

Advantage Announces Strategic Asset Acquisition and Concurrent Financing

The prospectus supplement, the corresponding base shelf prospectus and any amendment thereto in connection with this offering will be accessible through SEDAR+ within two business days

(TSX: [AAV](#))

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CALGARY, AB, June 10, 2024 /CNW/ - Advantage Energy Ltd. ("Advantage" or the "Corporation"), is pleased to announce that it has entered into a definitive asset purchase agreement to acquire high-quality, synergistic Charlie Lake and Montney assets (the "Assets") from a private seller for cash consideration of \$450 million (the "Acquisition"), subject to closing adjustments. The Acquisition is expected to close by the end of June 2024, pending closing conditions, including the receipt of necessary regulatory approvals.

The Acquisition will be funded through a combination of common equity, convertible debentures and an upsized credit facility. The Corporation has entered into an agreement with a syndicate of underwriters to raise gross proceeds of approximately \$65 million of subscription receipts and \$125 million of extendible convertible unsecured subordinated debentures on a bought deal basis, with TD Securities Inc. and Scotiabank as joint bookrunners. The Corporation has also entered a debt commitment letter, led by Scotiabank and jointly underwritten with National Bank of Canada and RBC Capital Markets, for a committed and upsized \$650 million revolving credit facility.

Strategic Rationale

The Acquisition capitalizes on a rare opportunity to consolidate a high-quality, liquids-weighted asset that is contiguous with our existing core areas and complementary to our dominant infrastructure platform. The Assets include more than ten years of top-tier Charlie Lake oil inventory that compares favorably with Advantage's top-tier Wembley oil assets.

Pro-forma, the deal is immediately accretive on all core metrics including adjusted funds flow ("AFF") per share(a), production per share, and free cash flow ("FCF")(a) per share. Over the next 18 months, Advantage plans to maximize FCF(a) by eliminating redundant infrastructure spending, integrating synergies, rerouting production, and reducing drilling capital. While the Acquisition will result in a step change in production, capital spending in 2025 is not expected to increase compared to our prior stand-alone outlook.

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.

(a)

Key Acquisition Highlights

- **Increased scale and efficiency in our core operating areas.** The Acquisition is expected to add approximately 14,100 boe/d (6,685 bbls/d oil, 810 bbls/d NGLs, and 39.7 mmcf/d natural gas) of production in Glacier, Valhalla, Progress, and Gordondale, enabling multi-zone development across portions of our existing land base. The Assets include complementary infrastructure, with over 60 mmcf/d of gas handling capacity and 22,500 bbl/d of liquids handling capacity.
- **High quality oil-weighted production and drilling inventory.** The Assets include 163 net sections of Charlie Lake rights in the premium productive fairway, with over 100 top-tier locations mapped and drill-ready. Pro-forma, total liquids production is expected to increase to approximately 13,600 bbls/d (9,300 bbls/d oil and 4,300 bbls/d NGLs) in the first half of 2025, more than double the same period in 2024, increasing our operating netback(a) over the next twelve months by approximately 11% while improving the balance of our commodities price exposure. Liquids volumes are heavily weighted to higher-value oil and condensate.
- **Highly accretive transaction.** The Acquisition is expected to be immediately accretive on key metrics, including 24% higher AFF per share(a) (assuming current forward pricing) and 12% higher production per share over the next twelve months. The purchase price of \$450 million equates to attractive metrics of approximately 3.2x operating income(a), \$32,000/boe/d(a) on production, and \$10.51 per boe of proved reserves.
- **Increased FCF.** Lower relative spending and higher netbacks are expected to deliver an increased FCF profile. On current forward pricing, Advantage expects FCF(a) in 2025 to be almost double our prior outlook.
- **Lower payout ratio.** On current forward pricing, our pro-forma payout ratio(a) falls to 73% (from 86%) over the next

twelve months and to 61% (from 73%) in 2025.

- **Material synergies.** Unique operational overlap and integration opportunities should allow Advantage to significantly reduce its capital spending and operating costs of the Assets. A portion of the acquired gas volumes are planned to be rerouted into our new Progress gas plant, reducing drilling expenditures. Certain infrastructure investments that were planned by the prior operator will become redundant. The Assets include third-party gas processing capacity which will unlock incremental, highly economic growth at Wembley.
- **Significant Montney upside.** The Acquisition includes 70 net sections of highly prospective Montney lands, with 37 net sections in the greater Progress area and 33 net sections adjacent to Attachie/Inga.

Revised Corporate Outlook

Advantage's long-term focus on maximizing AFF per share growth remains unchanged. As a result of the Acquisition, Advantage now expects to exceed our per-share growth targets, so our strategy will temporarily shift towards moderating organic growth spending and maximizing the pace of de-levering. Based on the larger production base and structurally higher AFF levels, we have adjusted our net debt target to \$450 million (0.9x net debt to trailing AFF ratio(a) in 2025 at forward pricing). As we approach our net debt target, forecasted to be by year-end 2025, our capital allocation focus will shift back to AFF per share growth and shareholder returns.

While de-levering, Advantage intends to reduce exposure to commodities price risk via a moderate hedging program. Currently hedging levels are approximately 22% of pro-forma oil and natural gas production through year-end 2025. Subject to changing supply/demand fundamentals, Advantage expects to hedge between 30% and 50% of its total production.

We remain focused on our existing development assets in the Montney. However, upon closing the Acquisition, fewer wells will be needed to fill our Glacier-Progress gas plant complex than previously planned. Additional capital reductions are possible due to synergies from regional infrastructure consolidation and production optimization. Advantage expects annual production to grow by roughly 20% in 2024 and 14% in 2025.

Advantage plans to hold production from the acquired Charlie Lake assets at current levels for the foreseeable future, with a focus on drilling only the highest return wells and seamless integration of the Assets.

Advantage plans to host an Investor Day in the fall of 2024 to update investors on its integration of the Charlie Lake assets and our updated strategic plan through 2026.

Reserves

Booked reserves for the Assets are primarily highly economic Charlie Lake oil locations. Following a lengthy delineation program by the prior operator, the lands have been extensively high-graded with more than a decade of top-tier development locations and will compete for capital with our Tier 1 locations at Wembley.

Summary of Acquired Reserves(1)

As of December 31, 2023	Light Crude Oil and Medium Crude Oil (Mbbbl)	Natural Gas Liquids (Mbbbl)	Conventional Natural Gas (Mmcf)	Total Oil Equivalent (Mboe)
Proved Developed Producing	5,390	836	41,712	13,179
Total Proved	19,035	2,710	126,491	42,827
Total Proved + Probable	29,826	4,090	192,003	65,916

Notes:

Reserves estimates are based upon an evaluation by McDaniel & Associates Consultants Ltd. ("McDaniel") with an effective date of December 31, 2023 computed using the average of the forecasts by McDaniel, GLJ Petroleum

- (1) *Consultants Ltd. and Sproule Associates Ltd. effective December 31, 2023, prior to the provision for income taxes, interests, debt services charges and general and administrative expenses. Represents gross working interest reserves before royalties. It should not be assumed that the discounted future net revenue estimated by McDaniel represents the fair market value of the reserves.*

- (2) *Assumes that development of reserves will occur, without regard to the likely availability of funding required for that development.*

Approximately 1% of the current production and 4% of the year-end 2023 reserves attributable to the Assets are subject to rights of first refusal held by third parties. The information set forth in this news release assumes that none of these rights (3) of first refusal will be exercised by such parties. To the extent that such rights are exercised, the above pro-forma financial, operational and reserves information will be modified to the extent that such Assets are not acquired by Advantage.

Year-end 2023 reserves do not reflect the prior operator's successful drilling program in the first half of this year, which included a Glacier Charlie Lake well that delivered an initial 30-day production rate (IP30) of 1,350 boe/d (1,100 bbls/d oil, 31 bbls/d NGLs, and 1.3 mmcf/d natural gas).

2024 Forward Looking Information(1)	Current Guidance(1)(2)	Pro-forma Guidance(1)(2)
Cash Used in Investing Activities (millions) (3)	\$220 to \$250	\$280 to \$310
Average Production (boe/d)	65,000 to 68,000	72,000 to 74,000
Liquids Production (%)	~10%	~13%
Royalty Rate (%)	7% to 9%	9% to 10%
Operating Expense (\$/boe) (4)	\$3.85	\$5.00
Transportation Expense (\$/boe) (4)	\$3.95	\$3.50
G&A/Finance Expense (\$/boe) (4)	\$1.90	\$2.50

Notes:

- (1) *Forward-looking statements and information representing Management estimates. Pro-forma assumes the Acquisition and the Offering closes as expected. Refer to "Forward Looking Information Advisory".*
- (2) *Guidance numbers are for Advantage Energy Ltd. only including the Assets 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. Please see "Specified Financial Measures".*
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
- (4) *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.*

Acquisition Financing

The purchase price and transaction expenses related to the Acquisition will be funded with a combination of: (i) net proceeds from a bought deal offering consisting of \$65 million of subscription receipts and \$125 million principal amount of extendible convertible unsecured subordinated debentures, and (ii) draws on an upsized \$650 million credit facility.

In connection with the Acquisition, Advantage has entered into a debt commitment letter, led by Scotiabank and jointly underwritten with National Bank of Canada and RBC Capital Markets, to provide a committed and upsized \$650 million revolving credit facility ("Upsized Credit Facility") to replace its existing \$350 million revolving credit facility. The Toronto-Dominion Bank has provided a lead order commitment in support of the Upsized Credit Facility and will enter the bank syndicate.

Additionally, Advantage has entered into an agreement with a syndicate of underwriters (the "Underwriters"), led by TD Securities Inc. and Scotiabank, pursuant to which the Underwriters have agreed to purchase from the Corporation, on a bought deal basis, 5,910,000 subscription receipts at a price of \$11.00 per Subscription Receipt for gross proceeds of approximately \$65 million (the "Subscription Receipts") (the "Equity Offering") and \$125 million aggregate principal amount of 5.0% extendible convertible unsecured subordinated debentures (the "Debentures") at a price of \$1,000 per debenture (the "Debenture Offering", and together with the Equity Offering, the "Offering"). Closing of the Offering is expected to occur on or about June 18, 2024 (the "Closing Date").

Advantage has granted to the Underwriters over-allotment options exercisable, in whole or in part, at any time and from time to time until the earlier of (i) the 30th day following the closing date of the Offering, and (ii) the Termination Time (as defined below) or the Debenture Termination Time (as defined below), as applicable, to purchase up to an additional 886,500 Subscription Receipts and up to an additional \$18.75 million aggregate principal amount of Debentures, on the same terms and conditions as the Equity Offering and the Debenture Offering, respectively, to cover over-allotments and for market stabilization purposes. Any exercise of over-allotment options, in whole or in part, will reduce the draw on the credit facility at the closing of

the Acquisition.

Each Subscription Receipt will entitle the holder thereof to automatically receive, without payment of any additional consideration or further action on the part of the holder, one common share of Advantage (each, a "Common Share") upon closing of the Acquisition.

The proceeds from the sale of the Subscription Receipts (the "Escrowed Proceeds") will be held by Computershare Trust Company of Canada, as subscription receipt agent (the "Subscription Receipt Agent"). If (i) by 5:00 p.m. (Calgary time) on July 31, 2024; (a) an escrow release notice and direction (the "Escrow Release Notice and Direction") is not delivered to the Subscription Receipt Agent prior to such time; or (b) an Escrow Release Notice and Direction has been delivered to the Subscription Receipt Agent prior to such time, but the Escrowed Proceeds are subsequently returned to the Subscription Receipt Agent and no further Escrow Release Notice and Direction is delivered to the Subscription Receipt Agent prior to such time; (ii) the definitive agreement for the Acquisition is terminated; (iii) the Corporation gives notice to TD Securities Inc. and Scotiabank, on behalf of the Underwriters, that it does not intend to proceed with the Acquisition; or (iv) the Corporation announces to the public that it does not intend to proceed with the Acquisition (each, a "Termination Event" and the time of the earliest of such Termination Event to occur, the "Termination Time" and the date on which such Termination Time occurs, the "Termination Date"), the Subscription Receipt Agent will pay to each holder of Subscription Receipts, no earlier than the third business day following the Termination Date, an amount per Subscription Receipt equal to the issue price in respect of such Subscription Receipt, plus such holder's proportionate share of any interest and other income received or credited on the investment of the Escrowed Proceeds between the Closing Date and the Termination Date.

The Debentures will bear interest at a rate of 5.0% per annum from the Closing Date, payable semi-annually in arrears on June 30 and December 31 in each year, commencing December 31, 2024. The initial maturity date of the Debentures will be the Debenture Termination Date (as defined below) (the "Initial Maturity Date"), which will be no later than July 31, 2024. Upon closing of the Acquisition, the Initial Maturity Date will be automatically extended to June 30, 2029 (the "Final Maturity Date"). Provided that the maturity date for the Debentures is extended to the Final Maturity Date, the Debentures will be convertible at the option of the holder into Common Shares at any time prior to 5:00 p.m. (Calgary time) on the earliest of: (i) the last business day immediately prior to the Final Maturity Date, and (ii) the last business day immediately preceding the date specified by the Corporation for redemption of the Debentures, at a conversion price of \$14.58 per Common Share (the "Conversion Price"), being a ratio of 68.5871 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain events to be described in the trust indenture to be entered into by the Corporation and Computershare Trust Company of Canada governing the Debentures.

If: (i) the closing of the Acquisition does not occur by 5:00 p.m. (Calgary time) on July 31, 2024; (ii) the definitive agreement for the Acquisition is terminated; (iii) the Corporation gives notice to TD Securities Inc. and Scotiabank, on behalf of the Underwriters, that it does not intend to proceed with the Acquisition; or (iv) the Corporation announces to the public that it does not intend to proceed with the Acquisition (each, a "Debenture Termination Event" and the time of the earliest of such Debenture Termination Event to occur, the "Debenture Termination Time" and the date on which such Debenture Termination Time occurs, the "Debenture Termination Date"), the maturity date of the Debentures will remain the Initial Maturity Date and the holders shall be entitled to receive the principal amount of the Debentures at par together with all accrued and unpaid interest thereon.

It is a condition of closing that the Subscription Receipts, the Debentures, the Common Shares issuable pursuant to the terms of the Subscription Receipts and the Common Shares to be issued upon conversion, redemption or maturity of the Debentures be listed on the Toronto Stock Exchange ("TSX"). The Common Shares currently trade on the TSX under the symbol "AAV".

The Subscription Receipts and the Debentures will be offered in all provinces of Canada (excluding Québec) by way of a prospectus supplement to Advantage's short form base shelf prospectus dated June 10, 2024 (the "Base Shelf Prospectus") to be filed on June 12, 2024 (the "Prospectus Supplement"). In addition, the Subscription Receipts and the Debentures may be offered in the United States in transactions exempt from registration under the *U.S. Securities Act of 1933*, as amended (the "U.S. Securities Act") and applicable state securities laws.

This announcement does not constitute an offer to sell or a solicitation of an offer to buy securities in the United States, nor may any securities referred to herein be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act and the rules and regulations thereunder. The securities referred to herein have not been and will not be registered under the U.S. Securities Act or any state securities laws. Accordingly, the Offered Shares may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

Access to the Base Shelf Prospectus, the Prospectus Supplement, and any amendments to the documents are provided in accordance with securities legislation relating to procedures for providing access to a base shelf prospectus, a prospectus supplement and any amendment to the documents. The Base Shelf Prospectus is, and the Prospectus Supplement will be (within two business days from the date hereof), accessible through SEDAR+ at www.sedarplus.ca. An electronic or paper copy of the Base Shelf Prospectus, the corresponding Prospectus Supplement (when filed) and any amendments to the documents may be obtained, without charge, from TD Securities Inc. at 1625 Tech Avenue, Mississauga, Ontario L4W 5P5 Attention:

Symcor, NPM, or by telephone at (289) 360-2009 or by email at sdccconfirms@td.com, by providing such contact with an email address or address, as applicable. Prospective investors should read the Base Shelf Prospectus and Prospectus Supplement (when filed) and the other documents the Company has filed on SEDAR+ before making an investment decision.

Advisors

TD Securities is acting as exclusive financial advisor on the Acquisition. Scotiabank is acting as strategic advisor on the Acquisition.

Burnet, Duckworth & Palmer LLP is acting as legal counsel to Advantage with respect to the Acquisition, the revised credit facilities and the Offering. Paul, Weiss, Rifkind, Wharton & Garrison LLP is acting as U.S. legal counsel to Advantage with respect to the Offering. Blake, Cassels & Graydon LLP is acting as Canadian legal counsel to the Underwriters with respect to the Offering.

National Bank Financial and RBC Capital Markets acted as financial advisors to the vendor.

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; the anticipated timing, conditions and sources of funding of the Acquisition and the anticipated benefits to be derived therefrom, including, but not limited to anticipated increases in Advantage's AFF per share and production per share over the next twelve months, increases in its FCF in 2025 and decreases in its payout ratio over the next twelve months and in 2025; anticipated levels of production of the assets being acquired pursuant to the Acquisition; anticipated synergies resulting from the Acquisition allowing Advantage to reduce its future capital spending and operating costs; Advantage's plans to maximize FCF and the anticipated means thereof; Advantage's expectations that its capital spending in 2025 will not increase compared to its prior outlook; Advantage's long-term focus of maximizing AFF per share growth and share buybacks; Advantage's expectations that it will exceed its per-share growth targets as a result of the Acquisition and its expectation that its strategy will temporarily shift towards moderating organic growth spending and maximizing the pace of delevering; Advantage's net debt and net debt/AFF targets and the anticipated timing thereof; Advantage's hedging program and the anticipated benefits to be derived therefrom; Advantage's future drilling plans at certain of its locations as a result of the Acquisition and its anticipated production growth in 2024 and 2025; that Advantage will host an Investor Day and the anticipated contents and timing thereof; Advantage's pro forma 2024 guidance, including its anticipated cash used in investing activities, average daily production, liquids production, royalty rate, operating expense, transportation expense and G&A/finance expense; Advantage's anticipated means of financing the Acquisition, including the anticipated terms and timing thereof; Advantage's expectations that the Subscription Receipts, the Debentures and the Common Shares issuable pursuant to the terms of the Subscription Receipts and the Debentures will be listed on the TSX; that Advantage will file a Prospectus Supplement and the anticipated timing thereof; 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; 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 Acquisition or the Acquisition financings may not close when anticipated, or at all, and may not result in the benefits anticipated; the risk that Advantage may not satisfy all closing conditions or receive all necessary regulatory approvals for the Acquisition when anticipated, or at all; the risk that Advantage's capital spending in 2025 may be greater than anticipated; the risk that third parties may exercise rights of first refusal over certain of the Assets; the risk that the assets being acquired pursuant to the Acquisition may have lower levels of production than anticipated; the risk that the Acquisition may not lead to the financial results anticipated; the risk that Advantage may not exceed its per-share growth targets as a result of the Acquisition; the risk that Advantage may not meet its net debt or net debt/AFF targets when anticipated, or at all; the risk that Advantage's hedging program may not result in the benefits anticipated; the risk that Advantage's production in 2024 and 2025 may be less than anticipated; the risk that Advantage may not complete the Acquisition financings when anticipated on the terms anticipated, or at all; the risk that the Subscription Receipts, the Debentures and the Common Shares issuable pursuant to the terms of the Subscription Receipts and the Debentures may not be listed on the TSX; the risk that Advantage may not file a Prospectus Supplement 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.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; 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; the closing of the Acquisition and the Acquisition financings will occur when anticipated and on the terms anticipated without the significant exercise by third parties of rights of first refusal over certain of the Assets; ability to meet the conditions to closing of the Acquisition, including receipt of regulatory approvals; ability to meet the conditions to closing of the Offering, including the listing of the Subscription Receipts, the Debentures and the Common Shares issuable pursuant to the terms of the Subscription Receipts and the Debentures on the TSX; that Advantage will modify its pro-forma financial, operational and reserves information to the extent that the Assets are not acquired by it; anticipated debt levels, operational expenses and tax rates following closing of the Acquisition and Financing; the performance of Advantage's business and the assets Acquired pursuant to the Acquisition; impacts of the acquisition on the Corporation's hedging program; and timing and receipt of regulatory approvals. 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: Advantage's anticipated increases in its AFF per share over the next twelve months, increases in its FCF in 2025 and decreases in its payout ratio over the next twelve months and in 2025 as a result of the Acquisition; Advantage's expectations that its capital spending in 2025 will not increase compared to its prior outlook; Advantage's net debt and net debt/AFF targets and the anticipated timing thereof; Advantage's hedging program and the anticipated benefits to be derived therefrom; Advantage's pro forma 2024 guidance, including its anticipated cash used in investing activities, average daily production, liquids production, royalty rate, operating expense, transportation expense and G&A/finance expense; and Advantage's anticipated means of financing the Acquisition, including the anticipated terms and timing thereof; 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.

This press release contains forward-looking statements which are estimates of Advantage's 2024 and 2025 operating and financial results including production, adjusted funds flow, capital spending and FCF. The foregoing estimates are based on various assumptions and are provided for illustration only and are based on forecasts that have not been finalized and are subject to change and a variety of contingencies including prior results. In addition, the foregoing estimates and assumptions underlying the 2025 forecasts are Management prepared only and have not been approved by the Board of Directors of Advantage. These forecasts are made as of the date of this presentation and except as required by applicable securities laws, Advantage undertakes no obligation to update such forecasts. In addition to the assumptions listed above, Advantage has made the following assumptions with respect to the 2024 and 2025 forecasts contained in this presentation, unless otherwise specified:

- The Acquisition and the Offering closes as expected.
- Production growth of approximately 20% in 2024 and 14% in 2025 with the proportion of liquids representing 13% in 2024 and 16% in 2025.
- Net capital expenditures of \$280 million to \$310 million for each of 2024 and 2025.
- Assumed no share buybacks until net debt target of \$450 million is achieved.
- Commodity prices utilizing forward pricing assumptions: WTI US\$/bbl (2024–\$78, 2025–\$73), AECO \$CDN/GJ (2024–\$1.80, 2025–\$2.95), FX \$CDN/\$US (2024–1.36, 2025–1.35).
- Current hedges (See Advantage's [website](#)).
- Advantage expects it will not be subject to cash taxes until calendar 2027 due to its over \$1 billion in high-quality tax pools (See note 15 "Income taxes" in Advantage's Consolidated Financial Statements for the year ended December 31, 2023 for estimated tax pools available). Tax pools are increased for net capital expenditures and reduced for tax pools used to reduce taxable income in a specific year.

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.

Reserves

The reserves disclosures contained in this news release with respect to the assets associated with the Acquisition are derived from the evaluation by McDaniel & Associates Consultants Ltd. ("**McDaniel**"), the Vendor's independent reserves evaluators, dated June 7, 2024 with an effective date of December 31, 2023 (the "**McDaniel Acquisition Report**"). The McDaniel Acquisition Report was prepared using assumptions and methodology guidelines outlined in the COGE Handbook and in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("**NI 51-101**"). The reserves have been categorized in accordance with the reserves definitions as set out in the COGE Handbook, which are set out below. Reserves are estimated remaining quantities of petroleum anticipated to be recoverable from known accumulations, as of a given date, based on the analysis of drilling, geological, geophysical, and engineering data; the use of established technology; and specified economic conditions, which are generally accepted as being reasonable. Reserves are further classified according to the level of certainty associated with the estimates and may be sub-classified based on development and production status. Proved reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations. Probable reserves are those additional quantities of petroleum that are less certain to be recovered than proved reserves, but which, together with proved reserves, are as likely as not to be recovered. It should not be assumed that the future net revenues included in this news release represent the fair market value of the reserves. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties due to the effects of aggregation.

Drilling Locations

This press release discloses drilling locations in three categories: (i) proved locations; (ii) probable locations; and (iii) unbooked locations. In respect of the Acquired Assets, proved locations and probable locations are derived from the McDaniel Acquisition Report and account for drilling locations that have associated proved and/or probable reserves, as applicable. Unbooked locations are internal estimates based on 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. In respect of the assets to be acquired pursuant to the Acquisition, of the 100 gross drilling locations identified herein, 72 gross are proved locations, 21 gross are probable locations and 7 gross are unbooked locations. Unbooked locations have been identified by management as an estimation of Advantage's multi-year drilling activities based on evaluation of applicable geologic, seismic, engineering, production and reserves information. There is no certainty that Advantage will drill all unbooked drilling locations and if drilled there is no certainty that such locations will result in additional oil and gas reserves or production. The drilling locations on which Advantage actually drills 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, some of the other unbooked drilling locations are further 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 or production.

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. 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 months ended March 31, 2024, 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

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 calculation of net capital expenditures to provide users with the ability to assess Advantage's results from its oil and gas operations.

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.

Free Cash Flow ("FCF")

Advantage computes FCF as adjusted funds flow less net capital expenditures. Advantage uses FCF 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.

Operating Income or Operating Netback

Operating income or operating netback is comprised of natural gas and liquids sales, realized gains (losses) on derivatives, processing and other income, net sales of purchased natural gas, net of expenses resulting from field operations, including royalty expense, operating expense and transportation expense. The Corporation considers operating income or operating netback to be a useful measure of Advantage's ability to generate cash from production from field operations which may be used to satisfy other expenses, settle outstanding debt and obligations, support future capital expenditures plans, or return capital to shareholders.

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.

Net Debt to Adjusted Funds Flow

Net debt to adjusted funds flow is derived by dividing net debt, which is a capital management measure, by adjusted funds flow for the previous four quarters, which is a non-GAAP financial measure. 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 debt if it devoted all of its adjusted funds flow to debt repayment.

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.

Operating Netback per BOE

Operating netback per BOE is calculated as operating income divided by boe of production 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.

Capital Management Measures

Net Debt

Net debt is a capital management financial measure that provides Management and users with a measure to assess the Corporation's liquidity. The results of the Corporation's subsidiary Entropy Inc. are also excluded from the calculation of net debt 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.

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
- Purchase price per boe
- Purchase price per boe of proved reserves

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 acquisitions and dispositions, and net capital expenditures incurred by Entropy 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.

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

bbl	one barrel
bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent of natural gas, on the basis of one barrel of oil or NGLs for six thousand cubic feet of natural gas
boe/d	barrels of oil equivalent of natural gas per day
COGE Handbook	the "Canadian Oil and Gas Evaluation Handbook" maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter), as amended from time to time
mboe	thousand barrels of oil equivalent of natural gas
mcf	thousand cubic feet
mcf _e	thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel of oil or NGLs
mm	million
mmcf/d	million cubic feet per day

<i>IP30</i>	<i>average initial production rate over 30 consecutive days</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>
<i>NPV10</i>	<i>net present value using a 10% discount rate</i>

SOURCE Advantage Energy Ltd.

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<https://advantageog.mediaroom.com/2024-06-10-Advantage-Announces-Strategic-Asset-Acquisition-and-Concurrent-Financing>