

Advantage Announces Third Quarter 2024 Financial and Operating Results, 2024 Capital Spending Reduction

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(TSX: AAV)

CALGARY, Oct. 24, 2024 - [Advantage Energy Ltd.](#) ("Advantage" or the "Corporation") is pleased to report 2024 third quarter operating results including record production, strong liquids performance, and lower operating costs.

2024 Third Quarter Financial Highlights

- Cash provided by operating activities of \$46.7 million.
- Adjusted funds flow ("AFF")^(a) of \$54.7 million or \$0.33/share^(a) for Advantage^(b) and \$52.3 million or \$0.31/share^(a) consolidated.
- Cash used in investing activities was \$52.8 million.
- Net capital expenditures^(a) were \$54.9 million for Advantage^(b) and \$66.7 million consolidated.
- Net debt^(a) of \$621.9 million for Advantage^(b) and \$694.0 million consolidated.

2024 Third Quarter Operating Highlights

- Third quarter average production was 74,371 boe/d, an increase of 12% over the second quarter of 2024 and 16% over third quarter 2023.
- Natural gas production was 369.3 mmcf/d, an increase of 4% over the second quarter of 2024 and 9% over third quarter 2023. Approximately 5,000 boe/d of dry gas was curtailed during periods of very low AECO prices during the quarter.
- Liquids production was 12,820 bbls/d (8,144 bbls/d oil, 1,055 bbls/d condensate, and 3,621 bbls/d NGLs), an increase of 15% over the second quarter of 2024, and represented 71% of sales revenue.

(a) Specified financial measure which is not a standardized measure under International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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 Accounting Standards measure.

(b) "Advantage" refers to Advantage Energy Ltd. only and excludes its subsidiary Entropy Inc. Acquisition Integration and Development Plan Update

Since the closing of our acquisition in June (see our June 10, 2024 press release), we have focused on integration of the acquisition and are pleased with our initial results. Operating costs in the third quarter averaged \$5.55/boe, well below our expectation of \$6.50/boe. We have curtailed very low-cost gas volumes at Glacier. In addition, base decline rates^(a) of the new assets are trending shallower than expected.

Advantage's initial Charlie Lake drilling program began in September, and includes seven net wells before the end of 2024 at two locations with strong economics. Our initial focus for the assets is to keep production steady while generating significant cash flow and debt reduction. Additional details of our development plan will be provided in December with our 2025 budget.

Construction continues on our 75 mmcf/d Progress 4-21 gas plant, which we expect to be on-stream in the second quarter of 2025. Completion of this facility will unlock significant synergies from the acquisition through regional infrastructure and production optimization, resulting in lower operating costs and stronger operating netbacks. The Progress gas plant will also provide incremental process optimization and phase of low-cost production growth at Glacier into 2026 and 2027.

Operational and Financial Discipline, Capital Guidance Update

Glacier is amongst the lowest-cost natural gas assets in North America. However, daily prices at key regional hubs, including at AECO and Empress, fell to as low as \$0.05/GJ at times during September and early October. As such, Advantage responsibly chose to curtail production by as much as 130 mmcf/d on certain days to maximize free cash flow and reduce depletion.

Production curtailments by Advantage and a small number of its peers, combined with increasing seasonal demand, supported in a sharp recovery in Western Canadian cash prices in October, which allowed us to restore production to capacity quickly. We expect market conditions for natural gas to improve in 2025 and beyond as a result of growing exports and increasing Western Canadian natural gas demand.

Along with production curtailments, Advantage has been prudently managing its capital program during periods of low natural gas prices by deferring drilling and completions on certain wells that had previously been planned for the second half of 2024. As a result, our 2024 capital spending guidance range has been reduced by \$15 million (now \$245 million to \$275 million) with production guidance unchanged.

On June 21, 2024, Canadian Parliament's Bill C-59 was approved into law, establishing a path for Advantage to receive a credit from the CCUS ITC program. This credit is expected to be accrued against our 2024 capital spending; however, the exact timing of those proceeds is not certain.

Marketing Update

Advantage has hedged approximately 37% of its forecasted natural gas production through the end of 2024, as well as 36% for calendar 2025 and 22% for calendar 2026. Advantage has also hedged approximately 65% of its oil and condensate production in the second half of 2024, as well as 50% in the first half of 2025 and 15% in the second half of 2025.

Looking Forward

Advantage's long-term focus is on maximizing AFF per share^(a) growth. As a result of the acquisition, Advantage now expects to exceed our per-share growth targets, so our strategy has temporarily shifted towards maximizing the pace of de-levering, with a focus on achieving our net debt^(a) target of \$450 million.

Debt reduction is Advantage's top priority, and we are evaluating various options to reach our net debt target more quickly, including non-core asset sales. We anticipate providing investors with an update early this winter. While Advantage is focused on reaching our net debt target as quickly as possible, we may consider opportunistic share buybacks if our share price becomes temporarily disconnected from fundamentals.

Advantage plans to host a virtual Investor Day on December 10, 2024, to discuss our 2025 budget and our refreshed three-year plan.

Conference call

Advantage's management team will discuss third quarter 2024 financial and operational results in a conference call and webcast presentation on Friday, October 25, 2024 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time).

To participate by phone, please call 1-888-510-2154 (North American toll-free) or 1-437-900-0527 (International). A recording of the conference call will be available for replay by calling 1-888-390-0541 and entering the conference replay code 45421#. The replay will be available until November 1, 2024.

To join the conference call without operator assistance, you may enter your details and phone number at <https://emportal.ink/47XgccX> to receive an instant automated call back. You may also stream the event via webcast at <https://app.webinar.net/VWbRzWXy0ek>.

Below are complete tables showing financial and operating highlights.

| Financial Highlights | Three months endedNine months ended | | | |
|--|-------------------------------------|----------|--------------|-----------|
| | September 30 | | September 30 | |
| | 2024 | 2023 | 2024 | 2023 |
| (\$000, except as otherwise indicated) | | | | |
| Financial Statement Highlights | | | | |
| Natural gas and liquids sales | 139,840 | 140,724 | 379,818 | 393,963 |
| Net income (loss) and comprehensive income (loss) ⁽³⁾ | (6,490) | 28,314 | 4,589 | 60,571 |
| per basic share ⁽²⁾ | (0.04) | 0.17 | 0.03 | 0.36 |
| per diluted share ⁽²⁾ | (0.04) | 0.16 | 0.03 | 0.35 |
| Basic weighted average shares (000) | 166,972 | 167,702 | 162,941 | 167,434 |
| Diluted weighted average shares (000) | 166,972 | 172,182 | 166,116 | 172,979 |
| Cash provided by operating activities | 46,719 | 90,376 | 161,183 | 234,297 |
| Cash provided by (used in) financing activities | (1,097) | (3,562) | 458,288 | (18,143) |
| Cash used in investing activities | (52,765) | (49,886) | (626,523) | (223,915) |
| Other Financial Highlights | | | | |
| Adjusted funds flow ⁽¹⁾ | 52,260 | 81,862 | 160,007 | 231,076 |
| per boe ⁽¹⁾ | 7.64 | 13.86 | 8.47 | 14.57 |
| per basic share ⁽¹⁾⁽²⁾ | 0.31 | 0.49 | 0.98 | 1.38 |
| per diluted share ⁽¹⁾⁽²⁾ | 0.31 | 0.48 | 0.96 | 1.34 |
| Net capital expenditures ⁽¹⁾ | 66,727 | 61,234 | 637,749 | 242,858 |
| Free cash flow (negative) ⁽¹⁾ | (14,668) | 20,628 | (32,468) | (11,782) |
| Bank indebtedness | 469,551 | 226,127 | 469,551 | 226,127 |
| Net debt ⁽¹⁾ | 693,959 | 236,311 | 693,959 | 236,311 |

⁽¹⁾ Specified financial measure which is not a standardized measure under IFRS Accounting Standards and may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures" for the composition of such specified financial measure, an explanation of how such specified financial measure provides useful information to a reader and the purposes for which Management of Advantage uses the specified financial measure, and/or where required, a reconciliation of the specified financial measure to the most directly comparable IFRS Accounting Standards measure.

⁽²⁾ Based on basic and diluted weighted average shares outstanding.

⁽³⁾ Net income and comprehensive income attributable to Advantage Shareholders.

| Operating Highlights | Three months ended | | | | Nine months ended | | | |
|---|--------------------|---------|--------------|---------|-------------------|------|--------------|------|
| | September 30 | | September 30 | | September 30 | | September 30 | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Operating | | | | | | | | |
| Production | | | | | | | | |
| Crude oil (bbls/d) | 8,144 | 3,035 | 4,615 | 2,527 | | | | |
| Condensate (bbls/d) | 1,055 | 1,368 | 1,162 | 1,134 | | | | |
| NGLs (bbls/d) | 3,621 | 3,174 | 3,042 | 2,913 | | | | |
| Total liquids production (bbls/d) | 12,820 | 7,577 | 8,819 | 6,574 | | | | |
| Natural gas (Mcf/d) | 369,306 | 339,709 | 360,791 | 309,060 | | | | |
| Total production (boe/d) | 74,371 | 64,195 | 68,951 | 58,083 | | | | |
| Average realized prices (including realized derivatives) ⁽²⁾ | | | | | | | | |
| Natural gas (\$/Mcf) | 1.65 | 2.96 | 2.10 | 3.40 | | | | |
| Liquids (\$/bbl) | 85.05 | 77.91 | 83.74 | 77.03 | | | | |
| Operating Netback (\$/boe) | | | | | | | | |
| Natural gas and liquids sales ⁽¹⁾ | 20.44 | 23.83 | 20.10 | 24.85 | | | | |
| Realized gains on derivatives ⁽¹⁾ | 2.44 | 1.02 | 1.62 | 1.84 | | | | |
| Processing and other income ⁽¹⁾ | 0.15 | 0.39 | 0.27 | 0.32 | | | | |
| Net sales of purchased natural gas ⁽¹⁾ | - | - | - | (0.02) | | | | |
| Royalty expense ⁽¹⁾ | (2.83) | (1.55) | (1.88) | (2.03) | | | | |
| Operating expense ⁽¹⁾ | (5.55) | (3.85) | (4.67) | (3.89) | | | | |
| Transportation expense ⁽¹⁾ | (3.88) | (3.70) | (3.94) | (4.10) | | | | |
| Operating netback ⁽¹⁾ | 10.77 | 16.14 | 11.50 | 16.97 | | | | |

⁽¹⁾ Specified financial measure which is not a standardized measure under IFRS Accounting Standards and may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures" for the composition of such specified financial measure, an explanation of how such specified financial measure provides useful information to a reader and the purposes for which Management of Advantage uses the specified financial measure, and/or where required, a reconciliation of the specified financial measure to the most directly comparable IFRS Accounting Standards measure.

⁽²⁾ Average realized prices in this table are considered specified financial measures which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

The Corporation's unaudited consolidated financial statements for the three and nine months ended September 30, 2024 together with the notes thereto, and Management's Discussion and Analysis for the three and nine months ended September 30, 2024 have been filed on SEDAR+ and are available on the Corporation's website at <https://www.advantageog.com/investors/financial-reports>. Upon request, Advantage will provide a hard copy of any financial reports free of charge.

Forward-Looking Information Advisory

The information in this press release contains certain forward-looking statements, including within the meaning of applicable securities laws. These statements relate to future events or our future intentions or performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's position, strategy and development plans and the benefits to be derived therefrom; Advantage's focus for its Charlie Lake assets, including maintaining steady production levels while generating significant free cash flow, supporting debt reduction; the anticipated timing of when Advantage expects to provide additional details regarding its development program and its 2025 capital budget; the anticipated timing of when Advantage expects its gas plant at Progress will be on-stream and the anticipated benefits to be derived therefrom, including lower operating costs, stronger operating netbacks and incremental processing capacity; expectations of low-cost production growth at Glacier in 2026 and 2027; expectations that market conditions for natural gas will improve in 2025; Advantage's 2024 capital spending guidance; expectations that the Corporation's previously incurred carbon capture expenditures will be eligible expenditures under the CCUS ITC program and the amount that Advantage expects to receive therefrom; the Corporation's long-term focus on maximizing AFF per share growth and its expectations that it will exceed its per-share growth targets as a result of the acquisition; Advantage's strategy of maximizing the pace of de-levering, with a focus on achieving its net debt target; Advantage's net debt target and the anticipated timing thereof; that Advantage may consider opportunistic share buybacks; expectations that Advantage will host a virtual investor day and the anticipated timing and contents thereof; and the Corporation's natural gas hedging program. 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, industry and business 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's Charlie Lake assets may have lower production than anticipated and may generate less free cash flow than anticipated; the risk that Advantage may not provide additional details regarding its development program and its 2025 capital budget when anticipated; the risk that Advantage's gas plant at Progress may not come on-stream when anticipated, or at all, or lead to the benefits anticipated; the risk that market conditions for natural gas in 2025 may be less favorable than anticipated; the risk that the Corporation's previously incurred carbon capture expenditures may not be eligible expenditures under the CCUS ITC program and that Advantage may receive less money from the CCUS ITC program than anticipated; the risk that Advantage may not buyback any of its shares; the risk that the Corporation's AFF per share may be less than anticipated and that the Corporation may not meet its per-share growth targets; the risk that Advantage may not maximize the pace of de-levering; and the risk that the Corporation's net debt and capital spending may be greater than anticipated. Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form which is available at www.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 Advantage's per share growth will increase as a result of the acquisition; and the estimates of the Corporation's production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects. Readers are cautioned that the foregoing lists of factors are not exhaustive.

The future acquisition by the Corporation of the Corporation's common shares pursuant to its share buyback program, if any, and the level thereof is uncertain. Any decision to acquire common shares of the Corporation pursuant to the Corporation's share buyback program will be subject to the discretion of the board of directors of the Corporation and may depend on a variety of factors, including, without limitation, the Corporation's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Corporation under applicable corporate law. There can be no assurance of the number of common shares of the Corporation that the Corporation will acquire pursuant to its share buyback program, if any, in the future.

Management has included the above summary of assumptions and risks related to forward-looking information above and in its continuous disclosure filings on SEDAR+ in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this 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 information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to: expectations that Advantage's gas plant at Progress will lead to lower operating costs and stronger operating netbacks; expectations of low-cost production growth at Glacier in 2026 and 2027; Advantage's 2024 capital spending guidance; expectations that the Corporation's previously incurred carbon capture expenditures will be eligible expenditures under the CCUS ITC program and the amount that Advantage expects to receive therefrom; and Advantage's net debt target and the anticipated 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.

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.

This press release contains several oil and gas metrics, including, operating netback and decline rate, which are described below under "Specified Financial Measures". Such oil and gas metrics have been prepared by management and do not have standardized meanings or standard methods of calculation and therefore such measures may not be comparable to similar measures used by other companies and should not be used to make comparisons. Such metrics have been included herein to provide readers with additional measures to evaluate the Corporation's performance; however, such measures are not reliable indicators of the future performance of the Corporation and future performance may not compare to the performance in previous periods and therefore such metrics should not be unduly relied upon. Management uses these oil and gas metrics for its own performance measurements and to provide shareholders with measures to compare the Corporation's operations over time. Readers are cautioned that the information provided by these metrics, or that can be derived from the metrics presented in this press release, should not be relied upon for investment or other purposes.

Specified Financial Measures

Throughout this press 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 International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") 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 Accounting Standards, such as net income (loss) and comprehensive income (loss), cash provided by operating activities, and cash used in investing activities, as indicators of Advantage's performance.

Non-GAAP Financial Measures

Adjusted Funds Flow

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

| | Three months ended | | | Nine months ended | | |
|---|--------------------|---------|--------|----------------------|---------|---------|
| | September 30, 2024 | | | September 30, 2024 | | |
| (\$000) | Advantage | | | Entropy Consolidated | | |
| Cash provided by (used in) operating activities | 49,236 | (2,517) | 46,719 | 166,478 | (5,295) | 161,183 |
| Expenditures on decommissioning liability | 879 | - | 879 | 988 | - | 988 |
| Changes in non-cash working capital | 4,545 | 117 | 4,662 | (1,744) | (420) | (2,164) |
| Adjusted funds flow | 54,660 | (2,400) | 52,260 | 165,722 | (5,715) | 160,007 |

| | Three months ended | | | Nine months ended | | |
|---|--------------------------------|---------|---------|--------------------------------|---------|---------|
| | September 30, 2023 | | | September 30, 2023 | | |
| (\$000) | Advantage Entropy Consolidated | | | Advantage Entropy Consolidated | | |
| Cash provided by (used in) operating activities | 91,864 | (1,488) | 90,376 | 239,825 | (5,528) | 234,297 |
| Expenditures on decommissioning liability | 1,420 | - | 1,420 | 1,919 | - | 1,919 |
| Changes in non-cash working capital | (9,957) | 23 | (9,934) | (5,866) | 726 | (5,140) |
| Adjusted funds flow | 83,327 | (1,465) | 81,862 | 235,878 | (4,802) | 231,076 |
| 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. Additionally, the Corporation discloses net capital expenditures by legal entity (Advantage and Entropy) to allow users to assess the performance of each entity on a standalone basis. A reconciliation of the most directly comparable financial measure by legal entity has been provided below:

| | Three months ended | | | Nine months ended | | |
|-------------------------------------|--------------------------------|--------|--------|--------------------------------|--------|---------|
| | September 30, 2024 | | | September 30, 2024 | | |
| (\$000) | Advantage Entropy Consolidated | | | Advantage Entropy Consolidated | | |
| Cash used in investing activities | 43,883 | 8,882 | 52,765 | 607,018 | 19,505 | 626,523 |
| Changes in non-cash working capital | 11,053 | 2,909 | 13,962 | 9,292 | 1,934 | 11,226 |
| Net capital expenditures | 54,936 | 11,791 | 66,727 | 616,310 | 21,439 | 637,749 |

| | Three months ended | | | Nine months ended | | |
|-------------------------------------|--------------------------------|-------|--------|--------------------------------|-------|---------|
| | September 30, 2023 | | | September 30, 2023 | | |
| (\$000) | Advantage Entropy Consolidated | | | Advantage Entropy Consolidated | | |
| Cash used in investing activities | 47,852 | 2,034 | 49,886 | 216,189 | 7,726 | 223,915 |
| Changes in non-cash working capital | 10,209 | 1,139 | 11,348 | 16,923 | 2,020 | 18,943 |
| Net capital expenditures | 58,061 | 3,173 | 61,234 | 233,112 | 9,746 | 242,858 |

Free Cash Flow

Advantage computes free cash flow as adjusted funds flow less net capital expenditures excluding the impact of asset acquisitions and dispositions. 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, excluding acquisitions, to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares. Advantage excludes the impact of acquisitions and dispositions as they are not representative of the free cash flow used in the Corporation's operations. A reconciliation of the most directly comparable financial measure has been provided below:

| | Three months ended | | Nine months ended | |
|---|--------------------|----------|-------------------|-----------|
| | September 30 | | September 30 | |
| (\$000) | 2024 | 2023 | 2024 | 2023 |
| Cash provided by operating activities | 46,719 | 90,376 | 161,183 | 234,297 |
| Cash used in investing activities | (52,765) | (49,886) | (626,523) | (223,915) |
| Changes in non-cash working capital | (9,300) | (21,282) | (13,390) | (24,083) |
| Expenditures on decommissioning liability | 879 | 1,420 | 988 | 1,919 |
| Asset acquisition | (201) | - | 445,274 | - |
| Free cash flow (negative) | (14,668) | 20,628 | (32,468) | (11,782) |
| Operating Income | | | | |

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

| | Three months ended | | Nine months ended | |
|--------------------------------------|--------------------|----------|-------------------|----------|
| | September 30 | | September 30 | |
| (\$000) | 2024 | 2023 | 2024 | 2023 |
| Natural gas and liquids sales | 139,840 | 140,724 | 379,818 | 393,963 |
| Realized gains on derivatives | 16,705 | 6,010 | 30,547 | 29,103 |
| Processing and other income | 1,060 | 2,303 | 5,186 | 5,143 |
| Net sales of purchased natural gas - | - | - | - | (247) |
| Royalty expense | (19,338) | (9,154) | (35,488) | (32,130) |
| Operating expense | (37,979) | (22,758) | (88,211) | (61,729) |
| Transportation expense | (26,576) | (21,833) | (74,507) | (64,939) |
| Operating income | 73,712 | 95,292 | 217,345 | 269,164 |
| Non-GAAP Ratios | | | | |

Adjusted Funds Flow per basic share and diluted share

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

| | Three months ended | | Nine months ended | |
|---|--------------------|---------|-------------------|---------|
| | September 30 | | September 30 | |
| (\$000, except as otherwise indicated) | 2024 | 2023 | 2024 | 2023 |
| Adjusted funds flow | 52,260 | 81,862 | 160,007 | 231,076 |
| Weighted average shares outstanding (000) | 166,972 | 167,702 | 162,941 | 167,434 |
| Diluted weighted average shares outstanding (000) | 166,972 | 172,182 | 166,116 | 172,979 |
| Adjusted funds flow per share (\$/share) | 0.31 | 0.49 | 0.98 | 1.38 |
| Adjusted funds flow per diluted share (\$/share) | 0.31 | 0.48 | 0.96 | 1.34 |
| Adjusted Funds Flow per boe | | | | |

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

| | Three months ended | | Nine months ended | |
|--|--------------------|-----------|-------------------|------------|
| | September 30 | | September 30 | |
| (\$000, except as otherwise indicated) | 2024 | 2023 | 2024 | 2023 |
| Adjusted funds flow | 52,260 | 81,862 | 160,007 | 231,076 |
| Total production (boe/d) | 74,371 | 64,195 | 68,951 | 58,083 |
| Days in period | 92 | 92 | 274 | 273 |
| Total production (boe) | 6,842,132 | 5,905,940 | 18,892,574 | 15,856,659 |
| Adjusted funds flow per BOE (\$/boe) | 7.64 | 13.86 | 8.47 | 14.57 |
| Operating Netback | | | | |

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

| | Three months ended | | Nine months ended | |
|--|--------------------|-----------|-------------------|------------|
| | September 30 | | September 30 | |
| (\$000, except as otherwise indicated) | 2024 | 2023 | 2024 | 2023 |
| Operating income | 73,712 | 95,292 | 217,345 | 269,164 |
| Total production (boe/d) | 74,371 | 64,195 | 68,951 | 58,083 |
| Days in period | 92 | 92 | 274 | 273 |
| Total production (boe) | 6,842,132 | 5,905,940 | 18,892,574 | 15,856,659 |
| Operating netback (\$/boe) | 10.77 | 16.14 | 11.50 | 16.97 |

Capital Management Measures

Working Capital

Working capital is a capital management financial measure that provides Management and users with a measure of the Corporation's short-term operating liquidity. By excluding short term derivatives and the current portion of provision and other liabilities, Management and users can determine if the Corporation's energy operations are sufficient to cover the short-term operating requirements. Working capital is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

A summary of working capital as at September 30, 2024 and September 30, 2023 is as follows:

| | September 30 | September 30 |
|-------------------------------------|--------------|--------------|
| | 2024 | 2023 |
| Cash and cash equivalents | 12,209 | 41,179 |
| Trade and other receivables | 59,910 | 49,229 |
| Prepaid expenses and deposits | 13,240 | 19,056 |
| Trade and other accrued liabilities | (91,778) | (79,648) |
| Working capital (deficit) surplus | (6,419) | 29,816 |

Net Debt

Net debt is a capital management financial measure that provides Management and users with a measure to assess the Corporation's liquidity. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities. Additionally, the Corporation discloses net debt by legal entity (Advantage and Entropy) to allow users to assess the performance of each entity on a standalone basis.

Previously, the Corporation included the unsecured debentures, excluding the unsecured debentures derivative liability in the composition of net debt. Effective March 31, 2024, the Corporation revised the composition of net debt to include the aggregate principal balance of unsecured debentures, which provides users the balance that is either due at the end of the term, or that may be converted into common shares of Entropy. Comparative figures have been restated to reflect the reclassification.

A summary of the reconciliation of net debt as at September 30, 2024 and September 30, 2023 is as follows:

| | September 30, 2024 | | |
|---|--------------------------------|----------|----------|
| (\$000) | Advantage Entropy Consolidated | | |
| Bank indebtedness | 469,551 | - | 469,551 |
| Aggregate principal balance of unsecured debentures - | 74,239 | 74,239 | |
| Aggregate principal balance of convertible debentures | 143,750 | - | 143,750 |
| Working capital (surplus) deficit | 8,589 | (2,170) | 6,419 |
| Net debt | 619,391 | 72,069 | 693,959 |
| | September 30, 2023 | | |
| (\$000) | Advantage Entropy Consolidated | | |
| Bank indebtedness | 226,127 | - | 226,127 |
| Aggregate principal balance of unsecured debentures - | 40,000 | 40,000 | |
| Working capital surplus | (19,417) | (10,399) | (29,816) |
| Net debt | 206,710 | 29,601 | 236,311 |

Supplementary financial measures

"Average realized prices (including realized derivatives) natural gas" is comprised of natural gas sales, as determined in accordance with IFRS Accounting Standards, divided by the Corporation's natural gas production.

"Average realized prices (including realized derivatives) liquids" is comprised of crude oil, condensate and NGL's sales, as determined in accordance with IFRS Accounting Standards, divided by the Corporation's crude oil, condensate and NGL's production.

"Decline rate" is calculated by identifying the actual or forecasted production of all the wells onstream at the start of the year, then tracking their cumulative decline by the end of the year, expressed as a percentage.

"Natural gas and liquids sales per boe" is comprised of natural gas sales and liquids sales, as determined in accordance with IFRS Accounting Standards, divided by the Corporation's total natural gas and liquids production.

"Operating expense per boe" is comprised of operating expense, as determined in accordance with IFRS Accounting Standards, divided by the Corporation's total production.

"Processing and other income per boe" is comprised of processing and other income, as determined in accordance with IFRS Accounting Standards, divided by the Corporation's total production.

"Realized gains on derivatives per boe" is comprised of realized gains on derivatives, as determined in accordance with IFRS Accounting Standards, divided by the Corporation's total production.

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

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

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 natural gas |
| boe/d | barrels of oil equivalent of natural gas per day |
| CCUS | carbon capture utilization and storage |
| GJ | gigajoule |
| mcf | thousand cubic feet |
| mcf/d | thousand cubic feet per day |
| mcfe | thousand cubic feet equivalent on the basis of six thousand cubic feet of natural gas for one barrel NGLs |
| mmcf | million cubic feet |
| mmcf/d | million cubic feet per day |
| Liquids | includes NGLs, condensate and crude oil |
| NGLs and condensate | Natural Gas Liquids as defined in National Instrument 51-101 |
| Natural Gas | Conventional Natural Gas as defined in National Instrument 51-101 |
| Source Rock | Advantage Energy Crude Oil and Medium Crude Oil as defined in National Instrument 51-101 |

Contact

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