

Advantage Announces 2024 Budget and Updated Three-Year Strategic Plan

(TSX: AAV)

CALGARY, AB, Nov. 30, 2023 /CNW/ - Advantage Energy Ltd. ("Advantage", the "Corporation", "us", "we" or "our") is pleased to announce our 2024 budget and provide an update as we enter the second year of our three-year strategic plan.

Advantage's 2024 capital program continues our focus on growing adjusted funds flow ("AFF"^a) per share via high rate-of-return development drilling. Top-line production is planned to grow by 10% with all free cash flow ("FCF")^a allocated to our share buyback program.

2024 Budget Highlights

- AFF per share^a is expected to grow by approximately 20% year-over-year, based on strip pricing dated November 16, 2023 and planned share buybacks.
- Production is expected to average between 65,000 and 68,000 boe/d and the corporate decline rate is expected to remain at approximately 24%.
- Cash used in investing activities is planned to be between \$260 million and \$290 million. Inflation pressures continue to moderate; however, Advantage has included a 10% provision for inflation in its budget.
- Net debt^a target is revised to between \$200 million and \$250 million from its prior range of \$170 million to \$230 million, commensurate with Advantage's increasing scale and cash flow generation. As of the end of the third quarter, Advantage's net debt^a was \$206.7 million^b. Any increase in debt is expected to be allocated to increasing share buybacks.
- Approximately 23 net wells are planned with a single rig program, focused primarily at Glacier to maintain production near plant capacity. The remaining wells are planned to target liquids at Wembley.
- At Progress, construction of a new 75 mmcf/d gas plant is expected to begin in the second half of the year with commissioning anticipated in 2025.

^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.

^b Excludes Entropy Inc. ("Entropy").

Three-Year Strategic Plan Update

- Advantage will continue to plan for top-line production growth of 10% each year through 2025. Corporate production is expected to exceed 75,000 boe/d by 2025.
- Cash used in investing activities is planned to remain between \$250 million and \$300 million per year, including provisions for inflation and infrastructure investments.
- On average, Advantage plans to drill approximately 25 net wells per year to achieve growth targets. Current tier 1 inventory is estimated at 550 wells, and over 1,000 additional economic locations delineated.
- The expansion of Advantage's processing capacity has been progressing in phased developments and is expected to reach 500 mmcf/d by 2025. Anticipated spending on processing capacity will continue to be approximately \$45 million per year and is included within the capital estimates.
- Production growth will be managed in conjunction with transportation service growth and hedging, with a focus on non-AECO markets prior to the commissioning of LNG Canada.
- Advantage expects it will not be subject to cash taxes until calendar 2026.

2024 Guidance Summary ⁽¹⁾⁽²⁾

Cash Used in Investing Activities (millions)

(3)	\$260 to \$290
Average Production (boe/d)	65,000 to 68,000
Liquids Production (%)	~10%
Royalty Rate (%)	7% to 9%
Operating Expense (\$/boe) ⁽⁴⁾	\$3.85

Transportation Expense (\$/boe) ⁽⁴⁾	\$3.95
G&A/Finance Expense (\$/boe) ⁽⁴⁾	\$1.90

Notes:

- (1) *Forward-looking statements and information representing Management estimates. Refer to Advisory for cautionary statements regarding Advantage's budget including material assumptions and risk factors.*
- (2) *Budget and guidance numbers are for Advantage Energy Ltd. only and exclude Entropy Inc.*
- (3) *Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed between years and other differences are immaterial. See Advisory.*
- (4) *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.*

Marketing Update

Advantage has hedged 18% of its forecasted natural gas production in winter 2023/24, along with 16% in summer 2024 and 5% in winter 2024/25. Total exposure to AECO is now less than 15% of our production between now and winter 2024/25.

Looking Forward

Advantage's priority remains AFF per-share growth to maximize shareholder returns. To achieve this, our first priority is delivering high-return organic production growth of 10%; all FCF remains allocated to our share buyback program. Advantage has repurchased approximately 18% of its shares outstanding since the initiation of its buyback program in April 2022^c.

Capital efficiency continues to be a key component of Advantage's corporate strategy. In 2024, we expect to deliver production growth and capital spending comparable to 2023 levels, despite a higher production base, thanks to continuously improving well productivity and capital discipline.

Advantage is encouraged by improving natural gas fundamentals in 2025 and beyond due to increasing North American LNG export capacity. With this outlook, the Corporation will focus its 2024 capital program on efficient gas-weighted drilling at Glacier, accompanied by infrastructure spending to support further growth in 2025. Advantage has a range of high-return development options beyond 2025 and will monitor market conditions before formalizing the next phase of our corporate strategy.

With modern, low emissions-intensity assets and ownership of 80%^d of Entropy, 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.

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

For more details, Advantage has posted an updated corporate presentation at www.advantageog.com.

^c Shares bought back from April 13, 2022 to November 30, 2023. Percentage based on shares repurchased compared to the 190.8 million shares outstanding on March 31, 2022.

^d Advantage currently owns 92% of Entropy's common shares. Assuming Brookfield Global Transition Fund's currently-held unsecured debentures are exchanged for common shares according to the terms of the investment agreement, Advantage will own 80% of Entropy's common shares.

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 "guidance", "anticipate", "target", "objectives", "estimates", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things,

Advantage's focus, strategy, priorities and development plans; the focus of Advantage's 2024 capital program including growing cash flow per share and high rate-of-return development drilling; Advantage's anticipated top-line production growth; Advantage's expectations that it will allocate all FCF to the Corporation's share buyback program; anticipated growth in corporate production and the anticipated timing thereof; anticipated corporate decline rate; anticipated cash used in investing activities; anticipated inflation; Advantage's anticipated drilling plans in 2024 and the focus thereof; the anticipated timing of the construction of Advantage's new gas plant at Progress; anticipated net debt and Advantage's expectations that any increase in debt will be allocated to increasing share buybacks; that Advantage will manage its production growth in conjunction with transportation service growth and hedging, with a focus on non-AECO markets prior to the commissioning of LNG Canada; anticipated growth in AFF; Advantage's expectations that it will not be subject to cash taxes until calendar year 2026; Advantage's three-year strategic plan, including its anticipated annual average production, annual cash used in investing activities, annual drilling activities, and growth in gas processing capacity; the anticipated costs to be incurred by the Corporation over the next two years towards growing its gas processing capacity; Advantage's 2024 capital guidance, including its anticipated cash used in investing activities, average production, liquids production, royalty rate, operating expense per boe, transportation expense per boe and G&A/finance expense per boe; Advantage's hedging program; Advantage's priority of growing AFF per share and the anticipated means of achieving such growth and the anticipated timing thereof; Advantage's focus on efficient gas-weighted drilling at Glacier, accompanied by infrastructure spending to support further growth from its Progress/Valhalla complex in 2025; that Advantage has a range of high-return development options beyond 2025; and expectations that Entropy will pursue rapid growth in CCS projects. Advantage's actual decisions, activities, results, performance, or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

With respect to forward-looking statements contained in this press release, Advantage has made assumptions regarding, but not limited to: future oil and gas prices; anticipated NYMEX and WTI prices; anticipated strip pricing; the third party processing revenue available to Advantage; foreign exchange rates; conditions in general economic and financial markets; the impact and duration thereof that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs and natural gas; effects of regulation by governmental agencies; current and future commodity prices and royalty regimes; the Corporation's current and future hedging program; future exchange rates; royalty rates; future operating costs; future transportation costs and availability of product transportation capacity; availability of skilled labor; availability of drilling and related equipment; timing and amount of net capital expenditures; the number of new wells required to achieve the budget objectives; that the Corporation will have sufficient adjusted funds flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's properties in the manner currently contemplated; current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated; that Entropy will have the ability to develop its technology in the manner currently contemplated; that pursuing high rate-of-return development drilling into existing infrastructure will lead to cash flow per share growth; Advantage's infrastructure spending will support further growth from its Progress/Valhalla complex in 2025; and the estimates of the Corporation's production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects. Management has included the above summary of assumptions and risks related to forward-looking information in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

This press release contains forward-looking statements which are estimates of Advantage's annual production growth, annual cash used in investing activities, annual drilling activity, average processing capacity and annual tax expense for the next two years. The foregoing estimates are based on various assumptions and are provided for illustration only and are based on budgets and estimates that have not been finalized and are subject to change and a variety of contingencies including prior years' results. In addition, the foregoing estimates and assumptions underlying these 2024 and 2025 forward-looking statements are management prepared only and have not been approved by the Board of Directors of Advantage. These

estimates are made as of the date of this press release and except as required by applicable securities laws, Advantage undertakes no obligation to update such estimates.

These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including, but not limited to: changes in general economic, market and business conditions; industry conditions, including as a result of demand and supply effects resulting from the COVID-19 pandemic; actions by governmental or regulatory authorities including increasing taxes and changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; Advantage's success at acquisition, exploitation and development of reserves; unexpected drilling results; changes in commodity prices, currency exchange rates, net capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties, including hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production and processing facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; delays in anticipated timing of drilling and completion of wells; individual well productivity; competition from other producers; the lack of availability of qualified personnel or management; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; Advantage's ability to comply with current and future environmental or other laws; stock market volatility and market valuations; liabilities inherent in oil and natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; ability to obtain required approvals of regulatory authorities; ability to access sufficient capital from internal and external sources; the risk that pursuing high rate-of-return development drilling into existing infrastructure may not lead to cash flow per share growth; the risk that Advantage's top-line production growth year-over-year may be less than anticipated; the risk that Advantage may not allocate all FCF to the Corporation's share buyback program; the risk that Advantage may not grow its AFF per share when anticipated, or at all; the risk that Advantage may drill less wells than anticipated; the risk that the construction of Advantage's new gas plant at Progress may occur later than anticipated; the risk that Advantage's net debt may be greater than anticipated; the risk that Advantage may be subject to cash taxes prior calendar year 2026; the risk that Advantage's gas processing capacity may be less than anticipated; the risk that Advantage's cash flow per share, corporate production, cash used in investing activities and AFF may be less than anticipated; the risk that Advantage may not manage its production growth in conjunction with transportation service growth and hedging; the risk that Advantage's annual production, cash used in investing activities, drilling activities, and growth in gas processing capacity over the next two years may be less than anticipated; the risk that Advantage's operating expense per boe, transportation expense per boe and G&A/finance expense per boe may be greater than anticipated; the risk that Advantage may not have a range of high-return development options beyond 2025; and the risk that Entropy may not pursue rapid growth in CCS projects.

Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form which is available at www.sedarplus.ca ("SEDAR+") and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

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.

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, Advantage's expectations that it will allocate all FCF to the Corporation's share buyback program; anticipated cash used in investing activities; anticipated inflation; anticipated net debt and Advantage's expectations that any increase in debt will be allocated to increasing share buybacks; anticipated growth in AFF; Advantage's expectations that it will not be subject to cash taxes until calendar year 2026; Advantage's three-year strategic plan, including its anticipated annual cash used in investing activities; the anticipated costs to be incurred by the Corporation over the next two years towards growing its gas processing capacity; Advantage's 2024 capital guidance, including its anticipated cash used in investing activities, royalty rate, operating expense per boe, transportation expense per boe and G&A/finance expense per boe; and Advantage's hedging 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.

Specified Financial Measures

Throughout this news release, Advantage discloses certain measures to analyze financial performance, financial position, and cash flow. These specified 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 specified financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as "net income", "comprehensive income", "cash provided by operating activities", "cash used in investing activities", or "bank indebtedness" as indicators of Advantage's performance. Management believes that these measures provide an indication of the results generated by the Corporation's principal business activities and provide useful supplemental information for analysis of the Corporation's operating performance and liquidity. Refer to the Corporation's most recent Management's Discussion and Analysis for the three and nine months ended September 30, 2023, which is available at www.sedarplus.ca and www.advantageog.com for additional information about certain specified financial measures, including reconciliations to the nearest GAAP measures and disclosures of historical specified financial measures, as applicable.

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.

Net Capital Expenditures

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

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.

Non-GAAP Ratios

Payout Ratio

Payout ratio is calculated by dividing cash used in investing activities or 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 cash used in investing activities or net capital expenditures to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares.

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.

Capital Management Measures

Working Capital

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

Net Debt

Net debt is comprised of bank indebtedness and working capital. Net debt provides Management and users with a measure of the Corporation's liquidity.

Supplementary Financial Measures

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:

- *G&A/Finance expense per boe*
- *Operating expense per boe*
- *Transportation expense per boe*

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.

Production estimates contained herein are expressed as anticipated average production over the calendar year. In determining anticipated production for the years 2024 and 2025 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2024 and 2025 expected drilling and completion activities.

This press release discloses drilling inventory in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. Proved locations and probable locations are derived from Sproule Associates Limited reserves evaluation effective December 31, 2022 and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on our prospective acreage and an assumption as to the number of wells that can be drilled per section based on industry practice and internal review. Unbooked locations do not have attributed reserves or resources. Of the over 1,550 total drilling locations identified herein, 272 are proved locations, 53 are probable locations and over 1,225 are unbooked locations. Unbooked locations have been identified by management as an estimation of our multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that the Corporation will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves, resources or production. The drilling locations on which we actually drill wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, actual drilling results, additional reservoir information that is obtained and other factors. While certain of the unbooked drilling locations have been de-risked by drilling existing wells in relative close proximity to such unbooked drilling locations, other unbooked drilling locations are farther away from existing wells where management has less information about the characteristics of the reservoir and therefore there is more uncertainty whether wells will be drilled in such locations and if drilled there is more uncertainty that such wells will result in additional oil and gas reserves, resources or production.

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

<i>AECO</i>	<i>A notational market point on TransCanada Pipeline Limited's NGTL system where the purchase and sale of natural gas is transacted</i>
<i>bbl</i>	<i>one barrel</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 per day</i>
<i>Crude oil and condensate</i>	<i>Light crude oil and medium crude oil as defined in National Instrument 51-101</i>
<i>Liquids</i>	<i>Includes crude oil and condensate and NGLs</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/d</i>	<i>million cubic feet per day</i>
<i>Natural gas</i>	<i>Conventional Natural Gas as defined in National Instrument 51-101</i>
<i>NGLs</i>	<i>Natural Gas Liquids as defined in National Instrument 51-101</i>
<i>NGTL</i>	<i>NOVA Gas Transmission Ltd.</i>

SOURCE Advantage Energy Ltd.

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