Advantage Announces Third Quarter 2022 Financial and Operating Results

(TSX: AAV)

CALGARY, AB, Oct. 27, 2022 /CNW/ - Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to provide third quarter 2022 results, with production, share buybacks, capital spending and leverage targets all on track to achieve corporate goals.

Our corporate focus remains on growing adjusted funds flow per share[(a)], via highest netback production growth and share count reduction. Production remains on track to grow by approximately 10% year-over-year while delivering strong free cash flow[(a)]. Advantage is committed to continuing our share buyback strategy, with 12.8 million common shares repurchased year-to-date, returning $135 million to our shareholders. Despite this progress, our debt levels remain below the corporate target of $200 million, so in the coming quarters, share repurchases are expected to exceed free cash flow[(a)] materially.

Financial Highlights

- Cash provided by operating activities of $123.2 million
- Adjusted funds flow ("AFF")[(a)] of $96.7 million or $0.52/share (up 53% versus the same period in 2021)
- Free cash flow ("FCF")[(a)] of $38.1 million (39% of AFF)
- Cash used in investing activities was $42.8 million
- Net capital expenditures[(a)] were $58.5 million
- Net income of $40.6 million or $0.22/share
- Tax pools of $1.4 billion continue to provide cash tax deferrals
- Operating expenses were $3.72/boe, including expenses related to a scheduled major plant turnaround and inflation
- Bank indebtedness increased to $113.8 million
- Net debt[(a)] increased to $82.4 million, significantly below our target of $200 million
- Total share buybacks of $82 million and 7.7 million shares during the quarter

Operational Highlights

- Quarterly production of 54,168 boe/d (286 MMcf/d natural gas and 6,447 bbls/d liquids). Production remains on track to achieve corporate guidance for 2022 despite having shut-in an average of approximately 2,500 boe/d of AECO-exposed production during extremely low prices.
- Quarterly liquids production of 6,447 bbls/d (2,168 bbls/d oil, 1,049 bbls/d condensate, and 3,230 bbls/d NGLs), an increase of 36% compared to third quarter of 2021.
- At Glacier, two 5-well pads were drilled with the first pad on production and the second pad scheduled to be on-stream before year-end. An additional 4 gross (2 net) wells will be drilled prior to year-end.
- At Valhalla, the 15-01 two-well pad delivered a total IP30 of 1,950 boe/d (8.3 MMcf/d, 348 bbls/d condensate, and 174 bbls/d NGLs). Advantage has now established the prolific nature of this asset in 3 separate benches (D3, D4 and Upper Montney).
- At Wembley, a 3-well pad (50% working interest) with two D3 wells and a lower Montney well is currently being completed and scheduled to be on production in early November.
- Entropy Inc. ("Entropy", a subsidiary of Advantage) completed the commissioning of the world's first gas-fired carbon capture and storage project at the Glacier plant, with first carbon dioxide sequestration occurring in August.

(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.

Marketing Update

Natural gas pricing in most of North America was strong through the third quarter of 2022, resulting in elevated sales revenues, partially offset by fixed price hedges that were in place prior to the ramp-up.

Locally, AECO pricing was extremely weak during the quarter as a result of ongoing NGTL expansion delays and

a regulated tariff structure that inherently drives high volatility. However, Advantage invests in downstream transportation assets to reduce our overall exposure to the AECO market. In anticipation of ongoing AECO weakness, approximately 13% of production remains exposed to AECO for the summer 2023 season (including hedging). The remainder of Advantage production is exposed to markets outside of AECO including Empress, Dawn, Chicago and Ventura.

Advantage has hedged approximately 33% of its gas production for this winter at an average of US$4.98/MMbtu and 11% for next summer at US$3.35/MMbtu.

Board Appointment

Advantage is pleased to announce the appointment of Ms. Janine J. McArdle to the Board of Directors. Ms. McArdle is Founder & CEO of Apex Strategies, LLC and currently serves on the boards of Santos Ltd. and Antero Midstream Corporation. Janine has a strong background in crude oil and natural gas marketing, both in North America and international operations, and has extensive experience in the development of LNG market opportunities for gas sourced out of Western Canada. She brings strategic expertise to Advantage's crude oil and natural gas marketing operations and natural gas market diversification plans. Janine holds a Bachelor of Science, Chemical Engineering from the University of Nebraska and an MBA Finance from the University of Houston. Ms. McArdle is a member of the National Association of Corporate Directors (NACD) and Women Corporate Directors (WCD).

Looking Forward

In order to maximize shareholder returns, Advantage's priority is growing AFF per share[(a)]. To optimize growth of AFF[(a)], Advantage will target organic production growth of between 10% and 15% per year throughout our three-year corporate plan, depending on commodity pricing. Despite significant progress with our share buybacks, our debt levels remain below the corporate target of $200 million, so in the coming quarters, share repurchases are expected to exceed FCF[(a)] materially.

Advantage's 2022 capital is expected to be at the high end of our guidance ($210 million to $230 million) as a result of adding 1.5 net new drills and increased frac intensity across all assets. Production guidance for 2022 remains between 53,500 boe/d and 56,500 boe/d with liquids production between 5,800 bbls/d and 6,200 bbls/d. Operating costs are expected to average $3.05/boe for the year.

Through our ownership in Entropy, Advantage remains on track to achieve "net zero" emissions by 2025, pending a functional carbon regulatory environment. As the world continues to adjust to violent geopolitical instability and the closely related European energy crisis, Advantage is proud to deliver clean, reliable, sustainable energy, while contributing to a reduction in global emissions by displacing high-carbon fuels.

Financial Highlights	**Three months ended September 30**		**Nine months ended September 30**	
($000, except as otherwise indicated)	**2022**	**2021**	**2022**	**2021**
Financial Statement Highlights				
Natural gas and liquids sales	**235,392**	134,354	**727,258**	332,780
Net income and comprehensive income	**40,568**	43,098	**224,298**	51,398
per basic share [(2)]	**0.22**	0.23	**1.19**	0.27
Basic weighted average shares (000)	**186,717**	190,829	**189,305**	189,824
Cash provided by operating activities	**123,224**	46,988	**389,820**	155,688
Cash used in financing activities	**(71,048)**	(26,960)	**(159,373)**	(55,988)
Cash used in investing activities	**(42,822)**	(36,940)	**(200,525)**	(72,843)
Other Financial Highlights				
Adjusted funds flow [(1)]	**96,651**	63,353	**392,585**	163,597
per boe [(1)]	**19.39**	13.77	**25.76**	12.00
per basic share [(1)(2)]	**0.52**	0.33	**2.07**	0.86
Net capital expenditures [(1)]	**58,519**	31,352	**192,103**	91,019
Free cash flow [(1)]	**38,132**	32,001	**200,482**	72,578
Working capital surplus [(1)]	**46,960**	29,914	**46,960**	29,914
Bank indebtedness	**113,804**	193,828	**113,804**	193,828
Net debt [(1)]	**82,432**	163,914	**82,432**	163,914

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

uses the specified financial measure, and/or where required, a reconciliation of the specified financial measure to the most directly comparable IFRS measure.

(2) Based on basic weighted average shares outstanding.

Operating Highlights	Three months ended September 30		Nine months ended September 30	
	2022	**2021**	**2022**	**2021**
Operating				
Production				
Crude oil (bbls/d)	**2,168**	1,038	**2,012**	1,197
Condensate (bbls/d)	**1,049**	1,002	**1,078**	788
NGLs (bbls/d)	**3,230**	2,684	**3,160**	2,557
Total liquids production (bbls/d)	**6,447**	4,724	**6,250**	4,542
Natural gas (Mcf/d)	**286,328**	271,804	**297,503**	272,467
Total production (boe/d)	**54,168**	50,025	**55,834**	49,953
Average realized prices (including realized derivatives)				
Natural gas ($/Mcf)	**4.61**	3.48	**5.51**	3.12
Liquids ($/bbl)	**87.89**	53.42	**94.34**	49.68
Operating Netback ($/boe)				
Natural gas and liquids sales	**47.23**	29.19	**47.71**	24.40
Realized losses on derivatives	**(12.58)**	(5.21)	**(7.86)**	(2.75)
Processing and other income	**0.46**	-	**0.39**	-
Royalty expense	**(5.80)**	(1.75)	**(5.19)**	(1.36)
Operating expense	**(3.72)**	(2.38)	**(3.08)**	(2.35)
Transportation expense	**(4.48)**	(3.86)	**(4.43)**	(3.72)
Operating netback [(1)]	**21.11**	15.99	**27.54**	14.22

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The Corporation's unaudited consolidated financial statements for the three and nine months ended September 30, 2022 together with the notes thereto, and Management's Discussion and Analysis for the three and nine months ended September 30, 2022 have been filed on SEDAR and are available on the Corporation's website at https://www.advantageog.com/investors/financial-reports. Upon request, Advantage will provide a hard copy of any financial reports free of charge.

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 its production, share buybacks, capital spending and leverage targets are all on track to achieve corporate goals; the Corporation's focus on growing its AFF per share and its anticipated means of achieving such growth; the Corporation's expectations of delivering strong FCF; the Corporation's estimated tax pools and the anticipated benefits to be derived therefrom; Advantage's anticipated growth per year; that the Corporation will continue its share buyback strategy; the Corporation's expectations that its share repurchases will materially exceed FCF; Advantage's net zero emissions target and the anticipated timing thereof; the anticipated benefits to be derived from Advantage's hedging program; the Corporation's 2022 capital program guidance; the Corporation's 2022 average annual production guidance and its expectation that Advantage will meet its 2022 total annual production guidance; the Corporation's anticipated 2022 operating costs; Advantage's expectations of the number of wells to be drilled, come on-stream and be completed and brought on to production and the anticipated timing thereof; Advantage's expectations that AECO prices will remain weak; that Advantage will continue to invest in downstream transportation assets to reduce its overall exposure to the AECO market; 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: 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; the risk that the Corporation may not achieve its production, share buybacks, capital spending and leverage targets; the Corporation's estimated tax pools may be less than anticipated; Advantage's anticipated growth per year may be less than anticipated; that growth in AFF per share may not lead to increased shareholder returns; that the Corporation may not allocate its FCF to its share buyback program; the risk that the Corporation's share repurchases may not exceed FCF; the risk that the number of wells to be drilled, come on-stream and be completed and brought on to production may be less than anticipated; the risk that the Corporation may not achieve its net zero emissions target in its anticipated timeframe, or at all; the risk that investing in downstream transportation assets may not reduce the Corporation's overall exposure to the AECO market; the risk that the Corporation's 2022 operating costs may be higher than anticipated; and the risk that the Corporation may generate less FCF than anticipated. 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 growth in AFF per share will lead to increased shareholder returns; that the Corporation will allocate its FCF to its share buyback program; that investing in downstream transportation assets will lead to a reduction in overall exposure to the AECO market; 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, 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 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 estimated tax pools; the Corporation's expected growth in AFF; and Advantage's 2022 capital program; 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.

References in this press release to short-term production rates, such as IP30, are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Advantage.

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.

This news release contains metrics commonly used in the oil and natural gas industry which have been prepared by management such as "operating netback". These terms do not have standard meaning and may not be comparable to similar measures presented by other companies and, therefore, should not be used to make such comparisons. Management uses these oil and natural gas metrics for its own performance measurements, and to provide shareholders with measures to compare Advantage's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from metrics presented in this news release, should not be relied upon for investment or other purposes. Refer above to "Specified Financial Measures" section of this news release for additional disclosure on "operating netback".

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

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

Adjusted Funds Flow

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

	Three months ended September 30		Nine months ended September 30	
($000)	**2022**	**2021**	**2022**	**2021**
Cash provided by operating activities	123,224	46,988	389,820	155,688
Expenditures on decommissioning liability	517	438	1,071	780
Changes in non-cash working capital	(27,090)	15,927	1,694	7,129
Adjusted funds flow	96,651	63,353	392,585	163,597

Net Capital Expenditures

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

	Three months ended September 30		Nine months ended September 30	
($000)	**2022**	**2021**	**2022**	**2021**
Cash used in investing activities	42,822	36,940	200,525	72,843
Changes in non-cash working capital	15,697	(5,608)	(8,427)	(1,867)
Project funding received	-	20	5	20,043
Net capital expenditures	58,519	31,352	192,103	91,019

Free Cash Flow

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

	Three months ended September 30		Nine months ended September 30	
($000)	**2022**	**2021**	**2022**	**2021**
Cash provided by operating activities	123,224	46,988	389,820	155,688
Cash used in investing activities	(42,822)	(36,940)	(200,525)	(72,843)
Changes in non-cash working capital	(42,787)	21,535	10,121	8,996
Expenditures on decommissioning liability	517	438	1,071	780
Project funding received	-	(20)	(5)	(20,043)
Free cash flow	38,132	32,001	200,482	72,578

Operating Netback

Operating netback is comprised of natural gas and liquids sales, realized gains (losses) on derivatives, processing and other income, net sales of purchased natural gas, net of expenses resulting from field operations, including royalty expense, operating expense and transportation expense. Operating netback provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells. The composition of operating netback is as follows:

	Three months ended September 30		Nine months ended September 30	
($000)	**2022**	**2021**	**2022**	**2021**
Natural gas and liquids sales	235,392	134,354	727,258	332,780
Realized losses on derivatives	(62,668)	(23,963)	(119,790)	(37,490)
Processing and other income	2,276	-	5,991	-
Net sales of purchased natural gas	-	-	70	-
Royalty expense	(28,882)	(8,059)	(79,103)	(18,602)
Operating expense	(18,544)	(10,967)	(46,925)	(32,023)
Transportation expense	(22,325)	(17,754)	(67,456)	(50,672)
Operating netback	**105,249**	**73,611**	**420,045**	**193,993**

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 September 30		Nine months ended September 30	
($000, except as otherwise indicated)	**2022**	**2021**	**2022**	**2021**
Adjusted funds flow	96,651	63,353	392,585	163,597
Weighted average shares outstanding (000)	186,717	190,829	189,305	189,824
Adjusted funds flow per share ($/share)	0.52	0.33	2.07	0.86

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 September 30		Nine months ended September 30	
($000, except as otherwise indicated)	**2022**	**2021**	**2022**	**2021**
Adjusted funds flow	96,651	63,353	392,585	163,597
Total production (boe/d)	54,168	50,025	55,834	49,953
Days in period	92	92	273	273
Total production (boe)	4,983,456	4,602,300	15,242,682	13,637,169
Adjusted funds flow per BOE ($/boe)	19.39	13.77	25.76	12.00

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 September 30		Nine months ended September 30	
($000, except as otherwise indicated)	**2022**	**2021**	**2022**	**2021**
Operating netback	105,249	73,611	420,045	193,993
Total production (boe/d)	54,168	50,025	55,834	49,953

Days in period	92	92	273	273
Total production (boe)	4,983,456	4,602,300	15,242,682	13,637,169
Operating netback per BOE ($/boe)	21.11	15.99	27.54	14.22

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.

	Three months ended September 30		Nine months ended September 30	
($000, except as otherwise indicated)	**2022**	**2022**	**2022**	**2021**
Net capital expenditures	58,519	31,352	192,103	91,019
Adjusted funds flow	96,651	63,353	392,585	163,597
Payout ratio	0.6	0.5	0.5	0.6

Net Debt to Adjusted Funds Flow Ratio

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

($000, except as otherwise indicated)	**September 30 2022**	**September 30 2021**
Net Debt	82,432	163,914
Adjusted funds flow (prior four quarters)	463,812	195,335
Net debt to adjusted funds flow ratio	0.2	0.8

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. In 2022, the Corporation reclassified deferred share units which were previously included in trade and other accrued liabilities, to provisions and other liabilities. Management determined that by reclassifying the deferred share units to provisions and other liabilities, users can better assess the Corporation's short-term operating requirements. Comparative figures have been restated to reflect the reclassification.

A summary of working capital as at September 30, 2022 and December 31, 2021 is as follows:

	September 30 2022	**December 31 2021**
Cash and cash equivalents	55,160	25,238
Trade and other receivables	82,342	54,769
Prepaid expenses and deposits	10,638	3,483
Trade and other accrued liabilities	(101,180)	(76,625)
Working capital surplus	**46,960**	**6,865**

Net Debt

Net debt is a capital management financial measure that provides Management and users with a measure to assess the Corporation's liquidity. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. Comparative figures have been restated to reflect the reclassification of deferred share units in trade and other accrued liabilities which affects net debt.

A summary of the reconciliation of net debt as at September 30, 2022 and December 31, 2021 is as follows:

	September 30 2022	December 31 2021
Bank indebtedness	113,804	167,345
Unsecured debentures	15,588	-
Working capital surplus	(46,960)	(6,865)
Net debt	**82,432**	**160,480**

Supplementary Financial Measures

Average Realized Prices

The Corporation discloses multiple average realized prices within this press release. The determination of these prices are as follows:

"Natural gas excluding derivatives" is comprised of natural gas sales, as determined in accordance with IFRS, divided by the Corporation's natural gas production.

"Natural gas including derivatives" is comprised of natural gas sales, including realized gains (losses) on natural gas derivatives, as determined in accordance with IFRS, divided by the Corporation's natural gas production.

"Crude Oil" is comprised of crude oil sales, as determined in accordance with IFRS, divided by the Corporation's crude oil production.

"Condensate" is comprised of condensate sales, as determined in accordance with IFRS, divided by the Corporation's condensate production.

"NGLs" is comprised of NGLs sales, as determined in accordance with IFRS, divided by the Corporation's NGLs production.

"Total liquids excluding derivatives" is comprised of crude oil, condensate and NGLs sales, as determined in accordance with IFRS, divided by the Corporation's crude oil, condensate and NGLs production.

"Total liquids including derivatives" is comprised of crude oil, condensate and NGLs sales, including realized gains (losses) on crude oil derivatives as determined in accordance with IFRS, divided by the Corporation's crude oil, condensate and NGLs production.

Dollars per BOE figures

Throughout this press release, the Corporation presents certain financial figures, in accordance with IFRS, stated in dollars per boe. These figures are determined by dividing the applicable financial figure as prescribed under IFRS by the Corporation's total production for the respective period. Below is a list of figures which have been presented in this press release in $ per boe:

- *Cash finance expense per boe*
- *Depreciation expense per boe*
- *Finance expense per boe*
- *General and administrative expense per boe*
- *Natural gas and liquids sales per boe*
- *Operating expense per boe*
- *Realized losses on derivatives per boe*
- *Royalty expense per boe*
- *Net sales of purchased natural gas per boe*
- *Processing and other income per boe*
- *Share-based compensation expense per boe*
- *Transportation expense per boe*

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*

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*
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*
IP30	*Average initial production rate over 30 consecutive days*

SOURCE Advantage Energy Ltd.

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