activities of \$0.2 million included in property, plant and equipment additions (year ended December 31, 2022 – nil) and capitalized \$0.3 million of borrowing cost that was paid-in-kind (year ended December 31, 2022 – nil).

Included in additions to property, plant and equipment is \$15.1 million in additions incurred by Entropy (year ended December 31, 2022 - \$2.8 million).

Advantage included future development costs of \$2.1 billion (December 31, 2022 - \$2.1 billion) in natural gas and liquids properties costs subject to depreciation.

For the year ended December 31, 2023, the Corporation evaluated its property, plant and equipment for indicators of any potential impairment. As a result of this assessment, no indicators were identified, and no impairment test was performed.

## 10. 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 electricity 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.

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.

## 10. 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	
	2023	2022
<b>Realized gains (losses) on derivatives</b>		
Natural gas	38,184	(138,871)
Crude oil	-	(2,430)
Foreign exchange	(2,033)	(2,729)
Interest rate	-	(104)
Natural gas embedded derivative	(908)	-
<b>Total</b>	<b>35,243</b>	<b>(144,134)</b>
<b>Unrealized gains (losses) on derivatives</b>		
Natural gas	6,233	29,647
Crude oil	-	(20)
Foreign exchange	3,090	(687)
Interest rate	-	136
Natural gas embedded derivative	(13,192)	42,176
Unsecured debenture derivative	(5,606)	(3,965)
<b>Total</b>	<b>(9,475)</b>	<b>67,287</b>
<b>Gains (losses) on derivatives</b>		
Natural gas	44,417	(109,224)
Crude oil	-	(2,450)
Foreign exchange	1,057	(3,416)
Interest rate	-	32
Natural gas embedded derivative	(14,100)	42,176
Unsecured debenture derivative	(5,606)	(3,965)
<b>Total</b>	<b>25,768</b>	<b>(76,847)</b>



## 10. 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 2023	December 31 2022
<b>Derivative type</b>		
Natural gas derivative asset	22,708	16,475
Foreign exchange derivative asset (liability)	893	(2,197)
Natural gas embedded derivative asset	86,683	99,875
Unsecured debentures derivative liability (note 13)	(18,444)	(9,744)
<b>Net derivative asset</b>	<b>91,840</b>	<b>104,409</b>
<b>Consolidated statement of financial position classification</b>		
Current derivative asset	31,200	22,357
Non-current derivative asset	80,048	93,993
Current derivative liability	(964)	(2,197)
Unsecured debentures derivative liability (note 13)	(18,444)	(9,744)
<b>Net derivative asset</b>	<b>91,840</b>	<b>104,409</b>

### (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 2023	December 31 2022
Trade and other receivables	53,378	92,816
Deposits	12,600	3,720
Derivative assets	111,248	116,350
	<b>177,226</b>	<b>212,886</b>

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 majority of 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 contracts with only stable, creditworthy parties and through frequent reviews of exposures to individual entities. The Corporation only enters 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 with a remaining term of 9 years (note 10(c)).

## 10. 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, 2023, \$0.5 million of trade and other receivables are outstanding for 90 days or more (December 31, 2022 – \$0.2 million). The Corporation believes the entire balance is collectible, and in some instances can mitigate risk through withholding production or offsetting payables with the same parties. At December 31, 2023, the average expected credit loss for trade and other receivables was 0.55% (December 31, 2022 – 0.63%).

### (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 six and twelve 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. Changes in market interest rates impact the Corporation's credit facility and have resulted in higher interest rates paid on outstanding bank indebtedness throughout 2023. The Corporation does not anticipate any liquidity issues with regards to higher rates on the Corporation's facility.

The unsecured debentures held by Entropy are non-recourse to Advantage and are to be repaid by Entropy at the end of the 10-year term, if not exchanged for common shares. 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.

## 10. 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, 2023 and 2022 are as follows:

<b>December 31, 2023</b>	<b>Undiscounted cash flows<sup>(3)</sup></b>	<b>Less than one year</b>	<b>One to three years</b>	<b>Beyond</b>
Trade and other accrued liabilities	70,606	70,606	-	-
Deferred Share Units	4,579	4,579	-	-
Derivative liability	964	964	-	-
Performance Awards	9,676	5,917	3,759	-
Lease liability	2,409	585	1,466	358
Financing liability	150,164	13,086	39,150	97,928
Bank indebtedness - principal	215,000	-	215,000	-
- interest <sup>(1)</sup>	26,961	17,974	8,987	-
Unsecured debentures <sup>(2)</sup>	40,807	-	-	40,807
	<b>521,166</b>	<b>113,711</b>	<b>268,362</b>	<b>139,093</b>

<b>December 31, 2022</b>	<b>Undiscounted cash flows<sup>(3)</sup></b>	<b>Less than one year</b>	<b>One to three years</b>	<b>Beyond</b>
Trade and other accrued liabilities	84,805	84,805	-	-
Deferred Share Units	6,528	6,528	-	-
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 <sup>(1)</sup>	19,926	13,284	6,642	-
Unsecured debentures <sup>(2)</sup>	25,000	-	-	25,000
	<b>493,436</b>	<b>121,509</b>	<b>220,712</b>	<b>151,215</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 11). The Credit Facility has a tenor of two years with a maturity date in June 2025 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 2025 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.

## 10. 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, 2023 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	(2.4)	2.4
Forward Chicago natural gas price	(0.5)	0.6
Forward Dawn natural gas price	(0.3)	0.3
Forward Henry Hub natural gas price	(2.2)	2.7
Forward basis differential between Henry Hub and AECO	1.6	(1.6)
Forward PJM electricity price	14.0	(17.7)

As at December 31, 2023 and March 4, 2024, the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
<b>Natural gas - Henry Hub NYMEX</b>			
Fixed price swap	January 2024 to December 2024	20,000 Mcf/d	US \$3.41/Mcf
<b>Natural gas - AECO/Henry Hub Basis Differential</b>			
Basis swap	January 2024 to December 2024	40,000 Mcf/d	Henry Hub less US \$1.19/Mcf
<b>Natural gas - AECO</b>			
Fixed price swap	January 2024 to March 2024	23,695 Mcf/d	\$3.34/Mcf
Fixed price swap	April 2024 to October 2024	56,869 Mcf/d	\$2.60/Mcf <sup>(1)</sup>
Fixed price swap	November 2024 to December 2024	37,913 Mcf/d	\$3.42/Mcf <sup>(1)</sup>
Fixed price swap	January 2025 to March 2025	33,174 Mcf/d	\$3.46/Mcf <sup>(1)</sup>
Fixed price swap	April 2025 to October 2025	23,695 Mcf/d	\$2.97/Mcf <sup>(1)</sup>
Fixed price swap	November 2025 to March 2026	28,435 Mcf/d	\$4.05/Mcf <sup>(1)</sup>
<b>Natural gas - Chicago</b>			
Fixed price swap	January 2024 to March 2024	15,000 Mcf/d	US \$3.88/Mcf
<b>Natural gas - Dawn</b>			
Fixed price swap	January 2024 to March 2024	10,000 Mcf/d	US \$3.07/Mcf

(1) Contains contracts entered into subsequent to December 31, 2023

## 10. Financial risk management (continued)

### (c) Commodity price risk (continued)

#### Natural Gas - Embedded Derivative

Commencing in 2023, Advantage began delivering natural gas under a long-term natural gas supply agreement, delivering 25,000 MMbtu/d of natural gas for a 10-year period, that commenced 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, 2023 the fair value of the natural gas embedded derivative resulted in an asset of \$86.7 million (December 31, 2022 – \$99.9 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, 2023, the implied inflation rate in the 5-year PJM power forecast averaged 0% 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 \$0.5 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 may enter into fixed interest rate swaps to mitigate interest rate risk. As at December 31, 2023, 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, 2023, net income and comprehensive income would have changed by \$1.5 million (December 31, 2022 – \$0.8 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, 2023, net income and comprehensive income would have changed by \$9.2 million (December 31, 2022 – \$7.2 million).

## 10. Financial risk management (continued)

### (e) Foreign exchange risk (continued)

As at December 31, 2023, the Corporation had the following foreign exchange derivative contracts in place:

Description of Derivative	Term	Notional Amount	Rate
<b>Forward rate - CAD/USD</b>			
Average rate currency swap	January 2024 to August 2024	US \$ 2,000,000/month	1.3558
Average rate currency swap	January 2024 to September 2024	US \$ 1,000,000/month	1.3650

As at December 31, 2023 the fair value of the foreign exchange derivatives outstanding resulted in an asset of \$0.9 million (December 31, 2022 – \$2.2 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.

## 10. 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 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, 2023 and December 31, 2022 is as follows:

	<b>December 31 2023</b>	<b>December 31 2022</b>
Cash and cash equivalents	19,261	48,940
Trade and other receivables	53,378	92,816
Prepaid expenses and deposits	16,618	14,613
Trade and other accrued liabilities	(70,606)	(84,805)
<b>Working capital surplus</b>	<b>18,651</b>	<b>71,564</b>

#### 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, 2023 and December 31, 2022 is as follows:

	<b>December 31 2023</b>	<b>December 31 2022</b>
Bank indebtedness (note 11)	212,854	177,200
Unsecured debentures (note 13)	27,819	15,700
Working capital surplus	(18,651)	(71,564)
<b>Net debt</b>	<b>222,022</b>	<b>121,336</b>

Advantage's capital structure as at December 31, 2023 and December 31, 2022 is as follows:

	<b>December 31 2023</b>	<b>December 31 2022</b>
Net debt	222,022	121,336
Shares outstanding (note 16)	162,225,180	171,652,768
Share closing market price (\$/share)	8.53	9.47
Market Capitalization	<b>1,383,781</b>	<b>1,625,552</b>
<b>Total Capitalization</b>	<b>1,605,803</b>	<b>1,746,888</b>

## 11. Bank indebtedness

	December 31 2023	December 31 2022
Revolving credit facility	215,000	180,000
Discount on bankers' acceptance and other fees	(2,146)	(2,800)
<b>Balance, end of year</b>	<b>212,854</b>	<b>177,200</b>

As at December 31, 2023, 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 May 2023, 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 2025 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 2025 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 lender's 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.



## 11. 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, 2023 and 2022, 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, 2023 the Corporation had a 27.7 LMR (December 31, 2022 – 28.4 LMR). All other applicable non-financial covenants were met at December 31, 2023 and 2022. 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, 2023, the average effective interest rate on the outstanding amounts under the facilities was approximately 8.4% (December 31, 2022 – 6.2%). The Corporation had letters of credit of \$12.9 million outstanding at December 31, 2023 (December 31, 2022 – \$12.2 million).

## 12. Financing liability

The Corporation has a 15-year take-or-pay volume commitment with a 12.5% working interest partner in the Corporation's Glacier Gas Plant, with a term due to expire in 2035. During the fourth quarter of 2023, as part of the 2023 planned capital expansion of the Glacier Gas Plant, the working interest partner chose to participate pursuant to the agreement and provided \$2.5 million in additional financing. 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, 2023	Year ended December 31, 2022
Balance, beginning of the year	94,705	93,488
Additions	2,500	5,000
Interest expense	8,452	8,537
Financing payments	(12,760)	(12,320)
<b>Balance, end of year</b>	<b>92,897</b>	<b>94,705</b>
Current financing liability	4,813	4,269
Non-current financing liability	88,084	90,436

### 13. Unsecured debentures

The Corporation's subsidiary, Entropy, has entered into two Investment Agreements with investors who provided capital commitments of \$300 million and \$200 million. In connection with the Investment Agreements, 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 agreements, Entropy and the investors have options that provide for the unsecured debentures to be exchanged for common shares at an exchange price of \$10.00 per share and \$12.75 per share, respectively, subject to adjustment in certain circumstances. The investors have 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 is 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.

During 2023, Entropy issued unsecured debentures for gross proceeds of \$15.0 million (December 31, 2022 - \$25.0 million) and incurred \$1.2 million of issuance costs (December 31, 2022 - \$3.8 million). For the year ended December 31, 2023, Entropy incurred interest of \$2.5 million (December 31, 2022 - \$1.5 million), of which \$1.7 million was paid in cash (December 31, 2022 - \$1.5 million), and \$0.8 million was paid-in-kind (December 31, 2022 - \$nil).

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 in certain situations, 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:

	<b>December 31 2023</b>	<b>December 31 2022</b>
Aggregate principal balance, beginning of the year	25,000	-
Unsecured debentures issued	15,000	25,000
Interest paid-in-kind	807	-
<b>Aggregate principal balance, end of year</b>	<b>40,807</b>	<b>25,000</b>

### 13. Unsecured debentures (continued)

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

	<b>December 31 2023</b>	<b>December 31 2022</b>
Balance, beginning of the year	15,700	-
Issuances	12,713	19,221
Issuance costs	(1,167)	(3,838)
Accretion expense	573	317
<b>Balance, end of year</b>	<b>27,819</b>	<b>15,700</b>

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

	<b>December 31 2023</b>	<b>December 31 2022</b>
Balance, beginning of the year	9,744	-
Issuances	3,094	5,779
Revaluation	5,606	3,965
<b>Balance, end of year</b>	<b>18,444</b>	<b>9,744</b>

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, 2023 includes estimated share price, estimated timing and probability 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:

<b>\$ millions</b>	<b>Increase</b>	<b>(Decrease)</b>
\$1 change in estimated share price	3.9	(3.9)
1% change in credit spread	0.8	(0.8)
1 year change in estimated timing of an IPO	2.2	(2.5)

## 14. Provisions and other liabilities

	Year ended December 31, 2023	Year ended December 31, 2022
Performance Awards (note 18(c))	6,687	9,277
Deferred Share Units (note 18(d))	4,579	6,528
Deferred revenue (a)	6,603	6,603
Lease liability (b)	1,967	2,154
Decommissioning liability (c)	62,155	41,945
<b>Balance, end of year</b>	<b>81,991</b>	<b>66,507</b>
Current provisions and other liabilities	20,054	21,118
Non-current provisions and other liabilities	61,937	45,389

### (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 2024.

### (b) 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.

A reconciliation of the lease liability is provided below:

	Year ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of the year	2,154	2,173
Additions	412	339
Interest expense	92	93
Lease payments	(691)	(451)
<b>Balance, end of year</b>	<b>1,967</b>	<b>2,154</b>
Current lease liability	522	434
Non-current lease liability	1,445	1,720

## 14. Provisions and other liabilities (continued)

### (c) 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 2024 and 2075. A risk-free rate of 3.02% (December 31, 2022 – 3.28%) and an inflation factor of 2.0% (December 31, 2022 – 2.0%) were used to calculate the fair value of the decommissioning liability at December 31, 2023. As at December 31, 2023, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$82.6 million (December 31, 2022 – \$62.8 million).

A reconciliation of the decommissioning liability is provided below:

	Year ended December 31, 2023	Year ended December 31, 2022
Balance, beginning of the year	41,945	62,474
Accretion expense	1,444	1,420
Liabilities incurred	4,472	2,003
Change in estimates	2,263	(1,189)
Change in estimates expensed <sup>(1)</sup>	8,898	-
Effect of change in risk-free rate	7,176	(20,548)
Liabilities settled	(4,043)	(2,215)
<b>Balance, end of year</b>	<b>62,155</b>	<b>41,945</b>
Current decommissioning liability	3,000	2,000
Non-current decommissioning liability	59,155	39,945

<sup>(1)</sup> Increased cost estimates which were expensed as the cost estimate relates to a legacy non-core area whereby the Corporation has no future plans to pursue any development activities.

## 15. Income taxes

The provision for income taxes is as follows:

	Year ended December 31, 2023	Year ended December 31, 2022
Current income tax expense	-	-
Deferred income tax expense	35,635	105,138
<b>Income tax expense</b>	<b>35,635</b>	<b>105,138</b>

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, 2023	Year ended December 31, 2022
Income before taxes and non-controlling interest	135,908	442,899
Combined federal and provincial income tax rates	23.0%	23.0%
Expected income tax expense	31,259	101,867
Increase in income taxes resulting from:		
Non-deductible expenses	1,520	1,280
Valuation allowance	3,266	910
Other	(409)	1,081
<b>Income tax expense</b>	<b>35,635</b>	<b>105,138</b>
<b>Effective tax rate</b>	<b>26.2 %</b>	<b>23.7 %</b>

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, 2022	Credited (charged) to income	At December 31, 2023
<b>Deferred income tax assets:</b>			
Decommissioning liability	10,161	4,132	14,293
Non-capital losses	93,805	(19,166)	74,639
Financing liability	20,632	159	20,791
Other	22,239	(1,064)	21,175
	146,837	(15,939)	130,898
<b>Deferred income tax liabilities:</b>			
Property, plant and equipment	(321,427)	(20,749)	(342,176)
Derivative asset/liability	(26,255)	890	(25,365)
Other	(577)	163	(414)
	(348,259)	(19,696)	(367,955)
<b>Deferred income tax liability</b>	<b>(201,422)</b>	<b>(35,635)</b>	<b>(237,057)</b>

## 15. Income taxes (continued)

	At December 31, 2021	Credited (charged) to income	At December 31, 2022
<b>Deferred income tax assets:</b>			
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
<b>Deferred income tax liabilities:</b>			
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)
<b>Deferred income tax liability</b>	<b>(96,284)</b>	<b>(105,138)</b>	<b>(201,422)</b>

The estimated tax pools available at December 31, 2023 are as follows:

Canadian development expenses	246,411
Canadian exploration expenses	68,509
Canadian oil and gas property expenses	18,735
Non-capital losses	347,724
Undepreciated capital cost	264,480
Capital losses	135,369
Scientific research and experimental development expenditures	32,506
Other	6,421
	<b>1,120,155</b>

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, 2022 – \$135 million). Recognition is dependent on the realization of future taxable capital gains.

## 16. 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, 2021	190,828,976	2,370,716
Shares issued on Performance Share Unit settlements (note 18 (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)
<b>Balance at December 31, 2022</b>	<b>171,652,768</b>	<b>2,105,013</b>
Shares issued on Performance Share Unit settlements (note 18 (a))	3,675,083	-
Contributed surplus transferred on Performance Share Unit settlements	-	6,509
Shares purchased and cancelled under NCIB	(13,102,671)	(159,281)
<b>Balance at December 31, 2023</b>	<b>162,225,180</b>	<b>1,952,241</b>

For the year ended December 31, 2023, the Corporation purchased 13.1 million common shares for cancellation at an average weighted price of \$8.96 for a total cost of \$117.3 million. Share capital was reduced by \$159.3 million while contributed surplus was increased by \$41.9 million, representing the excess average carrying value of the common shares over the purchase price.

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

On April 6, 2023, the Toronto Stock Exchange (the "TSX") approved the renewal of the NCIB. Pursuant to the NCIB, Advantage was approved to purchase for cancellation, from time to time, as it considered advisable, up to a maximum of 16,201,997 common shares of the Corporation. The NCIB commenced on April 13, 2023 and will terminate on April 12, 2024 or such earlier time as the NCIB is completed or terminated at the option of Advantage.

On April 7, 2022, the TSX approved the Corporation commencing a NCIB. Pursuant to the NCIB, Advantage was approved 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 terminated on April 12, 2023.

Purchases pursuant to the NCIB are 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, including commissions. All common shares acquired under the NCIB were cancelled.

### (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.



## 17. Non-controlling interest ("NCI")

On May 5, 2021, Entropy issued common shares, resulting in Advantage owning 90% of Entropy.

On June 30, 2023, Advantage exercised an option pursuant to a contribution agreement, whereby on July 1, 2023, Entropy issued 6,002,516 additional Common Shares to Advantage in exchange for the Glacier Phase 1A CCS equipment, resulting in Advantage ownership increasing to 92% of Entropy.

Advantage has recognized a non-controlling interest in shareholders' equity, representing the carrying value of the 8% shareholding of Entropy held by outside interests.

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

	Year ended December 31	
	2023	2022
Balance, beginning of the year	1,425	2,331
Net loss and comprehensive loss attributable to NCI	(1,324)	(906)
<b>Balance, end of year</b>	<b>101</b>	<b>1,425</b>

## 18. 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, 2023, 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, 2021	4,880,684
Granted	720,641
Settled	(1,585,888)
Forfeited	(32,491)
Balance at December 31, 2022	<b>3,982,946</b>
Granted	956,920
Settled	(2,012,178)
Forfeited	(108,274)
<b>Balance at December 31, 2023</b>	<b>2,819,414</b>

During May 2023, 2,012,178 Performance Share Units matured and were settled with the issuance of 3,675,083 common shares.

## 18. Long-term compensation plans (continued)

### (b) Share-based compensation expense

Share-based compensation expense after capitalization for the years ended December 31, 2023 and 2022 are as follows:

	Year ended December 31	
	2023	2022
Total share-based compensation	8,788	7,766
Capitalized (note 9)	(2,242)	(2,242)
<b>Share-based compensation expense</b>	<b>6,546</b>	<b>5,524</b>

### (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 14) 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, 2023	Year ended December 31, 2022
Balance, beginning of the year	9,277	9,970
Performance Award expense	3,822	5,902
Interest expense	43	46
Performance Awards settled	(6,455)	(6,641)
<b>Balance, end of year</b>	<b>6,687</b>	<b>9,277</b>
Current	5,350	5,553
Non-current	1,337	3,724

### (d) Deferred Share Units ("DSU")

Deferred Share Units are issued to Directors of the Corporation. Each DSU entitles participants to receive cash equal to the Corporation's common shares, multiplied by the number of DSUs held. All DSU's 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, 2021	644,093
Granted	45,217
Settled	-
Balance at December 31, 2022	<b>689,310</b>
Granted	52,218
Settled	(204,848)
<b>Balance at December 31, 2023</b>	<b>536,680</b>

## 18. 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, 2023	Year ended December 31, 2022
Balance, beginning of the year	6,528	4,773
Granted	449	425
Revaluation of outstanding Deferred Share Units	(663)	1,330
Settled	(1,735)	-
<b>Balance, end of year</b>	<b>4,579</b>	<b>6,528</b>

## 19. 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	
	2023	2022
Net income attributable to Advantage shareholders		
Basic and diluted	101,597	338,667
Weighted average shares outstanding		
Basic	166,552,941	187,022,242
Performance Share Units	5,279,869	6,847,114
Diluted	171,832,810	193,869,356
Net income per share attributable to Advantage shareholders		
Basic (\$/share)	0.61	1.81
Diluted (\$/share)	0.59	1.75

## 20. 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, 2023 and 2022, natural gas and liquids sales were as follows:

	Year ended December 31	
	2023	2022
Crude oil	93,330	81,938
Condensate	42,047	47,129
NGLs	61,856	79,042
<b>Liquids</b>	<b>197,233</b>	<b>208,109</b>
Natural Gas	343,867	742,349
<b>Natural gas and liquids sales</b>	<b>541,100</b>	<b>950,458</b>

At December 31, 2023, receivables from contracts with customers, which are included in trade and other receivables, were \$42.4 million (December 31, 2022 - \$84.6 million).

### (b) Sales of purchased natural gas

During the year ended December 31, 2023, the Corporation purchased natural gas volumes to satisfy physical sales commitments. Purchases and sales of natural gas from third-parties were as follows:

	Year ended December 31	
	2023	2022
Sales of purchased natural gas	3,124	4,826
Natural gas purchases	(3,371)	(4,756)
<b>Net sales of purchased natural gas</b>	<b>(247)</b>	<b>70</b>

### (c) Processing and other income

During the year ended December 31, 2023, the Corporation earned income from the processing of third-party natural gas at the Corporation's gas plant. Processing and other income were as follows:

	Year ended December 31	
	2023	2022
Processing income	7,612	8,783
Other	15	299
<b>Total processing and other income</b>	<b>7,627</b>	<b>9,082</b>

## 21. General and administrative expense

	Year ended December 31	
	2023	2022
Personnel	24,066	21,920
Revaluation of outstanding Deferred Share Units (note 18(d))	(663)	1,330
Professional fees	1,739	1,601
Information technology cost	2,253	2,043
Office rent and administration cost	2,567	2,197
Total general and administrative	29,962	29,091
Capitalized (note 9)	(5,325)	(6,808)
<b>General and administrative expense</b>	<b>24,637</b>	<b>22,283</b>

## 22. Finance expense

	Year ended December 31	
	2023	2022
Interest on bank indebtedness (note 11)	18,932	9,364
Interest income	(1,446)	(829)
Interest on financing liability (note 12)	8,452	8,537
Interest on provisions and other liabilities (note 14(b), 18(c))	135	139
Interest on unsecured debentures (note 13)	1,693	1,479
Interest paid-in-kind on unsecured debentures (note 13)	807	-
Accretion on decommissioning liability (note 14(c))	1,444	1,420
Accretion on unsecured debentures (note 13)	573	317
Capitalized borrowing cost (note 9)	(500)	-
<b>Total finance expense</b>	<b>30,090</b>	<b>20,427</b>

## 23. Related party transactions

### (a) Key management compensation

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

	Year ended December 31	
	2023	2022
Salaries, director fees and short-term benefits	5,594	4,972
Share-based compensation and Performance Awards <sup>(1)</sup>	4,600	4,753
	<b>10,194</b>	<b>9,725</b>

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

As at December 31, 2023, there is a commitment of \$5.3 million (December 31, 2022 – \$4.8 million) related to change of control or termination of employment of officers.

## 24. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Year ended December 31	
	2023	2022
Source (use) of cash:		
Trade and other receivables	39,438	(38,047)
Prepaid expense and deposits	(2,005)	(11,130)
Trade and other accrued liabilities	(14,199)	8,180
Inventory	(4,842)	-
Performance Awards	(2,590)	(693)
Deferred Share Units	(1,949)	1,755
Project funding	-	(62)
	<b>13,853</b>	<b>(39,997)</b>
Related to operating activities	13,818	(12,197)
Related to investing activities	35	(27,800)
	<b>13,853</b>	<b>(39,997)</b>

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	
	2023	2022
<b>Cash flows</b>		
Common shares repurchased	(117,343)	(240,967)
Draws on credit facility	140,000	310,000
Repayment of credit facility	(105,000)	(298,000)
Bankers' acceptance and other fees	(17,448)	(10,019)
Proceeds from unsecured debentures	15,000	25,000
Transaction costs on unsecured debentures	(1,167)	(3,838)
Proceeds from financing liability	2,500	5,000
Lease payments	(691)	(451)
Financing payments	(12,760)	(12,320)
<b>Total cash flows</b>	<b>(96,909)</b>	<b>(225,595)</b>
<b>Non-cash changes</b>		
Amortization of bankers' acceptance and other fees	18,102	7,874
Lease interest expense	92	93
Financing liability interest expense	8,452	8,537
<b>Total non-cash changes</b>	<b>26,646</b>	<b>16,504</b>
<b>Cash used in financing activities</b>	<b>(70,263)</b>	<b>(209,091)</b>

## 25. Commitments

At December 31, 2023 Advantage had commitments relating to building operating costs of \$1.5 million, processing commitments of \$45.7 million and transportation commitments of \$481.3 million. The estimated remaining payments are as follows:

(\$ millions)	Payments due by period						
	Total	2024	2025	2026	2027	2028	Beyond
Building operating cost <sup>(1)</sup>	1.5	0.4	0.4	0.4	0.3	-	-
Processing	45.7	10.0	9.5	7.0	7.0	7.0	5.2
Transportation	498.0	83.6	79.8	66.2	54.4	29.9	184.1
<b>Total commitments</b>	<b>545.2</b>	<b>94.0</b>	<b>89.7</b>	<b>73.6</b>	<b>61.7</b>	<b>36.9</b>	<b>189.3</b>

<sup>(4)</sup> Excludes fixed lease payments which are included in the Corporation's lease liability.

## ADVISORY

### Forward-Looking Information and Other Advisories

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

In particular, forward-looking statements in this document include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; the focus of the Corporation's 2024 capital program; Advantage's expectations that it will be able to deliver its reduced capital level without changing its production guidance or compromising its long-term AFF per share focus; Advantage's focus on growing adjusted funds flow per share while maintaining its net debt target; the Corporation's 2024 capital guidance including its anticipated cash used in investing activities, total average production, liquids production (% of total average production), royalty rate, operating expense per boe, transportation expense per boe, G&A/finance expense per boe and net debt; Advantage's expectations that it will be able to deliver its 2024 capital program with reduced capital; expectations that Advantage will continuously review its capital program to adjust to rapidly changing supply/demand dynamics in North America; the anticipated timing of when the first phase of the Progress gas plant project will be commissioned; Advantage's ability to defer its 2024 discretionary investments and the anticipated benefits to be derived therefrom; Advantage's anticipated capital spending in 2024 and 2025 as a percentage of forecasted total AFF and the anticipated benefits to be derived therefrom; Advantage's three-year plan of delivering compounding AFF per share growth via careful capital allocation with anticipated annual spending between \$220 million and \$300 million and production growth capped at 10%; Advantage's expectations that all excess cash will be returned to its shareholders via share buybacks; the anticipated benefits to be derived from CGF's investment structure in Entropy; 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 anticipated benefits to be derived from Entropy's strategic investment agreement with CGF, including the CCO; that Advantage will continue to invest in additional transportation commitments and the anticipated benefits to be derived therefrom; the Corporation's forecasted 2024 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; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2027; the anticipated capture rate of the Glacier Gas Plant Phase 1a CCS and waste heat recovery project; that Entropy's modular technology will lower corporate emissions; the Corporation's anticipated reductions in Scope 1 and 2 emissions; the anticipated timing of when construction will begin on Glacier Phase 2 and the anticipated benefits to be derived therefrom; the Corporation's expectations that its Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan; 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 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



## **Forward-Looking Information and Other Advisories (continued)**

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 anticipated timing that such costs will be incurred; Entropy's business plan and the anticipated benefits 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 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 the Credit Facilities may not be renewed at each annual review; competition from other producers; the risk that the Corporation's actual 2024 results may not be consistent with its 2024 guidance; the risk that Advantage may not grow its adjusted funds flow per share while maintaining its net debt target; the risk that Advantage may not continuously review its capital program to adjust to rapidly changing supply/demand dynamics in North America; the risk that the first phase of the Progress gas plant project may not be commissioned when anticipated, or at all; the risk that Advantage may not defer its 2024 discretionary investments in the event of downward pressure on futures pricing; the risk that Advantage's capital spending in 2024 and 2025 as a percentage of forecasted total AFF may not be consistent with its expectations; the risk that Advantage may not deliver compounding AFF per share growth via careful capital allocation with anticipated annual spending between \$220 million and \$300 million and production growth capped at 10%; the risk that all of Advantage's excess cash may not be returned to its shareholders via share buybacks; the risk that the Corporation's 2024 annual average production may be less than anticipated; the risk that the Corporation may not deliver its 2024 capital program with reduced capital; 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 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 agreements with Brookfield Renewables and CGF may not lead to the results anticipated; 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 may be subject to cash

## **Forward-Looking Information and Other Advisories (continued)**

taxes prior to calendar 2027; the risk that Entropy's modular technology may not lower corporate emissions; 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 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 2024 towards the Corporation's share buyback program; 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.sedarplus.ca](http://www.sedarplus.ca) and [www.advantageog.com](http://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; 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 document in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this document and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

The future acquisition by the Corporation of the Corporation's common shares pursuant to its share buyback program (including through an NCIB), 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

## **Forward-Looking Information and Other Advisories (continued)**

of common shares of the Corporation that the Corporation will acquire pursuant to its share buyback program, if any, in the future.

This document contains information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to: the Corporation's expectations that all free cash flow will be allocated to its share buyback program; the Corporation's 2024 capital guidance including its anticipated cash used in investing activities, royalty rate, operating expense per boe, transportation expense per boe, G&A/finance expense per boe and net debt; Advantage's expectations that it will be able to deliver its 2024 capital program with reduced capital; Advantage's anticipated capital spending in 2024 and 2025 as a percentage of forecasted total AFF and the anticipated benefits to be derived therefrom; Advantage's three-year plan of delivering compounding AFF per share growth via careful capital allocation with anticipated annual spending between \$220 million and \$300 million and production growth capped at 10%; 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 estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2027; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; 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 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", "net asset value per share", "reserve additions", "reserves 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 this document, 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 2024 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2024 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, 2023 ("Sproule 2023 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 reserve information as required under NI 51-101 are included in our Annual Information Form which is available at [www.sedarplus.ca](http://www.sedarplus.ca) and [www.advantageog.com](http://www.advantageog.com). Advantage's year-end reserves as of December 31, 2022 and December 31, 2021 disclosed in this document were evaluated by Sproule in accordance with NI 51-101 and the COGE Handbook and using the IQRE average product price forecast effective December 31, 2022 and December 31, 2021, respectively. 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. It should not be assumed that the discounted future net revenue estimated by Sproule and disclosed herein represents the fair market value of the reserves.

References to natural gas, crude oil and condensate and NGLs production in this 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 – *Standards of Disclosure for Oil and Gas Activities* ("NI 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, 2023, which is available at [www.sedarplus.ca](http://www.sedarplus.ca) and [www.advantageog.com](http://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 and Development ("F&D") Cost per BOE

F&D cost per boe is a supplementary financial measure calculated based on adding net capital expenditures excluding acquisitions and dispositions, and the net change in future development capital, divided by reserve additions for the year from the Sproule 2023 and 2022 Reserves Report. Additionally, the Corporation discloses Three-year average F&D cost, which is calculated based on adding net capital expenditures excluding acquisitions and dispositions from 2023, 2022 and 2021, and the net change in FDC from 2023, 2022 and 2021, divided by reserve additions from 2023, 2022 and 2021 from the respective Sproule Reserve Reports.

### 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. Additionally, the Corporation discloses net asset value per share, which is determined by dividing net asset value by the basic weighted average shares outstanding of the Corporation. Management believes that net asset value and net asset value per share assist 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.sedarplus.ca](http://www.sedarplus.ca) and the Corporation's website at [www.advantageog.com](http://www.advantageog.com). Such other information includes the annual information form, the management information circular, press releases, material change reports, material contracts and agreements, and other financial reports. The annual information form will be of particular interest for current and potential shareholders as it discusses a variety of subject matter including the nature of the business, description of our operations, general and recent business developments, risk factors, reserves data and other oil and gas information.

March 18, 2024

## 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**

Jill T. Angevine <sup>(1)(3)(4)</sup>  
Stephen E. Balog <sup>(2)(4)</sup>  
Michael Belenkie  
Deirdre M. Choate <sup>(1)(2)(3)(4)</sup>  
Donald M. Clague <sup>(1)(2)(3)(4)</sup>  
Norman W. MacDonald <sup>(1)(2)(3)</sup>  
Andy J. Mah <sup>(2)</sup>  
Janine J. McArdle <sup>(1)(4)</sup>

<sup>(1)</sup> Member of Audit Committee

<sup>(2)</sup> Member of Reserves and Health, Safety and Environment Committee

<sup>(3)</sup> Member of Compensation Committee

<sup>(4)</sup> Member of Governance & Sustainability Committee

## **Officers**

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

## **Corporate Secretary**

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

## **Auditors**

PricewaterhouseCoopers LLP

## **Bankers**

The Bank of Nova Scotia  
National Bank of Canada  
Royal Bank of Canada  
Canadian Imperial Bank of Commerce  
ATB Financial  
Business Development Bank of Canada  
Wells Fargo Bank N.A., /Canada Branch

## **Independent Reserve Evaluators**

Sroule Associates Limited

## **Legal Counsel**

Burnet, Duckworth and Palmer LLP

## **Transfer Agent**

Computershare Trust Company of Canada

## **Corporate Office**

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## **Toronto Stock Exchange Trading Symbol**

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