

## Advantage Announces Record 2022 Year-End Results and Reserves

(TSX: AAV)

CALGARY, AB, Feb. 23, 2023 /CNW/ - Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to report 2022 year-end financial and operating results as well as year-end 2022 reserves.

Advantage achieved exceptional results during 2022, delivering clean, secure energy during the global energy shortage. Cash flow from operations was unprecedented, allowing the Corporation to buy back 11% of our outstanding shares in 8 months, returning \$241 million to our shareholders, in addition to reducing net debt<sup>(a)</sup> by 24% to \$121 million. Every well drilled in 2022 achieved payout<sup>(a)</sup> in under 9 months with an average payout<sup>(a)</sup> of 5 months.

### 2022 Year-End Financial Highlights

- Record cash provided by operating activities of \$502.4 million
- Record adjusted funds flow ("AFF")<sup>(a)</sup> of \$517 million or \$2.76/share
- Record free cash flow ("FCF")<sup>(a)</sup> of \$275 million (53% of AFF)
- Cash used in investing activities was \$270 million
- Net capital expenditures<sup>(a)</sup> were \$242 million, including costs related to carbon capture and storage ("CCS") at Glacier. Advantage anticipates receiving an investment tax credit of approximately \$15 million to \$20 million from the Canada Revenue Agency related to the CCS investment, although this credit could not be recognized in 2022 absent the substantial enactment of the legislation
- Net income of \$338 million or \$1.81/share
- Operating expenses remained low at \$3.16/boe
- Net debt<sup>(a)</sup> decreased to \$121 million (a 24% reduction year-over-year) while net debt to AFF<sup>(a)</sup> ratio fell to 0.2x
- Purchased 22.2 million shares (11%) through our buyback program, returning \$241 million to shareholders. Subsequent to the year-end, Advantage purchased an additional 5.4 million shares, returning an additional \$47 million to shareholders

### 2022 Operating Highlights

- Record annual average production of 55,769 boe/d (298.1 mmcf/d natural gas, 6,093 bbls/d liquids), an increase of 13% over 2021
- Liquids production of 6,093 bbls/d (1,972 bbls/d oil, 1,082 bbls/d condensate, and 3,039 bbls/d NGLs), an increase of 36% over 2021
- Of all Alberta Montney wells drilled in 2022, 8 of the top 10 gas producers were Advantage's, based on IP90 rates
- At Glacier, 12 gross (12.0 net) wells were drilled. Average initial well performance is now more than double our historical type curve
- At Valhalla, 4 gross (4.0 net) wells were drilled with an average IP30 of 1,179 boe/d (4.8 mmcf/d natural gas, 282 bbls/d condensate and 92 bbls/d NGLs)
- At Wembley, 6 gross (4.5 net) wells were drilled, increasing asset production to 5,600 boe/d (15 mmcf/d natural gas, 2,000 bbls/d oil, and 1,100 bbls/d NGLs)
- At Progress, 2 gross (2.0 net) wells were drilled, tie-in expected Q2 2023
- Capital efficiency<sup>(a)</sup> was approximately \$12,050/boe/d, not including costs related to the first phase of carbon capture at Glacier and capital spending by Entropy
- Phase 1 of Entropy's post-combustion carbon capture and storage project at Glacier is now fully operational, reducing corporate emissions and achieving world-leading performance

### 2022 Reserves Highlights

- Proved Developed Producing ("PDP") reserves increased 15%, with finding, development and acquisition ("FD&A")<sup>(a)</sup> costs of \$6.10/boe including Future Development Capital ("FDC")
- Net present value of PDP reserves increased 58% to \$1.7 billion (before tax, 10% discount rate) or \$9.68/share
- Proved plus Probable ("2P") reserves increased 6%, with FD&A<sup>(a)</sup> costs of \$6.62/boe including FDC
- Net present value of 2P reserves increased 42% to \$4.7 billion (before tax, 10% discount rate) or \$27.64/share
- PDP reserve additions replaced<sup>(a)</sup> 186% of production
- 2P reserve additions replaced<sup>(a)</sup> 259% of production
- Recycle ratios<sup>(a)</sup> were 4.3x for PDP and 4.0x for 2P
- Reserves life index ("RLI")<sup>(a)</sup> was 7 years for PDP and 29 years for 2P, based on the Corporation's average fourth quarter 2022 production rate of 55,573 boe/d (299.7 mmcf/d natural gas, 1,854 bbls/d oil, 1,092 bbls/d condensate, and 2,680 bbls/d NGLs)

- (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.

## Looking Forward

To maximize shareholder value, Advantage remains focused on growing AFF per share<sup>(a)</sup> while maintaining a net debt target of approximately \$200 million. Advantage's three-year plan is to deliver annual production growth of approximately 10% with annual spending between \$250 million and \$300 million. All excess cash will be returned to shareholders via share buybacks.

With modern, low emissions-intensity assets and the Glacier carbon capture and sequestration asset, the Corporation continues to proudly deliver clean, reliable, sustainable energy, contributing to a reduction in global emissions by displacing high-carbon fuels. Advantage wishes to thank our employees, Board of Directors and our shareholders for their ongoing support.

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

| Financial Highlights<br>(\$000, except as otherwise<br>indicated) | Three months<br>ended<br>December 31 |          | Year ended<br>December 31 |           |
|---|--------------------------------------|----------|---------------------------|-----------|
|   | 2022                                 | 2021     | 2022                      | 2021      |
| <b>Financial Statement Highlights</b>                             |                                      |          |                           |           |
| Natural gas and liquids sales                                     | <b>223,200</b>                       | 159,255  | <b>950,458</b>            | 492,035   |
| Net income and comprehensive income                               | <b>113,462</b>                       | 359,956  | <b>337,761</b>            | 411,354   |
| per basic share <sup>(2)</sup>                                    | <b>0.63</b>                          | 1.90     | <b>1.81</b>               | 2.17      |
| Basic weighted average shares (000)                               | <b>180,248</b>                       | 190,829  | <b>187,022</b>            | 190,077   |
| Cash provided by operating activities                             | <b>112,558</b>                       | 67,464   | <b>502,378</b>            | 223,152   |
| Cash used in financing activities                                 | <b>(49,718)</b>                      | (27,423) | <b>(209,091)</b>          | (83,411)  |
| Cash used in investing activities                                 | <b>(69,060)</b>                      | (44,939) | <b>(269,585)</b>          | (117,782) |
| <b>Other Financial Highlights</b>                                 |                                      |          |                           |           |
| Adjusted funds flow <sup>(1)</sup>                                | <b>124,205</b>                       | 71,227   | <b>516,790</b>            | 234,824   |
| per boe <sup>(1)</sup>  | <b>24.29</b>                         | 16.15    | <b>25.39</b>              | 13.01     |
| per basic share <sup>(1)(2)</sup>                                 | <b>0.69</b>                          | 0.37     | <b>2.76</b>               | 1.24      |
| Net capital expenditures <sup>(1)</sup>                           | <b>49,687</b>                        | 58,384   | <b>241,790</b>            | 149,403   |
| Free cash flow <sup>(1)</sup>                                     | <b>74,518</b>                        | 12,843   | <b>275,000</b>            | 85,421    |
| Working capital surplus <sup>(1)</sup>                            | <b>71,564</b>                        | 6,865    | <b>71,564</b>             | 6,865     |
| Bank indebtedness   | <b>177,200</b>                       | 167,345  | <b>177,200</b>            | 167,345   |
| Net debt <sup>(1)</sup>   | <b>121,336</b>                       | 160,480  | <b>121,336</b>            | 160,480   |

- (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<br>ended<br>December 31 |       | Year ended<br>December 31 |       |
|-----------------------------------|--------------------------------------|-------|---------------------------|-------|
|                                   | 2022                                 | 2021  | 2022                      | 2021  |
| <b>Operating</b>                  |                                      |       |                           |       |
| Production                        |                                      |       |                           |       |
| Crude oil (bbls/d)                | <b>1,854</b>                         | 816   | <b>1,972</b>              | 1,101 |
| Condensate (bbls/d)               | <b>1,092</b>                         | 1,012 | <b>1,082</b>              | 844   |
| NGLs (bbls/d)                     | <b>2,680</b>                         | 2,524 | <b>3,039</b>              | 2,548 |
| Total liquids production (bbls/d) | <b>5,626</b>                         | 4,352 | <b>6,093</b>              | 4,493 |

|   |                |         |                |         |
|---|----------------|---------|----------------|---------|
| Natural gas (Mcf/d)   | <b>299,684</b> | 261,530 | <b>298,053</b> | 269,710 |
| Total production (boe/d)  | <b>55,573</b>  | 47,940  | <b>55,769</b>  | 49,445  |
| Average realized prices (including realized derivatives) <sup>(2)</sup> |                |         |                |         |
| Natural gas (\$/Mcf)  | <b>5.65</b>    | 4.17    | <b>5.55</b>    | 3.38    |
| Liquids (\$/bbl)  | <b>86.39</b>   | 54.70   | <b>92.48</b>   | 50.92   |
| <b>Operating Netback (\$/boe)</b>                                       |                |         |                |         |
| Natural gas and liquids sales <sup>(2)</sup>                            | <b>43.66</b>   | 36.11   | <b>46.69</b>   | 27.26   |
| Realized losses on derivatives <sup>(2)</sup>                           | <b>(4.76)</b>  | (8.41)  | <b>(7.08)</b>  | (4.13)  |
| Processing and other income   | <b>0.60</b>    | -       | <b>0.45</b>    | -       |
| Royalty expense <sup>(2)</sup>  | <b>(5.31)</b>  | (2.02)  | <b>(5.22)</b>  | (1.53)  |
| Operating expense <sup>(2)</sup>  | <b>(3.39)</b>  | (2.92)  | <b>(3.16)</b>  | (2.49)  |
| Transportation expense <sup>(2)</sup>                                   | <b>(4.43)</b>  | (4.48)  | <b>(4.43)</b>  | (3.90)  |
| Operating netback <sup>(1)</sup>  | <b>26.37</b>   | 18.28   | <b>27.25</b>   | 15.21   |

(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 where required, a reconciliation of the specified financial measure to the most directly comparable IFRS measure.

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

| <b>Reserves Highlights</b>                                | <b>PDP</b> | <b>1P</b> | <b>2P</b> |
|---|------------|-----------|-----------|
| 2022 Reserves (million boe)                               | 138.9      | 416.9     | 585.6     |
| 2022 FD&A Cost (\$/per boe, including FDC) <sup>(1)</sup> | 6.10       | 7.48      | 6.62      |
| 2022 Recycle ratio <sup>(1)</sup>                         | 4.3        | 3.5       | 4.0       |
| 2021 Recycle ratio <sup>(1)</sup>                         | 3.5        | 2.8       | 3.1       |
| 2022 Reserves Increase Over 2021                          | 14.5 %     | 5.8 %     | 5.8 %     |

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## RESERVES SUMMARY TABLES

### Company Gross (before royalties) Working Interest Reserves Summary as at December 31, 2022

|                                | Light &<br>Medium<br>Crude Oil<br>(mbbl) | Conventional<br>Natural Gas<br>(mmcf) | Natural<br>Gas Liquids<br>(mbbl) | Total Oil<br>Equivalent<br>(mboe) |
|--------------------------------|--|---------------------------------------|----------------------------------|-----------------------------------|
| <b>Proved</b>                  |  |                                       |                                  |                                   |
| Developed Producing            | 3,074                                    | 768,058                               | 7,821                            | 138,905                           |
| Developed Non-producing        | 48                                       | 28,687                                | 254                              | 5,083                             |
| Undeveloped                    | 9,310                                    | 1,482,033                             | 16,575                           | 272,891                           |
| <b>Total Proved</b>            | <b>12,432</b>                            | <b>2,278,778</b>                      | <b>24,650</b>                    | <b>416,879</b>                    |
| Probable                       | 7,024                                    | 907,549                               | 10,487                           | 168,769                           |
| <b>Total Proved + Probable</b> | <b>19,456</b>                            | <b>3,186,329</b>                      | <b>35,137</b>                    | <b>585,648</b>                    |

(1) Table may not add due to rounding.

### Company Net Present Value of Future Net Revenue using the IQRE Average Forecasts <sup>(1)(2)(3)</sup>(\$000)

|               | Before Income Taxes Discounted at |      |      |
|---------------|-----------------------------------|------|------|
|               | 0 %                               | 10 % | 15 % |
| <b>Proved</b> |                                   |      |      |

|                                |                   |                  |                  |
|--------------------------------|-------------------|------------------|------------------|
| Developed Producing            | 3,067,918         | 1,661,348        | 1,377,090        |
| Developed Non-producing        | 121,378           | 56,199           | 44,540           |
| Undeveloped                    | 5,300,607         | 1,666,337        | 1,091,351        |
| <b>Total Proved</b>            | <b>8,489,903</b>  | <b>3,383,883</b> | <b>2,512,981</b> |
| Probable                       | 4,515,559         | 1,361,282        | 938,053          |
| <b>Total Proved + Probable</b> | <b>13,005,462</b> | <b>4,745,165</b> | <b>3,451,035</b> |

- (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, 2022 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 (as defined herein) 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 at December 31, 2022 was based upon light and medium oil, conventional natural gas and natural gas liquid pricing assumptions, which were computed by using the average of the forecasts ("IQRE Average Forecast") prepared by McDaniel & Associates Consultants Ltd., GLJ Petroleum Consultants and Sproule effective December 31, 2022. 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:

|      | Canadian<br>Light Sweet<br>Crude 40°<br>API<br>(\$Cdn/bbl) | Alberta<br>AECO-C<br>Natural Gas<br>(\$Cdn/mmbtu) | Edmonton<br>Propane<br>(\$Cdn/bbl) | Edmonton<br>Butane<br>(\$Cdn/bbl) | Edmonton<br>Pentanes Plus<br>(\$Cdn/bbl) | Exchange<br>Rate<br>(\$US/\$Cdn) |
|------|--|---|------------------------------------|-----------------------------------|--|----------------------------------|
| Year |  |   |                                    |                                   |  |                                  |
| 2023 | 103.76   | 4.23  | 39.80                              | 53.88                             | 106.22                                   | 0.75                             |
| 2024 | 97.74  | 4.40  | 39.14                              | 52.67                             | 101.35                                   | 0.77                             |
| 2025 | 95.27  | 4.21  | 39.74                              | 51.42                             | 98.94                                    | 0.77                             |
| 2026 | 95.58  | 4.27  | 39.86                              | 51.61                             | 100.19                                   | 0.77                             |
| 2027 | 97.07  | 4.34  | 40.47                              | 52.39                             | 101.74                                   | 0.78                             |
| 2028 | 99.01  | 4.43  | 41.28                              | 53.44                             | 103.78                                   | 0.78                             |
| 2029 | 100.99   | 4.51  | 42.11                              | 54.51                             | 105.85                                   | 0.78                             |

### Company Gross (before royalties) Working Interest Reserves Reconciliation<sup>(2)</sup>

|   | Light &<br>Medium<br>Crude Oil<br>(Mbbbl) | Conventional<br>Natural Gas<br>(MMcf) | Natural Gas<br>Liquids<br>(Mbbbl) | Total Oil<br>Equivalent<br>(Mboe) |
|---|---|---------------------------------------|-----------------------------------|-----------------------------------|
| <b>Proved</b>                           |   |                                       |                                   |                                   |
| <b>Opening balance Dec. 31, 2021</b>    | <b>8,355</b>                              | <b>2,177,121</b>                      | <b>22,709</b>                     | <b>393,918</b>                    |
| Extensions and improved recovery        | 2,887                                     | 122,015                               | 3,153                             | 26,376                            |
| Technical revisions <sup>(1)</sup>      | 1,785                                     | 69,470                                | 131                               | 13,494                            |
| Discoveries                             | -   | -                                     | -                                 | -                                 |
| Acquisitions                            | -   | -                                     | -                                 | -                                 |
| Dispositions                            | -   | -                                     | -                                 | -                                 |
| Economic factors                        | 125                                       | 18,963                                | 161                               | 3,447                             |
| Production                              | (720)                                     | (108,789)                             | (1,504)                           | (20,355)                          |
| <b>Closing balance at Dec. 31, 2022</b> | <b>12,432</b>                             | <b>2,278,778</b>                      | <b>24,650</b>                     | <b>416,879</b>                    |

|                                      | Light &<br>Medium<br>Crude Oil<br>(Mbbbl) | Conventional<br>Natural Gas<br>(MMcf) | Natural<br>Gas<br>Liquids<br>(Mbbbl) | Total Oil<br>Equivalent<br>(Mboe) |
|--------------------------------------|---|---------------------------------------|--------------------------------------|-----------------------------------|
| <b>Proved Plus Probable</b>          |   |                                       |                                      |                                   |
| <b>Opening balance Dec. 31, 2021</b> | <b>17,566</b>                             | <b>3,016,263</b>                      | <b>33,088</b>                        | <b>553,365</b>                    |
| Extensions and improved recovery     | 2,481                                     | 143,276                               | 3,319                                | 29,679                            |

|                                    |       |           |         |          |
|------------------------------------|-------|-----------|---------|----------|
| Technical revisions <sup>(1)</sup> | (40)  | 126,858   | 141     | 21,244   |
| Discoveries                        | -     | -         | -       | -        |
| Acquisitions                       | -     | -         | -       | -        |
| Dispositions                       | -     | -         | -       | -        |
| Economic factors                   | 169   | 8,722     | 93      | 1,716    |
| Production                         | (720) | (108,789) | (1,504) | (20,355) |

**Closing balance at Dec. 31, 2022**

**19,456      3,186,329      35,137      585,648**

- (1) Technical revisions accounted for 31% of the total proved additions and 40% 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 2022 FD&A Costs – Gross (before royalties) Working Interest Reserves including FDC<sup>(1)(2)(3)</sup>**

|   | Proved +<br>Proved Probable |          |
|---|-----------------------------|----------|
| Net capital expenditures (\$000) <sup>(a)(4)</sup>    | 218,914                     | 218,914  |
| Net change in FDC (\$000)                             | 105,196                     | 129,511  |
| Total capital (\$000)                                 | 324,110                     | 348,425  |
| Total mboe, end of year                               | 416,879                     | 585,648  |
| Total mboe, beginning of year                         | 393,918                     | 553,365  |
| Production, mboe                                      | (20,355)                    | (20,355) |
| Reserve additions, mboe                               | 43,316                      | 52,638   |
| 2022 FD&A costs (\$/boe) <sup>(a)</sup>               | \$7.48                      | \$6.62   |
| 2021 FD&A costs (\$/boe) <sup>(a)</sup>               | \$6.54                      | \$5.82   |
| Three-year average FD&A costs (\$/boe) <sup>(a)</sup> | \$5.80                      | \$4.63   |

- (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.
- (4) Excludes expenditures related to CCS assets which Entropy has agreed to acquire (\$19.0 million), and Entropy capital spending.

The reserves by category and year-over-year changes compared to 2021 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 2021 |
|------------------|---------------------------------------|------------------------------|----------------------------------|----------------------------------|--------------------|
| PDP              | 3.07                                  | 0.77                         | 7.82                             | 138.9                            | 15 %               |
| 1P               | 12.43                                 | 2.28                         | 24.65                            | 416.9                            | 6 %                |
| 2P               | 19.46                                 | 3.19                         | 35.14                            | 585.6                            | 6 %                |

The total number of 2P future well locations booked in the Sproule 2022 Reserves Report are illustrated in the following table:

**Sproule Number of Gross Wells Booked**

|          | Developed | Undeveloped | Total |
|----------|-----------|-------------|-------|
| Glacier  | 262       | 252         | 514   |
| Valhalla | 20        | 20          | 40    |
| Wembley  | 17        | 39          | 56    |

|              |            |            |            |
|--------------|------------|------------|------------|
| Progress     | 6          | 14         | 20         |
| <b>Total</b> | <b>305</b> | <b>325</b> | <b>630</b> |

The Corporation's audited consolidated financial statements for the fiscal year ended December 31, 2022 together with the notes thereto, and Management's Discussion and Analysis for the year ended December 31, 2022 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, 2021 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.

### **Forward-Looking Information 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; that the Corporation will grow its AFF per share while maintaining approximately \$200 million of net debt; Advantage's three-year plan including its anticipated production growth and capital and its expectations that it will buy back its shares with all excess cash; that Advantage is well positioned to generate significant shareholder value; the investment tax credit that Advantage expects to receive from the Canada Revenue Agency; 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. In addition, forward-looking statements contained in this document include, statements relating to "reserves", which are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The recovery and reserve estimates of Advantage's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered.*

*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; the risk that the Corporation may not have access to sufficient capital from internal and external sources; the risk that the Corporation may not grow its AFF per share while maintaining approximately \$200 million of net debt; the risk that Advantage's future production may be less than anticipated; the risk that the Corporation may not buy back its shares with all excess cash; the risk that the Corporation may not have sufficient financial resources to acquire its common shares pursuant to its share buyback program in the future; the risk that Advantage may not generate significant shareholder value; the risk that Advantage may not receive the investment tax credit from the Canada Revenue Agency when anticipated, or at all; and the risk that the Corporation may not continue to deliver clean, reliable, sustainable energy, or contribute to a reduction in global emissions. 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](http://www.sedar.com) ("SEDAR") and [www.advantageog.com](http://www.advantageog.com). Readers are also referred to risk factors described in other documents*

*Advantage files with Canadian securities authorities.*

*With respect to forward-looking statements contained in this 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 Corporation will have sufficient financial resources to purchase its shares pursuant to its share buyback program in the future; 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 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 that the Corporation will grow its AFF per share while maintaining approximately \$200 million of net debt; Advantage's three-year plan including its anticipated capital and its expectations that it will buy back its shares with all excess cash; and the investment tax credit that Advantage expects to receive from the Canada Revenue Agency; 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.*

### **Oil and Gas Information**

*Barrels of oil equivalent (boe) and thousand cubic feet of natural gas equivalent (mcf) may be misleading, particularly if used in isolation. Boe and mcf 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 mcf 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 Associates Limited ("Sproule") was engaged as an independent qualified reserve evaluator to evaluate Advantage's year-end reserves as of December 31, 2022 ("Sproule 2022 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 2022 Reserves Report and account for drilling locations that have associated proved and/or probable reserves, as applicable. Of the 325 total undeveloped drilling locations identified herein, 272 are proved locations with 215 in Glacier, 18 in Valhalla, 29 in Wembley and 10 in Progress. Of the 53 probable locations, 37 are in Glacier, 2 in Valhalla, 10 in Wembley and 4 in Progress.

References in this press release to short-term production rates, such as IP30 and IP90, 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**

### Adjusted Funds Flow

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

| (\$000)                                   | Three months ended |                  | Year ended       |                  |
|---|--------------------|------------------|------------------|------------------|
|   | December 31 2022   | December 31 2021 | December 31 2022 | December 31 2021 |
| Cash provided by operating activities     | 112,558            | 67,464           | 502,378          | 223,152          |
| Expenditures on decommissioning liability | 1,144              | 253              | 2,215            | 1,033            |
| Changes in non-cash working capital       | 10,503             | 3,510            | 12,197           | 10,639           |
| Adjusted funds flow                       | 124,205            | 71,227           | 516,790          | 234,824          |



### Net Capital Expenditures

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

| (\$000)                             | Three months ended |                  | Year ended       |                  |
|-------------------------------------|--------------------|------------------|------------------|------------------|
|                                     | December 31 2022   | December 31 2021 | December 31 2022 | December 31 2021 |
| Cash used in investing activities   | 69,060             | 44,939           | 269,585          | 117,782          |
| Changes in non-cash working capital | (19,373)           | 13,431           | (27,800)         | 11,564           |
| Project funding received            | -                  | 14               | 5                | 20,057           |
| Net capital expenditures            | 49,687             | 58,384           | 241,790          | 149,403          |

### Free Cash Flow

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

| (\$000)                                   | Three months ended |                  | Year ended       |                  |
|---|--------------------|------------------|------------------|------------------|
|   | December 31 2022   | December 31 2021 | December 31 2022 | December 31 2021 |
| Cash provided by operating activities     | 112,558            | 67,464           | 502,378          | 223,152          |
| Cash used in investing activities         | (69,060)           | (44,939)         | (269,585)        | (117,782)        |
| Changes in non-cash working capital       | 29,876             | (9,921)          | 39,997           | (925)            |
| Expenditures on decommissioning liability | 1,144              | 253              | 2,215            | 1,033            |
| Project funding received                  | -                  | (14)             | (5)              | (20,057)         |
| Free cash flow                            | 74,518             | 12,843           | 275,000          | 85,421           |

### Operating Netback

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 |                  | Year ended       |                  |
|------------------------------------|--------------------|------------------|------------------|------------------|
|                                    | December 31 2022   | December 31 2021 | December 31 2022 | December 31 2021 |
| Natural gas and liquids sales      | 223,200            | 159,255          | 950,458          | 492,035          |
| Realized losses on derivatives     | (24,344)           | (37,088)         | (144,134)        | (74,578)         |
| Processing and other income        | 3,091              | -                | 9,082            | -                |
| Net sales of purchased natural gas | -                  | -                | 70               | -                |
| Royalty expense                    | (27,154)           | (8,928)          | (106,257)        | (27,530)         |
| Operating expense                  | (17,344)           | (12,870)         | (64,269)         | (44,893)         |
| Transportation expense             | (22,637)           | (19,768)         | (90,093)         | (70,440)         |
| Operating netback                  | 134,812            | 80,601           | 554,857          | 274,594          |

### **Non-GAAP Ratios**

#### Adjusted Funds Flow per Share

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

| (\$000, except as otherwise indicated)    | Three months ended<br>December 31 |         | Year ended<br>December 31 |         |
|---|-----------------------------------|---------|---------------------------|---------|
|   | 2022                              | 2021    | 2022                      | 2021    |
| Adjusted funds flow                       | 124,205                           | 71,227  | 516,790                   | 234,824 |
| Weighted average shares outstanding (000) | 180,248                           | 190,829 | 187,022                   | 190,077 |
| Adjusted funds flow per share (\$/share)  | 0.69                              | 0.37    | 2.76                      | 1.24    |

#### Adjusted Funds Flow per boe

Adjusted funds flow per boe is derived by dividing adjusted funds flow by the total production in boe for the reporting period. Adjusted funds flow per boe is a useful ratio that allows users to compare the Corporation's adjusted funds flow against other competitor corporations with different rates of production.

| (\$000, except as otherwise indicated) | Three months ended<br>December 31 |           | Year ended<br>December 31 |            |
|--|-----------------------------------|-----------|---------------------------|------------|
|  | 2022                              | 2021      | 2022                      | 2021       |
| Adjusted funds flow                    | 124,205                           | 71,227    | 516,790                   | 234,824    |
| Total production (boe/d)               | 55,573                            | 47,940    | 55,769                    | 49,445     |
| Days in period                         | 92                                | 92        | 365                       | 365        |
| Total production (boe)                 | 5,112,716                         | 4,410,480 | 20,355,685                | 18,047,425 |
| Adjusted funds flow per boe (\$/boe)   | 24.29                             | 16.15     | 25.39                     | 13.01      |

#### Operating netback per boe

Operating netback per boe is derived by dividing each component of the operating netback by the total production in boe for the reporting period. Operating netback per boe provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells against other competitor corporations with different rates of production.

| (\$000, except as otherwise indicated) | Three months ended<br>December 31 |           | Year ended<br>December 31 |            |
|--|-----------------------------------|-----------|---------------------------|------------|
|  | 2022                              | 2021      | 2022                      | 2021       |
| Operating netback                      | 134,812                           | 80,601    | 554,857                   | 274,594    |
| Total production (boe/d)               | 55,573                            | 47,940    | 55,769                    | 49,445     |
| Days in period                         | 92                                | 92        | 365                       | 365        |
| Total production (boe)                 | 5,112,716                         | 4,410,480 | 20,355,685                | 18,047,425 |
| Operating netback per boe (\$/boe)     | 26.37                             | 18.28     | 27.25                     | 15.21      |

#### 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<br>December 31 |        | Year ended<br>December 31 |         |
|--|-----------------------------------|--------|---------------------------|---------|
|  | 2022                              | 2021   | 2022                      | 2021    |
| Net capital expenditures               | 49,687                            | 58,384 | 241,790                   | 149,403 |

|                     |         |        |         |         |
|---------------------|---------|--------|---------|---------|
| Adjusted funds flow | 124,205 | 71,227 | 516,790 | 234,824 |
| Payout ratio        | 0.4     | 0.8    | 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)    | Year ended<br>December 31 |         |
|---|---------------------------|---------|
|   | 2022                      | 2021    |
| Net Debt                                  | 121,336                   | 160,480 |
| Adjusted funds flow (prior four quarters) | 516,790                   | 234,824 |
| Net debt to adjusted funds flow ratio     | 0.2                       | 0.7     |

#### 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 2022 and 2021 Reserves Report.

#### Payout

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

#### Capital Efficiency

Capital efficiency is calculated by dividing net capital expenditures by the average production additions of the applicable year to replace the corporate decline rate and deliver production growth, expressed in \$/boe/d. Net capital expenditures used in the calculation excludes expenditures related to carbon capture and storage assets which Entropy has agreed to acquire (\$19.0 million), and Entropy capital spending as these expenditures are not related to production additions. Capital efficiency is considered by Management to be a useful performance measure as a common metric used to evaluate the efficiency with which capital activity is allocated to achieve production additions.

#### 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 at December 31, 2022 and 2021 is as follows:

|                               | December 31<br>2022 | December 31<br>2021 |
|-------------------------------|---------------------|---------------------|
| Cash and cash equivalents     | 48,940              | 25,238              |
| Trade and other receivables   | 92,816              | 54,769              |
| Prepaid expenses and deposits | 14,613              | 3,483               |

|                                     |               |              |
|-------------------------------------|---------------|--------------|
| Trade and other accrued liabilities | (84,805)      | (76,625)     |
| <b>Working capital surplus</b>      | <b>71,564</b> | <b>6,865</b> |

### Net Debt

Net debt is a capital management financial measure that provides Management and users with a measure to assess the Corporation's liquidity. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

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

|                                 | <b>December 31<br/>2022</b> | <b>December 31<br/>2021</b> |
|---------------------------------|-----------------------------|-----------------------------|
| Bank indebtedness (non-current) | 177,200                     | 167,345                     |
| Unsecured debentures            | 15,700                      | -                           |
| Working capital surplus         | (71,564)                    | (6,865)                     |
| <b>Net debt</b>                 | <b>121,336</b>              | <b>160,480</b>              |

### **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 Corporation'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 Corporation'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 Corporation'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 Corporation's total production.

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

"Transportation expense per boe" is comprised of transportation expense, as determined in accordance with IFRS, divided by the Corporation's total production.

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

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

SOURCE Advantage Energy Ltd.

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