Advantage Provides Second Quarter 2022 Operational Update and Outlook for 2023

(TSX: AAV)

CALGARY, AB, July 6, 2022 /CNW/ - Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to provide an operational update for the second quarter of 2022 and an outlook through 2023.

Operational Update

As a result of continued outperformance at Glacier, Wembley and Valhalla, production during the second quarter of 2022 increased to average approximately 60,000 boe/d (89% natural gas, 5% natural gas liquids and 6% light and medium crude oil). This outperformance resulted from several new wells being delivered ahead of schedule and new well productivity exceeding forecasts. Net capital expenditures[(a)] for the second quarter of 2022 are estimated to be $46 million, including casing and other equipment that was pre-purchased for future quarters to reduce costs and secure supply given the current inflationary environment.

Advantage is pleased to announce that the Glacier Gas Plant will be expanded to 425 mmcf/d from the current capacity of 400 mmcf/d. One inlet compressor will be added early in the second quarter of 2023 at a cost of approximately $12 million. By virtue of this highly efficient expansion, the existing processing capacity will be maximized at a very low incremental cost per unit of production. At no additional cost to Advantage, the new compressor will be equipped with Integrated Carbon Capture and Storage ("iCCS™"), developed and funded by Entropy Inc., which will be the first deployment of this technology in the world. While this expansion will extend Advantage's runway for production growth, it will also be a positive step towards our target of achieving net-zero emissions by 2025.

The Corporation has completed its semi-annual redetermination of its credit facilities effective June 17, 2022, with no change to the $350 million borrowing base. As a part of this process, the lending syndicate has removed fixed limits on share buybacks (previously $50 million) and replaced them with a liquidity-based limit that is significantly higher than Advantage's current net debt[(a)] target of $200 million.

Corporate Outlook

In order to maximize shareholder returns, Advantage's priority is growing adjusted funds flow ("AFF") per share[(a)], through organic growth and share buybacks. The quantum of share buybacks will be approximately equal to free cash flow[(a)] plus the amount required to achieve our $200 million net debt[(a)] target.

The capital program for the second half of 2022 is focused on oil-weighted growth which delivers outsized AFF[(a)] per unit of production. Strong production results from the first half of 2022 are expected to result in annual production levels approaching the high end of our 2022 guidance range (52,000 to 55,000 boe/d).

Although the budget has not been set for 2023, Advantage intends to deliver organic growth of between 10% and 15%, and capital spending is expected to be between $225 million and $275 million, dependent upon the commodity price environment. Advantage's formal 2023 budget will be announced late in 2022.

With modern, low emissions-intensity assets, the commissioning of Entropy Inc.'s first carbon capture and storage project at Glacier, and a plan to achieve net-zero emissions by 2025, the Corporation is proud to deliver clean, reliable, sustainable energy, while contributing to a reduction in global emissions by displacing high-carbon fuels.

(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.*

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 anticipated net capital expenditures for the second quarter of 2022; that the Glacier Gas Plant will be expanded to 425 mmcf/d and that one inlet compressor will be added thereto and the anticipated timing thereof, costs thereof and benefits to be derived therefrom; Advantage's expectations that its new compressor will be equipped with iCCS™; that the existing processing capacity at the Glacier Gas Plant will be maximized at a very low incremental cost per unit of production; the focus of Advantage's capital program for the second half of 2022; Advantage's expectations that its annual production may approach the high end of its 2022 guidance range; Advantage's anticipated capital spending for 2022; Advantage's expectations that it will be able to maximize shareholder returns by growing AFF per share; Advantage's anticipated capital spending and amount of organic growth in 2023; Advantage's anticipated share buybacks; Advantage's net debt target; Advantage's expectations that it will achieve net-zero emissions by 2025; and 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. 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: that risk that Advantage's net capital expenditures for the second quarter of 2022 may be different than expected; the risk that pre-purchasing casing and other equipment may not reduce costs to the extent anticipated; the risk that the Glacier Gas Plant may not be expanded in the timing or for the costs anticipated; the risk that Advantage's new compressor may not be equipped with iCCS™; the risk that the existing processing capacity at the Glacier Gas Plant may not be maximized at the costs anticipated; Advantage's anticipated growth per year may be less than anticipated; that growth in adjusted funds flow per share may not lead to increased shareholder returns; the risk that Advantage's annual production may be less than anticipated; the risk that Advantage's share buybacks may be less than anticipated; the risk that the Corporation may not allocate its free cash flow to its share buyback program to the extent anticipated; the risk that Advantage may not achieve net-zero emissions by 2025; 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; and the ability to access sufficient capital from internal and external sources. 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: Advantage's expectations that pre-purchasing casing and other equipment will reduce costs; that the efficiency of the Glacier Gas Plant expansion will help maximize existing processing capacity at a very low incremental cost per unit of production; the impact of inflationary pressures; that growth in adjusted funds flow per share will lead to increased shareholder returns; 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 Corporation will allocate its free cash flow to its share buyback program; 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. Readers are cautioned that the foregoing lists of factors are not exhaustive.

The future acquisition by the Corporation of the Corporation's common shares pursuant to its share buyback program, 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, the policies of the Toronto Stock Exchange, contractual restrictions and satisfaction of the solvency tests imposed on the Corporation under applicable corporate law. There can be no assurance of the number of common shares of the Corporation that the Corporation will acquire pursuant to its share buyback program, if any, in the future.

Management has included the above summary of assumptions and risks related to forward-looking information 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 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 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 anticipated net capital expenditures for the second quarter of 2022; the focus of Advantage's capital program for the second half of 2022; Advantage's anticipated capital spending for 2022; Advantage's expectations that it will be able to maximize shareholder returns by growing AFF per share; Advantage's anticipated growth per year; Advantage's anticipated capital spending in 2023; Advantage's anticipated share buybacks; and Advantage's net debt target, 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.

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 International Financial Reporting Standards ("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 ("AFF") 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 AFF 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.

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.

Free Cash Flow

Advantage computes free cash flow as AFF 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.

Non-GAAP Ratios

AFF per Share

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

Capital Management Measures

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.

Refer to the Corporation's most recent Management's Discussion and Analysis for the three months ended March 31, 2022, which is available at www.sedar.com and www.advantageog.com, for additional information about certain specified financial measures, including reconciliations to the nearest GAAP measures and disclosure of historical non-GAAP financial measures, as applicable.

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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