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Advantage Announces 2022 Budget, Including Strategic Growth of Liquids, Gas and Midstream Assets

(TSX: AAV)

CALGARY, AB, Dec. 6, 2021 /CNW/ - Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to announce its 2022 budget.

Advantage's 2022 capital program will be focused on growing adjusted funds flow per share by continuing to drill high rate-of-return targets in areas with existing infrastructure capacity. An escalating emphasis will be placed on increasing liquids revenue and making infrastructure investments that either expand third-party processing revenue or advance our net-zero 2025 target. With gas prices currently elevated and robust oil prices, we expect bank indebtedness to fall to zero in the second half of 2022 with significant free cash flow available to fortify the foundations of our business.

Highlights of the 2022 Budget:

- Corporate production is expected to grow by approximately 8%, with total liquids production expected to grow by more than 25%.
- At NYMEX US$4/mmbtu and WTI US$70/bbl, adjusted funds flow ("AFF")[(a)] is expected to be $370 million.
- Cash used in investing activities is planned to be between $170 million and $200 million representing a payout ratio[(b)] of approximately 50% (including provisions for inflation).
- Revenue growth will be optimized by focusing on the highest rate-of-return development drilling in areas with existing facilities capacity (Glacier and Wembley).
- Sustaining capital for 2022 is approximately $75 million and includes drilling 9 Glacier wells to replace corporate decline of 24%.
- Half of the drilling program will focus on gas-weighted assets, and half will focus on oil-weighted assets. At current strip pricing, production periods required to payout new wells are approximately 7 months for Glacier gas wells and 8 months for Wembley oil wells.
- The Wembley oil battery will be connected to the Keyera Pipestone Processing Facility during the first quarter, increasing total third-party processing capacity to 40 mmcf/d. Advantage's total take-or-pay volumes at Wembley, including existing Tidewater service, will average 13.5 mmcf/d for 2022 before rising to 23 mmcf/d in 2023.
- The Progress compressor station (partially constructed in 2020 prior to the pandemic) is planned to be completed by early second quarter, at a cost of $12 million. Up to three new Progress wells are planned for 2022, and a third-party has committed to tie-in approximately 10 mmcf/d for transportation and processing through our Glacier Gas Plant. Third-party processing revenue is expected to pay out the remaining cost of the project within three years.
- Phase 1 of the Glacier carbon capture and storage ("CCS") project is expected to come onstream by early second quarter, with 2022 capital expected to be $7 million.

a. ***Non-GAAP Financial Measure which does not have a standardized meaning under IFRS and may not be comparable to similar non-GAAP financial measures used by other entities. Please see Advisory.***
b. ***Non-GAAP Ratio which does not have a standardized meaning under IFRS and may not be comparable to similar non-GAAP ratios used by other entities. Please see Advisory for a description of how such non-GAAP ratio is calculated, including the non-GAAP financial measures comprising such non-GAAP ratio.***

2022 Budget Summary [(1)]

Cash Used in Investing Activities [(2)] (millions)	$170 to $200
Average Production (boe/day)	52,000 to 55,000
Liquids Production (bbls/d)	5,400 to 5,800
Royalty Rate (%)	7% to 9%
Operating Expense ($/boe)	$2.45
Transportation Expense ($/boe)	$4.35
G&A/Finance Expense ($/boe)	$1.55

Notes:

(1) Forward-looking statements and information representing Management estimates. Refer to Advisory for cautionary statements regarding Advantage's budget including material assumptions and risk factors.
(2) Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed between years and other differences are immaterial. See Advisory.

Marketing Update

Advantage has hedged approximately 39% of its natural gas production for the fourth quarter of 2021. The Corporation continues to increase its hedging position in 2022 and currently has 11% of forecast natural gas production hedged at an average of US$3.52/mmbtu assuming $US/$CDN foreign exchange of $0.79. Advantage has hedged 2,000 bbls/d of liquids for the fourth quarter of 2021 at an average price of US$49.14/bbl and no liquids hedging for 2022.

Credit Facility Renewal

On November 30, 2021, Advantage's Credit Facilities were renewed with no changes to the borrowing base of $350 million.

Executive Update

As previously announced, Andy Mah will retire from his role of Chief Executive Officer on December 31, and Michael Belenkie (currently President and Chief Operating Office) will assume the role of President and CEO. The Advantage team wishes Andy all the best in his retirement and looks forward to his continued contributions as a board member.

Advantage is also pleased to announce two executive appointments as a reflection of our expanded strategy.

Darren Tisdale will assume the role of Vice President, Geosciences. Mr. Tisdale has been with Advantage for approximately two years as Chief Geoscientist and has led Advantage's subsurface technology evolution, as well as bringing deep skillsets to business development and strategic planning.

Geoff Keyser will assume the role of Vice President, Corporate Development. Mr. Keyser joined Advantage a year ago as Director of Corporate Development, having previously served as Vice President of Engineering at a private oil and gas producer.

Looking Forward

Advantage is on the pathway to net-zero emissions by 2025[1], primarily through Entropy Inc.'s revenue-generating carbon capture and storage projects, including the Glacier CCS project.

Capital guidance for 2021 remains at $140 million to $150 million and annual production guidance has been lowered marginally to 49,250 boe/d as a result of unplanned "firm service" restrictions on TC Energy's NGTL system during the fourth quarter of 2021. With drilling results having exceeded expectations throughout 2021, production has grown by approximately 10%.

With commodity prices remaining robust, Advantage is in a strong position to grow total shareholder returns by delivering moderate production growth into existing infrastructure, enhancing corporate resilience and scale. By growing our liquids assets more rapidly than gas-weighted assets, revenue will be derived more evenly from multiple commodities, reducing exposure to gas price volatility. Cash-generating investments in infrastructure will continue, and our energy transition subsidiary, Entropy Inc., will pursue rapid growth in carbon capture and sequestration projects. Lastly, Advantage will continue to pursue strategic acquisitions of low-emissions assets that create efficiencies, resilience and scale.

Advantage looks forward to progressing the Corporation's strategy through the dynamic markets ahead.

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[1] See Advantage's 2021 Sustainability Report. Success in achieving net-zero on this timeline is predicated on functional CCS regulatory frameworks at both the federal and provincial levels.

Advisory

The information in this press release contains certain forward-looking statements, including within the meaning of applicable securities laws. These statements relate to future events or our future intentions or 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 "guidance", "anticipate", "target", "objectives", "estimates", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's focus, strategy, *priorities and development plans; that Advantage will make infrastructure investments that either expand third-party processing revenue or advance its net-zero 2025 target; that Advantage's bank indebtedness will fall to zero and the anticipated timing thereof; that Advantage will have significant free cash flow available to fortify the foundations of its business; anticipated growth in corporate production; anticipated adjusted funds flow; anticipated cash used in investing activities; anticipated sustaining capital; that the Wembley oil battery will be connected to the Keyera Pipestone Processing Facility and the anticipated timing and benefits in connection therewith; anticipated total take-or-pay volumes at Wembley; Advantage's expectations that it will be able to optimize revenue growth; Advantage's expectations of the production periods required to payout new wells; that the Progress compressor station will be completed and the costs and timing thereof; Advantage's expectations of the number of new wells and the number of tie-ins in 2022; Advantage's expectations that third party processing revenue will pay out the remaining cost of the Progress compressor station project; that Phase 1 of the Glacier CCS project will come onstream in 2022 and the anticipated capital and timing thereof; Advantage's hedging program; that Advantage will achieve net-zero emissions by 2025; that Advantage will be able to grow total shareholder returns; Advantage's ability to deliver moderate production growth utilizing existing infrastructure capacity; Advantage's ability to enhance corporate resilience and scale; that Advantage will be able to grow its liquids assets and reduce its exposure to gas price volatility; and that Advantage will pursue strategic acquisitions of low-emissions assets and their ability to create efficiencies, resilience and scale. Advantage's actual decisions, activities, results, performance, or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.*

With respect to forward-looking statements contained in this press release, Advantage has made assumptions regarding, but not limited to: that Advantage's infrastructure investments will either expand third-party processing revenue or advance its net-zero 2025 target; future oil and gas prices; anticipated NYMEX and WTI prices; anticipated strip pricing; the third party processing revenue available to Advantage; foreign exchange rates; conditions in general economic and financial markets; the impact and duration thereof that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs and natural gas; effects of regulation by governmental agencies; current and future commodity prices and royalty regimes; the Corporation's current and future hedging program; future exchange rates; royalty rates; future operating costs; future transportation costs and availability of product transportation capacity; availability of skilled labor; availability of drilling and related equipment; timing and amount of net capital expenditures; the number of new wells required to achieve the budget objectives; that the Corporation will have sufficient adjusted funds flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's properties in the manner currently contemplated; current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated; that Entropy will have the ability to develop its technology in the manner currently contemplated; that Phase 1 of the Glacier CCS project will come on-stream; the anticipated benefits and results from Entropy's technology; that increases in Advantage's liquids assets will reduce its exposure to volatility; and the estimates of the Corporation's production and reserves 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 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 therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release 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.

These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including, but not limited to: changes in general economic, market and business conditions; industry conditions, including as a result of demand and supply effects resulting from the COVID-19 pandemic; actions by governmental or regulatory authorities including increasing taxes and changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; Advantage's success at acquisition, exploitation and development of reserves; unexpected drilling results; changes in commodity prices, currency exchange rates, net 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, including hazards such as fire, *explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production and processing facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; delays in anticipated timing of drilling and completion of wells; individual well productivity; competition from other producers; the lack of availability of qualified personnel or management; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; Advantage's ability to comply with current and future environmental or other laws; stock market volatility and market valuations; liabilities inherent in oil and natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; ability to obtain required approvals of regulatory authorities; ability to access sufficient capital from internal and external sources; that Advantage will not be able to reduce its bank indebtedness; that Advantage will not have significant free cash flow available to fortify the foundations of its business; the production periods required to payout new wells will be longer than expected; that Progress compressor station will not be completed when expected; that third party processing revenue will not be able to pay out the remaining cost of the Progress compressor station project within three years; that the Wembley oil battery will not be connected to the Keyera Pipestone Processing Facility when expected; that the Glacier CCS project will not come on-stream when expected; that Advantage will not be able to achieve net-zero emissions by 2025; that Advantage will not be able to grow total shareholder returns; that Advantage will not be able to maximize returns for its shareholders; that revenue-generating infrastructure investments will not be available to Advantage; and that strategic acquisitions of low-emissions assets will not be available to Advantage. Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form which is available at www.sedar.com ("SEDAR") and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.*

This press release contains information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to, that Advantage's bank indebtedness will fall to zero; anticipated adjusted funds flow; anticipated cash used in investing activities; anticipated average production, liquids production, royalty rate, operating expenses, transportation expenses and G&A/finance expenses in 2022; and Advantage's expectations that it will be able to deliver the indicated production growth; 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 press release 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 press release was made as of the date of this press release 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 press release is not conclusive and is subject to change.

Non-GAAP Financial Measures and Non-GAAP Ratios

The Corporation discloses several financial and performance measures in this press release that do not have any standardized meaning prescribed under GAAP. These financial and performance measures include "net capital expenditures", "adjusted funds flow", "free cash flow", "net debt" and "working capital deficit", which should not be considered as alternatives to, or more meaningful than "net income", "comprehensive income", "cash provided by operating activities", "cash used in investing activities", or "bank indebtedness" presented within the consolidated financial statements as determined in accordance with GAAP. Management believes that these measures provide an indication of the results generated by the Corporation's principal business activities and provide useful supplemental information for analysis of the Corporation's operating performance and liquidity. Advantage's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies.

Net Capital Expenditures

Net capital expenditures include total capital expenditures related to property, plant and equipment and exploration and evaluation assets incurred during the period. Management considers this measure reflective of actual capital activity for the period as it excludes changes in working capital related to other periods.

Working Capital

Working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits and trade and other accrued payables at the reporting date. Working capital provides Management and users with a measure of the Corporation's operating liquidity.

Net Debt

Net debt is comprised of bank indebtedness and working capital. Net debt provides Management and users with a measure of the Corporation's bank indebtedness and expected settlement of net liabilities in the next year.

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, and to support future capital expenditures plans. 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.

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.

Payout Ratio

Cash used in investing activities divided 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 cash used in investing activities to settle outstanding debt and obligations.

Refer to the Corporation's most recent Management's Discussion and Analysis for the three and nine months ended September 30, 2021, which is available at www.sedar.com and www.advantageog.com, for additional information about certain non-GAAP financial measures, including reconciliations to the nearest GAAP measures and disclosure of historical non-GAAP financial measures, as applicable.

Oil and Gas Information

Barrels of oil equivalent (boe) and thousand cubic feet of natural gas equivalent (mcfe) may be misleading, particularly if used in isolation. Boe and mcfe conversion ratios have been calculated using a conversion rate of six thousand cubic feet of natural gas equivalent to one barrel of oil. A boe and mcfe conversion ratio of 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. Given that the value ratio based on the current price of crude oil as compared to natural gas 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.

Production estimates contained herein are expressed as anticipated average production over the calendar year. In determining anticipated production for the year 2022 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2022 expected drilling and completion activities.

The following terms and abbreviations used in this press release have the meanings set forth below:

bbl	*one barrel*
bbls/d	*barrels per day*
boe	*barrels of oil equivalent of natural gas, on the basis of one barrel of oil or NGLs for six thousand cubic feet of natural gas*
boe/d	*barrels of oil equivalent of natural gas per day*
Crude oil and condensate	*Light crude oil and medium crude oil as defined in National Instrument 51-101*
Liquids	*Includes crude oil and condensate and NGLs*
mcfe	*thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or NGLs*
mmbtu	*million British thermal units*
mmcf/d	*million cubic feet per day*
Natural gas	*Conventional Natural Gas as defined in National Instrument 51-101*
NGLs	*Natural Gas Liquids as defined in National Instrument 51-101*
Payout	*The point at which all costs associated with a well are recovered from revenue from the well.*

SOURCE Advantage Energy Ltd.

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