Advantage Announces Record 2021 Year-End Results, Reserves, Operational Update

(TSX: AAV)

CALGARY, AB, Feb. 24, 2022 /CNW/ - Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to report 2021 year-end results, reserves and an operational update.

Advantage achieved record results during 2021, while capital spending remained modest. Advantage's long history of disciplined capital deployment continued, with every well drilled since the second half of 2020 achieving payout in under one year and many achieving payout in under 5 months. The Corporation has a line-of-sight to eliminate net debt during the third quarter (based on current strip commodity prices) and intends to initiate a share buyback program in second quarter pending regulatory approval.

Advantage's affiliate Entropy Inc. continues to make progress on its previously announced financing (see News Release dated December 30, 2021) and remains on-track to close during the first quarter of 2022.

In order to maximize shareholder returns, Advantage's priority is growing adjusted funds flow per share[(a)] while maintaining a strong balance sheet and enhancing profitability through all phases of the commodities cycle. With commodity pricing remaining strong, production spiking, long-term demand likely to continue to grow, decades of high-quality inventory and significant existing capacity at Advantage-owned facilities, Advantage is well positioned to continue generating significant shareholder value.

2021 Year-End Financial Highlights

- Record cash provided by operating activities of $223 million
- Record adjusted funds flow ("AFF")[(a)] of $235 million or $1.24/share
- Record free cash flow ("FCF")[(a)] of $85 million (36% of AFF)
- Cash used in investing activities was $118 million while net capital expenditures[(a)] were $149 million
- Net income of $411 million, which includes a full impairment recovery of $341 million
- Operating expenses remained low at $2.49/boe
- Net debt[(a)] decreased to $165 million (a 34% reduction year-over-year) while net debt to AFF[(a)] ratio fell to 0.7x

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

2021 Operating Highlights

- Record annual production of 49,445 boe/d (269.7 mmcf/d natural gas, 4,493 bbls/d liquids), up 10% over 2020
- Liquids production of 4,493 bbls/d (1,101 bbls/d oil, 844 bbls/d condensate, and 2,548 bbls/d NGLs)
- Of all Alberta Montney wells drilled in 2021, fourteen of the top 25 gas wells were Advantage's, based on IP90 rates
- At Glacier, 20 gross (17.4 net) wells were drilled and 27 gross (24.4 net) were completed. Average initial well performance continues to exceed previous programs and area peers by significant margins
- At Valhalla, 2 gross (2.0 net) wells were drilled and completed with record results
- At Wembley, 3 gross (3.0 net) wells were drilled
- Capital efficiency[(a)] was approximately $10,000/boe/d

2021 Reserves Highlights

- Proved Developed Producing ("PDP") reserves increased 10%, with finding, development and acquisition ("FD&A")[(a)] costs of $5.23/boe including Future Development Capital ("FDC")
- Proved plus Probable ("2P") reserves increased 4%, with FD&A[(a)] costs of $5.82/boe including FDC
- PDP reserve additions replaced[(a)] 163% of production
- 2P reserve additions replaced[(a)] 218% of production
- Recycle ratios[(a)] were 3.5x for PDP and 3.1x for 2P
- Average type well at Glacier increased to 7.9 bcf (2P)
- Reserves life index ("RLI") [(a)] was 7 years for PDP and 32 years for 2P, based on the Corporation's average fourth quarter 2021 production rate of 47,940 boe/d

Operational Update

Advantage expects 2022 average production to increase to between 52,000 boe/d and 55,000 boe/d based on the Corporation's 2022 capital program (see News Release dated December 6, 2021). In March, five days of downtime are planned at Glacier for a plant turnaround and to complete final construction of the Phase 1 CCS project.

In anticipation of gas supply shortages and elevated pricing, Advantage accelerated $10 million of spending from January into December. As a result, January production was approximately 57,000 boe/d, with the Glacier Gas Plant periodically exceeding 375 mmcf/d (gross raw). Drilling focus has now shifted to oil and condensate targets at Wembley, Valhalla and Progress, with minimal new Glacier volumes expected to come onstream for the remainder of 2022.

At Wembley, construction of the trunk-line tying Advantage's oil battery to Keyera's Pipestone Processing Facility is nearing completion, on-time and on-budget with 2022 costs of $10 million. Once complete, Advantage will have access to a total of 40 mmcf/d of firm processing capacity in the area. Production at Wembley is expected to grow through 2022, with 6 recently-drilled wells coming on production in the second quarter and drilling of one additional pad toward the end of the year.

At Progress, a new compressor station which was partially constructed prior to the pandemic is nearing completion, on-time and on-budget with 2022 costs of $12 million. In addition to increasing system capacity for Advantage wells, the compressor will service firm-contracted third-party volumes of 10 mmcf/d generating $5.5 million of processing revenue on an annualized basis. These volumes are incremental to the existing 11 mmcf/d of third-party gas processed through Advantage's owned infrastructure.

The Corporation has hedged 22% of its natural gas production for first quarter of 2022, 36% for summer 2022, 27% for winter 2022/23 and 8% for summer 2023.

Share Buyback Program

As Advantage believes there may be times when the market price of its common shares does not fully reflect the underlying value of its business, or when buying back shares may provide superior returns versus acquiring third-party assets. The Corporation intends to launch a share buyback program during the second quarter, subject to receiving regulatory approval and compliance with applicable laws. The primary goals of the buyback program are to provide returns to shareholders in a tax efficient manner, to improve per share metrics and to help maintain an efficient capital structure.

Indigenous Education Scholarship Program

Advantage is pleased to support Indigenous students in communities near Advantage's operations in Alberta. Advantage aims to provide students with funding to pursue post–secondary education opportunities to benefit both the students and Alberta's energy industry. Annual scholarships will be open to all students but primarily awarded to students pursuing studies in engineering, operations, geosciences, environmental studies, and trades related to the energy industry. Applications for Advantage's Indigenous Education Scholarship program will be accepted between March 1st to July 15th of each year and scholarships will be announced prior to August 15th. To apply for the Scholarship Award, please email scholarship@advantageog.com for an application form and further instructions.

Board Retirement

As a part of Advantage's board succession planning, Mr. Ron McIntosh plans to retire on May 5, 2022, after 24 years of service with Advantage and predecessor companies. The Advantage team thanks him deeply for his dedication and wishes him all the best in his retirement. The new Chair of the Board will be appointed after Advantage's annual general and special meeting on May 5, 2022.

Looking Forward

In order to maximize shareholder returns, Advantage's priority is growing adjusted funds flow per share[(a)] while maintaining a strong balance sheet. The capital program for the second half of 2022 will focus on oil-weighted growth which delivers outsized adjusted funds flow growth per unit of production growth, at current strip commodity pricing. While total production for 2022 is expected to grow by approximately 8%, relative adjusted funds flow is expected to grow by over 25%, assuming the same commodity prices.

At current strip commodity prices, Advantage expects 2022 AFF[(a)] to be more than double what it was in 2021. We are on-track to generate significant free cash flow[(a)] of over $140 million in the first half of 2022 and approach zero net debt[(a)] in the third quarter. Advantage's decision to advance $10 million in capital spending from early 2022 into December 2021 has significantly benefited the Corporation with average production of approximately 57,000 boe/d in January 2022, coinciding with elevated gas prices, resulting in payout[(a)] of new wells in under 5 months.

Advantage's 2022 capital program ($170 million to $200 million) is weighted towards the first quarter with spending of approximately $76 million or 40% of the total 2022 budget. Production is expected to average between 52,000 boe/d and 55,000 boe/d in 2022 (see News Release dated December 6, 2021). In March, five days of downtime are planned at Glacier for a plant turnaround and to complete final construction of the Phase 1 CCS project, with production expected to average 52,000 boe/d during the first quarter.

The Corporation has $1.4 billion of tax pools which are expected to provide cash tax deferrals for several years.

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.

Below are the complete tables showing financial highlights, operating highlights and reserves results.

Financial Highlights	**Three months ended December 31**		**Year ended December 31**	
($000, except as otherwise indicated)	**2021**	**2020**	**2021**	**2020**
Financial Statement Highlights				
Natural gas and liquids sales	**159,255**	73,203	**492,035**	245,085
Net income (loss) and comprehensive income (loss)	**359,956**	24,168	**411,354**	(284,045)
per basic share [2]	**1.90**	0.13	**2.17**	(1.51)
Basic weighted average shares (000)	**190,829**	188,113	**190,077**	187,761
Cash provided by operating activities	**67,464**	30,260	**223,152**	100,714
Cash provided by (used in) financing activities	**(27,423)**	5,071	**(83,411)**	48,087
Cash used in investing activities	**(44,939)**	(37,325)	**(117,782)**	(158,621)
Other Financial Highlights				
Adjusted funds flow [1]	**71,227**	31,738	**234,824**	104,661
per boe [1]	**16.15**	7.92	**13.01**	6.37
per basic share [1][2]	**0.37**	0.17	**1.24**	0.56
Net capital expenditures [1]	**58,384**	32,390	**149,403**	157,935
Free cash flow (deficit) [1]	**12,843**	(652)	**85,421**	(53,274)
Working capital (surplus) deficit [1]	**(2,092)**	4,292	**(2,092)**	4,292
Bank indebtedness	**167,345**	247,105	**167,345**	247,105
Net debt [1]	**165,253**	251,397	**165,253**	251,397

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

(2) Based on basic weighted average shares outstanding.

Operating Highlights	**Three months ended December 31**		**Year ended December 31**	
	2021	**2020**	**2021**	**2020**
Operating				
Production				
Crude oil (bbls/d)	**816**	1,653	**1,101**	1,664
Condensate (bbls/d)	**1,012**	653	**844**	715
NGLs (bbls/d)	**2,524**	2,234	**2,548**	2,029
Total liquids production (bbls/d)	**4,352**	4,540	**4,493**	4,408
Natural gas (Mcf/d)	**261,530**	233,949	**269,710**	243,081
Total production (boe/d)	**47,940**	43,532	**49,445**	44,922
Average realized prices (including realized derivatives)[2]				
Natural gas ($/Mcf)	**4.17**	2.45	**3.38**	2.02
Liquids ($/bbl)	**54.70**	41.29	**50.92**	37.43
Operating Netback ($/boe)				

Natural gas and liquids sales[2]	**36.11**	18.28	**27.26**	14.91
Realized losses on derivatives[2]	**(8.41)**	(0.74)	**(4.13)**	(0.28)
Royalty expense[2]	**(2.02)**	(0.77)	**(1.53)**	(0.64)
Operating expense[2]	**(2.92)**	(2.68)	**(2.49)**	(2.43)
Transportation expense[2]	**(4.48)**	(3.62)	**(3.90)**	(3.39)
Operating netback [1] [2]	**18.28**	10.47	**15.21**	8.17

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(2) Specified financial measure which is a supplementary financial measure. Please see "Specified Financial Measures" for the composition of such supplementary financial measure.

Reserves Highlights	**PDP**	**1P**	**2P**
2021 Reserves (million boe)	121.3	393.9	553.4
2021 FD&A Cost ($/per boe, including FDC) [a]	$5.23	$6.54	$5.82
2021 Recycle ratio[a]	3.5	2.8	3.1
2020 Recycle ratio[a]	1.2	2.9	3.7
2021 Reserves Increase Over 2020	10.4%	1.8%	4.0%

RESERVES SUMMARY TABLES

Company Gross (before royalties) Working Interest Reserves Summary as atDecember 31, 2021

	Light & Medium Crude Oil (mbbl)	Conventional Natural Gas (mmcf)	Natural Gas Liquids (mbbl)	Total Oil Equivalent (mboe)
Proved				
Developed Producing	1,252	681,611	6,445	121,299
Developed Non-producing	23	24,113	405	4,447
Undeveloped	7,080	1,471,397	15,860	268,173
Total Proved	**8,355**	**2,177,121**	**22,709**	**393,918**
Probable	9,212	839,142	10,379	159,447
Total Proved + Probable	**17,566**	**3,016,263**	**33,088**	**553,365**

(1) Table may not add due to rounding.

Company Net Present Value of Future Net Revenue using the IQRE Average Forecasts[1][2][3]($000)

	Before Income Taxes Discounted at 0%	10%	15%
Proved			
Developed Producing	1,762,965	1,051,069	884,897
Developed Non-producing	96,017	53,724	45,536
Undeveloped	3,843,452	1,100,003	667,220
Total Proved	**5,702,434**	**2,204,796**	**1,597,653**
Probable	3,269,713	1,148,280	821,846
Total Proved + Probable	**8,972,147**	**3,353,076**	**2,419,499**

(1) Advantage's light and medium oil, conventional natural gas and natural gas liquid reserves were evaluated using the IQRE Average Forecast effective December 31, 2021 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

The net present value of future net revenue atDecember 31, 2021 was based upon light and medium oil, conventional natural gas and natural gas liquid pricing assumptions, which was computed by using the average of the forecasts ("**IQRE Average Forecast**") prepared by McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants and Sproule effectiveDecember 31, 2021. These forecasts are adjusted for reserves quality, transportation charges and the provision of any applicable sales contracts. The price assumptions used over the next seven years are summarized in the table below:

Year	Canadian Light Sweet Crude 40^{o} API ($Cdn/bbl)	Alberta AECO-C Natural Gas ($Cdn/mmbtu)	Edmonton Propane ($Cdn/bbl)	Edmonton Butane ($Cdn/bbl)	Edmonton Pentanes Plus ($Cdn/bbl)	Exchange Rate ($US/$Cdn)
2022	86.82	3.56	43.38	57.49	91.85	0.80
2023	80.73	3.21	35.92	50.17	85.53	0.80
2024	78.01	3.05	34.62	48.53	82.98	0.80
2025	79.57	3.11	35.31	49.50	84.63	0.80
2026	81.16	3.17	36.02	50.49	86.33	0.80
2027	82.78	3.23	36.74	51.50	88.05	0.80
2028	84.44	3.30	37.47	52.53	89.82	0.80

Company Gross (before royalties) Working Interest Reserves Reconciliation[2]

Proved	Light & Medium Crude Oil (Mbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Total Oil Equivalent (Mboe)
Opening balance Dec. 31, 2020	**8,245**	**2,142,386**	**21,714**	**387,023**
Extensions and improved recovery	231	91,760	816	16,341
Technical revisions[1]	180	21,058	1,216	4,905
Discoveries	-	-	-	-
Acquisitions	-	2,715	11	463
Dispositions	-	-	-	-
Economic factors	101	17,646	191	3,232
Production	(402)	(98,444)	(1,238)	(18,048)
Closing balance at Dec. 31, 2021	**8,355**	**2,177,121**	**22,709**	**393,918**

Proved Plus Probable	Light & Medium Crude Oil (Mbbl)	Conventional Natural Gas (MMcf)	Natural Gas Liquids (Mbbl)	Total Oil Equivalent (Mboe)
Opening balance Dec. 31, 2020	**14,083**	**2,929,142**	**29,760**	**532,034**
Extensions and improved recovery	4,044	194,885	2,504	39,030
Technical revisions[1]	(262)	(22,954)	1,923	(2,165)
Discoveries	-	-	-	-
Acquisitions	-	3,463	13	590
Dispositions	-	-	-	-
Economic factors	103	10,171	126	1,924
Production	(402)	(98,444)	(1,238)	(18,048)
Closing balance at Dec. 31, 2021	**17,566**	**3,016,263**	**33,088**	**553,365**

(1) Technical revisions accounted for 20% of the total proved additions and 5% of the total proved plus probable additions. Percentage of each category calculated by dividing the technical revisions in the category by the total reserve additions in the same category before production.

(2) Tables may not add due to rounding.

Company 2021 FD&A Costs – Gross (before royalties) Working Interest Reserves including FDC[1][2][3]

	Proved	Proved + Probable
Net capital expenditures ($000)[a]	148,912	148,912
Net change in FDC ($000)	14,087	80,305
Total capital ($000)	162,999	229,217
Total mboe, end of year	393,918	553,365
Total mboe, beginning of year	387,023	532,034
Production, mboe	(18,047)	(18,047)
Reserve additions, mboe	24,942	39,378
2021 FD&A costs ($/boe) [a]	$6.54	$5.82
2020 FD&A costs ($/boe) [a]	$3.63	$2.80
Three-year average FD&A costs ($/boe) [a]	$4.47	$4.40

(1) FD&A costs are 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 undeveloped reserves to production during the applicable period. Reserves additions are 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 undeveloped reserves on production.

(3) The change in FDC is primarily from incremental undeveloped locations.

The reserves by category and year-over-year changes compared to 2020 are indicated below:

Reserve Category	Light & Medium Crude Oil Million bbls	Conventional Natural Gas Tcf	Natural Gas Liquids Million bbls	Total Oil Equivalent Million boe	% Change from 2020
PDP	1.25	0.68	6.44	121.3	10%
1P	8.35	2.18	22.71	393.9	2%
2P	17.57	3.02	33.09	553.4	4%

The total number of 2P future well locations booked in the Sproule 2021 Reserves Report are illustrated in the following table:

Sproule Number of Gross Horizontal Wells Booked

	Developed	Undeveloped	Total
Glacier	243	272	**515**
Valhalla	14	17	**31**
Wembley	8	38	**46**
Progress	6	12	**18**
Total	**271**	**339**	**610**

The Corporation's audited consolidated financial statements for the fiscal year endedDecember 31, 2021 together with the notes thereto, and Management's Discussion and Analysis for the year ended December 31, 2021 have been filed on SEDAR and are available on the Corporation's website at https://www.advantageog.com/investors/financial-reports. The Corporation's audited consolidated financial statements for the fiscal year ended December 31, 2020 are also available on the Corporation's website via the same webpage. Upon request, Advantage will provide a hard copy of any financial reports free of charge.

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Forward-Looking Information and 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 "anticipate", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's position, strategy and development plans and the benefits to be derived therefrom; the Corporation's expectations that long-term demand will likely continue to grow and that Advantage is well positioned to continue generating significant shareholder value; 2022 production guidance and anticipated production rates; the Corporation's expectations that it will have five days of downtime at Glacier in March for a plant turnaround and to complete final construction of the Phase 1 CCS project; anticipated gas supply shortages and elevated pricing; the Corporation's expectations that minimal new Glacier volumes will come onstream for the remainder of 2022; that the construction of the trunk-line tying Advantage's oil battery to Keyera's Pipestone Processing Facility is nearing completion and the anticipated benefits to be derived therefrom; anticipated growth in production at Wembley in 2022; the anticipated number of wells to be drilled in 2022 and the anticipated timing thereof; anticipated Wembley take-or-pay volumes in 2022 and 2023; that the Progress compression station will come on-stream early in the second quarter and the anticipated cost thereof and benefits to be derived therefrom; the Corporation's hedging activities and the benefits to be derived therefrom; that the Corporation will launch a share buyback program and the anticipated timing thereof and benefits to be derived therefrom; the anticipated magnitude of the share buybacks; the anticipated timing of Mr. Ron McIntosh's retirement from the board and the concurrent appointment of his successor; the anticipated timing of Advantage's Indigenous Education Scholarship program and anticipated benefits to be derived therefrom; that Advantage will grow adjusted funds flow per share while maintaining a strong balance sheet; the focus of Advantage's 2022 capital program; anticipated growth in total production and relative adjusted funds flow in 2022; the Corporation's expected growth in adjusted funds flow; the Corporation's expectations that it will generate significant free cash flow of over $140 million in the first half of 2022 and approach zero net debt in the third quarter of 2022; the Corporation's expectations that new wells will pay out in under 5 months; estimated tax pools and the anticipated benefits to be derived therefrom; the Corporation's expectations that it will continue to deliver clean, reliable, sustainable energy, and contribute to a reduction in global emissions by displacing high-carbon fuels; and Advantage's expectations generally and with respect to its liquids development. 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.

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; our 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 the five planned days of downtime at Glacier in March for a plant turnaround will not *result in the construction of the Phase 1 CCS project being completed; the trunk-line tying Advantage's oil battery to Keyera's Pipestone Processing Facility will not provide Advantage with access to a total of 40 mmcf/d of processing capacity in the area once completed; that once on-stream, the Progress compressor station will not provide the benefits as anticipated; that the share buyback program will not provide returns to shareholders in a tax efficient manner, improve per share metrics or help maintain an efficient capital structure for the Corporation; and that growth in adjusted funds flow per share with a strong balance sheet will not maximize shareholder returns. 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.*

With respect to forward-looking statements contained in this press release, Advantage has made assumptions regarding, but not limited to: 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 impact of increasing competition; the price of crude oil and natural gas; the number of new wells required to achieve the budget objectives; 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 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 the five planned days of downtime at Glacier in March for a plant turnaround will allow the Corporation to complete final construction of the Phase 1 CCS project; that once completed, the trunk-line tying Advantage's oil battery to Keyera's Pipestone Processing Facility will provide Advantage with access to a total of 40 mmcf/d of processing capacity in the area; that once on-stream, the Progress compressor station will increase system capacity for Advantage wells and service firm-contracted third-party volumes of 10 mmcf/d generating $5.5 million of processing revenue on an annualized basis; that a share buyback program will provide returns to shareholders in a tax efficient manner, improve per share metrics and to help maintain an efficient capital structure for the Corporation; that growing adjusted funds flow per share while maintaining a strong balance sheet will maximize shareholder returns; future strip prices; 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. Estimates of free cash flow for 2022 are based on forward looking information from the Corporation's Consolidated Management's Discussion & Analysis for the quarter and year-ended December 31, 2021 ("MD&A") and can be found on page 3 of the MD&A available on SEDAR at www.sedar.com and on the Corporation's website at https://www.advantageog.com/investors/financial-reports and *commodity price assumptions including average AECO $4.00/mcf, Henry Hub US$4.35/mmbtu, WTI US$78/bbl, and $US/$CDN 0.79. All forward looking estimates include current hedging and market diversification transactions. Readers are cautioned that the foregoing lists of factors are not exhaustive.*

The future acquisition by the Corporation of the Corporation's shares pursuant to a share buyback program, if any, and the level thereof is uncertain. Any decision to implement a share buyback program or acquire shares of the Corporation 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, satisfaction of the solvency tests imposed on the Corporation under applicable corporate law and receipt of regulatory approvals. There can be no assurance that the Corporation will buyback any shares of the Corporation in the future.

Management has included the above summary of assumptions and risks related to forward-looking information above and in its continuous disclosure filings on SEDAR 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 news 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.

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, the Corporation's expected growth in adjusted funds flow; the Corporation's expectations that it will generate significant free cash flow of over $140 million in the first half of 2022 and approach zero net debt in the third quarter of 2022; and Advantage's 2022 capital program and its anticipated first quarter spending; 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.

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.

Sproule was engaged as an independent qualified reserve evaluator to evaluate Advantage's year-end reserves as of December 31, 2021 ("Sproule 2021 Reserves Report") in accordance with National Instrument 51-101 ("NI 51-101") and the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook"). Reserves are stated on a gross (before royalties) working interest basis unless otherwise indicated. Additional details are provided in the accompanying tables to this release and additional reserve information as required under NI 51-101 will be included in our Annual Information Form which will be filed on SEDAR on or about February 24, 2022. The recovery and reserve estimates of reserves provided in this news release 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.

This press release discloses undeveloped drilling locations in two categories: (i) proved locations; and (ii) probable locations. Proved locations and probable locations are derived from the Sproule 2021 Reserves Report and account for drilling locations that have associated proved and/or probable reserves, as applicable. Of the 339 total undeveloped drilling locations identified herein, 287 are proved locations with 242 in Glacier, 15 in Valhalla, 22 in Wembley and 8 in Progress. Of the 52 probable locations, 30 are in Glacier, 2 in Valhalla, 16 in Wembley and 4 in Progress.

References in this press release to short-term production rates 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.

Specified Financial Measures

Throughout this news release, 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

<u>Adjusted Funds Flow</u>

The Corporation considers adjusted funds flow to be a useful measure of Advantage's ability to generate cash from the production of natural gas and liquids, which may be used to settle outstanding debt and obligations, support future capital expenditures plans, or return capital to shareholders. Changes in non-cash working capital are excluded from adjusted funds *flow as they may vary significantly between periods and are not considered to be indicative of the Corporation's operating performance as they are a function of the timeliness of collecting receivables and paying payables. Expenditures on decommissioning liabilities are excluded from the calculation as the amount and timing of these expenditures are unrelated to current production and are partially discretionary due to the nature of our low liability. A reconciliation of the most directly comparable financial measure has been provided below:*

($000)	Three months ended December 31 2021	2020	Year ended December 31 2021	2020
Cash provided by operating activities	67,464	30,260	223,152	100,714
Expenditures on decommissioning liability	253	610	1,033	1,080
Changes in non-cash working capital	3,510	868	10,639	2,867
Adjusted funds flow	71,227	31,738	234,824	104,661

<u>*Net Capital Expenditures*</u>

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

($000)	Three months ended December 31 2021	2020	Year ended December 31 2021	2020
Cash used in investing activities	44,939	37,325	117,782	158,621
Changes in non-cash working capital	13,431	(4,935)	11,564	(686)
Project funding received	14	-	20,057	-
Net capital expenditures	58,384	32,390	149,403	157,935

<u>*Free Cash Flow*</u>

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 2021	2020	Year ended December 31 2021	2020
Cash provided by operating activities	67,464	30,260	223,152	100,714
Cash used in investing activities	(44,939)	(37,325)	(117,782)	(158,621)
Changes in non-cash working capital	(9,921)	5,803	(925)	3,553
Expenditures on decommissioning liability	253	610	1,033	1,080
Project funding received	(14)	-	(20,057)	-
Free cash flow (deficit)	12,843	(652)	85,421	(53,274)

<u>*Operating Netback*</u>

Operating netback is comprised of sales revenue and realized gains (losses) on derivatives, 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 2021	2020	Year ended December 31 2021	2020
Natural gas and liquids sales	159,255	73,203	492,035	245,085

Realized losses on derivatives	(37,088)	(2,949)	(74,578)	(4,640)
Royalty expense	(8,928)	(3,067)	(27,530)	(10,474)
Operating expense	(12,870)	(10,750)	(44,893)	(40,005)
Transportation expense	(19,768)	(14,488)	(70,440)	(55,817)
Operating netback	80,601	41,949	274,594	134,149

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.

	Three months ended December 31		**Year ended December 31**	
($000, except as otherwise indicated)	**2021**	**2020**	**2021**	**2020**
Adjusted funds flow	71,227	31,738	234,824	104,661
Weighted average shares outstanding (000)	190,829	188,113	190,077	187,761
Adjusted funds flow per share ($/share)	0.37	0.17	1.24	0.56

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.

	Three months ended December 31		**Year ended December 31**	
($000, except as otherwise indicated)	**2021**	**2020**	**2021**	**2020**
Adjusted funds flow	71,227	31,738	234,824	104,661
Total production (boe/d)	47,940	43,532	49,445	44,922
Days in period	92	92	365	366
Total production (000 boe)	4,410	4,005	18,047	16,441
Adjusted funds flow per boe ($/boe)	16.15	7.92	13.01	6.37

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.

	Three months ended December 31		**Year ended December 31**	
($000, except as otherwise indicated)	**2021**	**2020**	**2021**	**2020**
Operating netback	80,600	41,949	274,593	134,149
Total production (boe/d)	47,940	43,532	49,445	44,922
Days in period	92	92	365	366
Total production (000 boe)	4,410	4,005	18,047	16,441
Operating netback per boe ($/boe)	18.28	10.47	15.21	8.17

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	
	2021	**2020**	**2021**	**2020**
Net capital expenditures	58,384	32,390	149,403	157,935
Adjusted funds flow	71,227	31,738	234,824	104,661
Payout ratio	0.8	1.0	0.6	1.5

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	
	2021	**2020**
Net Debt	165,253	251,397
Adjusted funds flow (prior four quarters)	234,824	104,661
Net debt to adjusted funds flow ratio	0.7	2.4

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

FD&A cost is calculated based on adding net capital expenditures and the net change in future development capital ("FDC"), divided by reserve additions for the year from the Sproule 2021 and 2020 Reserves Report.

Payout

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

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. 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.

Recycle Ratio

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

Capital Management Measures

Working Capital

Working capital is a capital management financial measure that provides Management and users with a measure of the Corporation's short-term operating liquidity. By excluding short term derivatives and the current portion of provision and other liabilities, Management and users can determine if the Corporation's energy operations are sufficient to cover the short-term operating requirements. Working capital is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

A summary of working capital as atDecember 31, 2021 and 2020 is as follows:

	December 31 2021	December 31 2020
Cash and cash equivalents	25,238	3,279
Trade and other receivables	54,769	28,491
Prepaid expenses and deposits	3,483	2,021
Trade and other accrued liabilities	(81,398)	(38,083)
Working capital surplus (deficit)	**2,092**	**(4,292)**

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 atDecember 31, 2021 and 2020 is as follows:

	December 31 2021	December 31 2020
Bank indebtedness (non-current)	167,345	247,105
Working capital (surplus) deficit	(2,092)	4,292
Net debt	**165,253**	**251,397**

Supplementary financial measures

Corporate Decline Rate

Corporate decline rate is calculated by identifying the actual or forecasted production of all the wells onstream at the start of the year, then tracking their cumulative decline by the end of the year, expressed as a percentage.

Reserve additions replaced

Reserve additions replaced is calculated by dividing reserves net volume additions by the current annual production and expressed as a percentage. Management uses this measure to determine the relative change of its reserves base over a period of time.

Reserves life index

Reserves life index is calculated by dividing the total volume of reserves by the fourth quarter production rate and expressed in years.

"Average realized prices (including realized derivatives) natural gas" is comprised of natural gas sales, as determined in accordance with IFRS, divided by the Company's natural gas production.

"Average realized prices (including realized derivatives) liquids" is comprised of crude oil, condensate and NGL's sales, as determined in accordance with IFRS, divided by the Company's crude oil, condensate and NGL's production.

"Natural gas and liquids sales per boe" is comprised of natural gas sales and liquids sales, as determined in accordance with IFRS, divided by the Corporation's total natural gas and liquids production.

"Operating expense per boe" is comprised of operating expense, as determined in accordance with IFRS, divided by the Company's total production.

"Realized losses on derivatives per boe" is comprised of realized losses on derivatives, as determined in accordance with IFRS, divided by the Company's total production.

"Royalty expense per boe" is comprised of royalty expense, as determined in accordance with IFRS, divided by the Company's total production.

"Transportation expense per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by

the Company's total production.

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

bbl	*one barrel*
bbls	*barrels*
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*
mbbl	*thousand barrels*
mboe	*thousand barrels of oil equivalent of natural gas*
mcf	*thousand cubic feet*
mcf/d	*thousand cubic feet per day*
mcfe	*thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or NGLs*
mmcf	*million cubic feet*
mmcf/d	*million cubic feet per day*
mmbtu	*million British thermal units*
mmcfe/d	*million cubic feet equivalent per day*
tcf	*trillion cubic feet*
tcfe	*trillion cubic feet equivalent*
Liquids	*Includes NGLs, condensate and crude oil*
NGLs and condensate	*Natural Gas Liquids as defined in National Instrument 51-101*
Natural Gas	*Conventional Natural Gas as defined in National Instrument 51-101*
Crude Oil	*Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101*

SOURCE Advantage Energy Ltd.

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https://advantageog.mediaroom.com/2022-02-24-Advantage-Announces-Record-2021-Year-End-Results,-Reserves,-Operational-Update