

Advantage Announces Operational Update Including Record Production and Reduced Capital Spending Outlook

(TSX: AAV)

CALGARY, AB, Feb. 6, 2024 /CNW/ - Advantage Energy Ltd. ("Advantage", the "Corporation", "us", "we" or "our") is pleased to provide an operational update.

Advantage had another year of exceptional results in 2023, including record fourth-quarter production of 68,384 boe/d (363.1 MMcf/d natural gas, 3,254 bbls/d crude oil, 1,264 bbls/d condensate and 3,345 bbls/d NGLs) and record monthly production of over 70,000 boe/d in December. Thanks in part to exceptional well results, Advantage will be able to deliver its 2024 program with reduced capital, trending well below the bottom end of current guidance, with details of the revised program yet to be finalized.

2023 Year-End Highlights

- Annual production was a record 60,678 boe/d (322.7 MMcf/d natural gas, 2,710 bbls/d crude oil, 1,166 bbls/d condensate and 3,021 bbls/d NGLs), in-line with budget despite significant unanticipated externalities including wildfires, third-party outages and extreme temperatures.
- Net capital expenditures^a were \$266 million^b (including an unbudgeted \$10 million acquisition at Conroy), squarely on-budget.
- Year-end net debt^a was approximately \$196 million^b, below our \$200 million to \$250 million target range.
- Repurchased 13.1 million shares in 2023 at an average price of \$8.96 per share. This represents 7.6% of the Corporation's outstanding shares as of year-end 2022.
- The most recent Glacier pad delivered an average IP30 of 15.6 mmcf/d (approximately 30% higher than budgeted) across 5 wells.

(References to 2023 operational and financial results are estimates and have not been reviewed or audited by our independent auditor. Advantage is expected to release its fourth quarter and year-end results after markets close on or about March 4, 2024)

^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 Net capital expenditures and year-end net debt are for Advantage Energy Ltd. only and exclude Entropy Inc. Entropy Inc. is financed by independent investors and is not financed by Advantage.

2024 Capital Program Outlook

With commodities prices currently testing bottom-decile levels due to North American supply growth and an exceptionally warm winter, Advantage is pursuing meaningful reductions to our capital program. Capital spending is expected to fall well below the bottom end of the guidance range (currently \$260 million to \$290 million) in 2024. With December production at over 70,000 boe/d and our 2024 production guidance range of 65,000 to 68,000 boe/d, we have already been able to reduce our planned well count without impacting production guidance, and we are reviewing additional discretionary investments that will not compromise our long-term adjusted funds flow ("AFF") per share^a growth focus. Advantage expects to announce changes to our capital program once they have been finalized during the first quarter.

Management Retirement and Appointment

Mr. David Sterna, Vice President Marketing and Commercial, has announced his decision to retire from Advantage effective May 31, 2024. Mr. Sterna joined Advantage in early 2018 and has been a key member of the management team that has stewarded the Corporation through several significant industry cycles, managed our marketing portfolio and assembled our diversification strategy. The management team and board of directors would like to thank Mr. Sterna for his valuable contributions over the last six years and wish him the best in his retirement.

Advantage is also pleased to announce the appointment of Mr. Brian Bagnell to the position of Vice President,

Commodities and Capital Markets, effective June 1, 2024. Mr. Bagnell joined Advantage in October 2023 as Director, Commodities and Capital Markets and has over 15 years of experience in energy and financial markets. Prior to joining Advantage, Mr. Bagnell was a Senior Vice President at Macquarie Group, spanning roles in equity research and commodities.

Looking Forward

To maximize shareholder value, Advantage remains focused on growing AFF per share^a while maintaining a net debt target of between \$200 million and \$250 million. We are entering the second year of our three-year plan which was designed to be resilient through volatile commodities markets; through strong execution our team has demonstrated improved capital efficiencies allowing us to optimize shareholder returns. While gas prices are currently low, supply/demand fundamentals are expected to become more balanced as we approach the end of 2024.

Since initiating our buyback in April 2022, Advantage has repurchased 19.2% of shares outstanding^c, including 1.5 million shares in January 2024. At least 100% of free cash flow will continue to be allocated to our buyback program while current market conditions persist.

With low-cost, 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.

^c Shares outstanding in April 2022, immediately prior to initiating share buybacks.

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 anticipated benefits to be derived therefrom; that Advantage will be able to deliver its 2024 program with reduced capital, well below the bottom end of its current guidance; the anticipated timing of when Advantage will release its fourth quarter and year-end results; the Corporation's annual average production guidance; that Advantage will review additional discretionary investments that will not compromise its long-term AFF per share growth focus; Advantage's expectations that it will announce changes in its anticipated capital expenditures and the anticipated timing thereof; Advantage's focus on growing AFF per share while maintaining a net debt target of approximately \$200 million to \$250 million; Advantage's expectations that its three-year plan will be resilient through volatile commodities markets; Advantage's expectations that its ability to execute efficiently and improve capital efficiency will allow it to increase shareholder returns while staying on track with its long-term strategy; Advantage's expectations that markets will become more balanced by the end of 2024; Advantage's expectations that its share buyback program will remain active and that it will be funded by at least 100% of its free cash flow; and the Corporation's expectations that it will continue to deliver clean, reliable, sustainable energy, and contribute to a reduction in global emissions by displacing high-carbon fuels. Advantage's actual decisions, activities, results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including, but not limited to: changes in general economic, market and business conditions; industry conditions; 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 Advantage may not deliver its 2024 program with reduced capital below the bottom end of its guidance; the risk that Advantage may not release its fourth quarter and year-end results when anticipated; the risk that the Corporation's annual average production in 2024 may be less than anticipated; the risk that Advantage may not optimize its capital spending in a way that does not compromise its long-term AFF per share growth focus; the risk that Advantage may not announce changes in its anticipated capital expenditures when anticipated, or at all; the risk that Advantage may not grow its AFF per share or maintain its net debt target; the risk that Advantage's three-year plan may not be resilient through volatile commodities markets; the risk that Advantage may not execute efficiently, improve capital efficiency, increase shareholder returns or meet its long-term strategy; the risk that the markets in which Advantage operates may not become more balanced by the end of 2024; 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; 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.sedarplus.ca ("SEDAR+") and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this press release, Advantage has made assumptions regarding, but not limited to: conditions in general economic and financial markets; 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; that by executing efficiently and improving its capital efficiencies Advantage will be able to increase its shareholder returns while staying on track with its long-term strategy; 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, that Advantage will be able to deliver its 2024 program with reduced capital, well below the bottom end of its guidance; that

Advantage will review additional discretionary investments that will not compromise its long-term AFF per share growth focus; Advantage's expectations that it will announce changes in its anticipated capital expenditures and the anticipated timing thereof; Advantage's focus on growing AFF per share while maintaining a net debt target of approximately \$200 million to \$250 million; Advantage's expectations that its ability to execute efficiently and improve capital efficiency will allow it to increase shareholder returns while staying on track with its long-term strategy; Advantage's expectations that its share buyback program will remain active and that it will be funded by at least 100% of its free cash flow; 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.

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

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

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. The results of the Corporation's subsidiary Entropy Inc. are also excluded from the below calculation to provide users with the ability to assess Advantage's results from its oil and gas operations. A reconciliation of the most directly comparable financial measure has been provided below:

(\$000)	Year ended December 31	
	2023	2022
Cash used in investing activities	268,872	265,769
Changes in non-cash working capital	(2,685)	(27,853)
Project funding received	-	5
Net capital expenditures - Advantage	266,187	237,921

Adjusted Funds Flow ("AFF")

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.

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

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 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. The results of the Corporation's subsidiary Entropy Inc. are also excluded from the below calculation to provide users with the ability to assess Advantage's results from its oil and gas operations. 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, 2023 and 2022 is as follows:

	December 31 2023	December 31 2022
Cash and cash equivalents	13,982	36,886
Trade and other receivables	54,592	92,222
Prepaid expenses and deposits	14,848	14,562
Trade and other accrued liabilities	(66,518)	(82,220)
Working capital surplus - Advantage	16,904	61,450

Net Debt

Net debt is a capital management financial measure that provides Management and users with a measure to assess the Corporation's liquidity. The results of the Corporation's subsidiary Entropy Inc. are also excluded from the below calculation to provide users with the ability to assess Advantage's results from its oil and gas operations. 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, 2023 and 2022 is as follows:

	December 31 2023	December 31 2022
Bank indebtedness (non-current)	212,854	177,200
Working capital surplus	(16,904)	(61,450)
Net debt - Advantage	195,950	115,750

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>mdbl</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>mcfce</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>mmcfce/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.

For further information: Craig Blackwood, Chief Financial Officer, (403) 718-8000; OR Investor Relations, Toll free: 1-866-393-0393; Advantage Energy Ltd., 2200, 440 - 2nd Avenue SW, Calgary, Alberta T2P 5E9, Phone: (403) 718-8000, Fax: (403) 718-8332, Web Site: www.advantageog.com, E-mail: ir@advantageog.com

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