

Advantage Announces Third Quarter 2021 Financial and Operating Results

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(TSX: AAV)

CALGARY, Oct. 28, 2021 - [Advantage Energy Ltd.](#) ("Advantage" or the "Corporation") is pleased to report its third quarter including record production, record free cash flow^(a) and accelerated debt reduction.

Operational performance of our summer development program exceeded expectations, with many of our new wells ranking as best producers in our history. With elevated commodity prices presiding through much of the quarter and excess plant capacity for new volumes, the average payout of new wells fell to less than 7 months from the on-stream date.

Operating and Financial Highlights for the Quarter

- Cash provided by operating activities of \$47.0 million
- Record adjusted funds flow ("AFF")^(a) of \$63.4 million (\$0.33 per share)
- Record free cash flow ("FCF")^(a) of \$32.0 million
- Record total production of 50,025 boe/d (271.8 mmcf/d natural gas, 4,724 bbls/d liquids), up 13% over Q3 2020
- Liquids production of 4,724 bbls/d (1,038 bbls/d oil, 1,002 bbls/d condensate, and 2,684 bbls/d NGLs)
- Cash used in investing activities was \$36.9 million while net capital expenditures^(a) were \$31.4 million
- Net debt^(a) decreased to \$167.9 million while net debt to AFF^(a) ratio fell to 0.9x
- Operating costs remained low at \$2.38/boe

Operational Update

- At Glacier, a five-well pad was brought onstream and delivered an average IP30 of 10 mmcf/d per well (post-clearing). Advantage's four best Glacier multi-well pads have been drilled in the last 18 months.
- Two wells were completed in central Valhalla, ranking as the first and seventh best wells Advantage has ever drilled. IP30s of 2,410 boe/d (10.3 mmcf/d natural gas and 693 bbls/d condensate) and 1,964 boe/d (9.4 mmcf/d natural gas and 1,964 bbls/d condensate), respectively. Frac designs were 1.5 tonnes/meter, typical of our 2021 program.
- A new, Advantage-operated joint venture was established at Glacier where lands were pooled with a third-party, increasing the inventory of 2 mile long top-tier wells by 24 gross wells (12 net). Drilling of four 50% working interest wells on these lands with targeted onstream dates early in the first quarter of 2022. Benefits of the joint venture include operational efficiencies and ancillary revenue from approximately 10 mmcf/d of additional third-party processing in 2022.
- All major equipment for the Glacier Gas Plant Carbon Capture and Storage project (Phase I) is under construction. The on-stream date remains April 2022.

a. Non-GAAP Measure which may not be comparable to similar non-GAAP measures used by other entities. Please see Advisory for reconciliations to the nearest measure calculated in accordance with GAAP.

Marketing Update

Advantage has hedged approximately 36% of its natural gas production for fourth quarter 2021 and 10% for 2022. These hedges are fixed price swaps denominated at AECO, Henry Hub, Dawn and Chicago, reflective of the market exposures in our natural gas diversification strategy.

Looking Forward

Capital guidance for 2021 remains at \$140 to \$150 million and the mid-point of production guidance remains at 49,500 boe/d. Results continuing to exceed expectations, annual production per share growth is now likely to be approximately 10%. Advantage will announce 2022 guidance before year-end, with a focus on optimizing balance sheet strength, acquisition opportunities,

production growth, and increasing oil production to balance commodity exposure.

Advantage will continue to fortify its balance sheet and maximize returns for its shareholders by executing on its strategy

- Continue to deliver moderate (approximately 10%) production growth for gas-weighted assets utilizing existing capacity at the Glacier Gas Plant
- Enhance corporate resilience and scale using several tactics:
 - growing our liquids assets to balance our exposure to gas pricing
 - pursue revenue-generating cleantech investments through the Corporation's subsidiary Entropy Inc. ("Entropy") to leverage our carbon capture and sequestration technology and expertise
 - pursue acquisitions that create efficiencies, resilience and scale
- Potentially return capital to shareholders

Advantage appreciates the contributions of our staff that led to strong performance this quarter, and the support of our customers and investors; we look forward to progressing the Corporation's strategy through the dynamic markets ahead.

Financial & Operating Summary

Financial Highlights	Three months ended		Nine months ended	
	September 30		September 30	
(\$000, except as otherwise indicated)	2021	2020	2021	2020
Financial Statement Highlights				
Sales including realized derivatives	\$ 110,344	\$ 55,763	\$ 293,653	\$ 170,128
Net income (loss) and comprehensive income (loss) per basic share ⁽²⁾	\$ 43,098	\$ (21,606)	\$ 51,398	\$ (308,213)
Basic weighted average shares (000)	\$ 0.23	\$ (0.11)	\$ 0.27	\$ (1.64)
Cash provided by operating activities	190,829	188,113	189,824	187,643
Cash provided by (used in) financing activities	\$ 46,988	\$ 25,271	\$ 155,688	\$ 70,454
Cash used in investing activities	\$ (26,960)	\$ (15,436)	\$ (55,988)	\$ 43,016
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾ per boe ⁽¹⁾	\$ 63,353	\$ 23,571	\$ 163,597	\$ 72,923
per basic share ⁽¹⁾⁽²⁾	\$ 13.77	\$ 5.76	\$ 12.00	\$ 5.86
Net capital expenditures ⁽¹⁾	\$ 0.33	\$ 0.13	\$ 0.86	\$ 0.39
Working capital (surplus) deficit ⁽¹⁾	\$ 31,352	\$ 21,252	\$ 91,019	\$ 125,545
Bank indebtedness	\$ (25,891)	\$ 9,093	\$ (25,891)	\$ 9,093
Net debt ⁽¹⁾	\$ 193,828	\$ 241,161	\$ 193,828	\$ 241,161
	\$ 167,937	\$ 250,254	\$ 167,937	\$ 250,254

(1) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

(2) Based on basic weighted average shares outstanding.

Operating Highlights	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Operating				
Daily Production				
Crude oil (bbls/d)	1,038	1,812	1,197	1,668
Condensate (bbls/d)	1,002	605	788	736
NGLs (bbls/d)	2,684	2,312	2,557	1,960
Total liquids production (bbls/d)	4,724	4,729	4,542	4,364
Natural gas (mcf/d)	271,804	238,315	272,467	246,147
Total production (boe/d)	50,025	44,448	49,953	45,389
Average realized prices (including realized derivatives)				
Natural gas (\$/mcf)	\$ 3.48	\$ 1.81	\$ 3.12	\$ 1.88
Liquids (\$/bbl)	\$ 53.42	\$ 49.03	\$ 49.68	\$ 47.15
Operating Netback (\$/boe)				
Petroleum and natural gas sales from production	\$ 29.19	\$ 14.69	\$ 24.40	\$ 13.82
Realized losses on derivatives	(5.21)	(1.03)	(2.75)	(0.14)
Royalty expense	(1.75)	(0.63)	(1.36)	(0.60)
Operating expense	(2.38)	(2.35)	(2.35)	(2.35)
Transportation expense	(3.86)	(3.12)	(3.72)	(3.32)
Operating netback ⁽¹⁾	\$ 15.99	\$ 7.56	\$ 14.22	\$ 7.41

(1) Non-GAAP measure which may not be comparable to similar non-GAAP measures used by other entities. Please see "Non-GAAP Measures".

The Corporation's unaudited consolidated financial statements for the three and nine months ended September 30, 2021 together with the notes thereto, and Management's Discussion and Analysis for the three and nine months ended September 30, 2021 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.

Advisory

The information in this press release contains certain forward-looking statements, including within the meaning of applicable securities laws. These statements relate to future events or our future intentions or performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "guidance", "anticipate", "target", "objectives", "estimates", "continue", "demonstrate", "expect", "may", "can", "will", "believe", "would" and similar expressions and include statements relating to, among other things, Advantage's focus, strategy, priorities and development plans; that Advantage will operate future development at Glacier on lands pooled with a third party; the timing for wells to come on-stream at Glacier and the additional third-party processing revenue expected to be derived therefrom; the timing of the Glacier Gas Plant Carbon Capture and Storage project (Phase I) to come on-stream; Advantage's expectations of when it will announce its 2022 guidance and the primary focus thereof; anticipated capital spending, production and production growth in 2021; Advantage's ability to fortify its balance sheet and maximize returns for its shareholders; Advantage's ability to enhance corporate resilience and scale; Advantage's expectations to return capital to its shareholders; Advantage's hedging program; Advantage's go-forward strategy, its reasons therefor and the results and benefits to be derived therefrom; and the Corporation's targeted 2021 production growth. Advantage's actual decisions, activities, results, performance, or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including, but not limited to: changes in general economic, market and business conditions; industry conditions, including as a result of demand and supply effects resulting from the COVID-19 pandemic; actions by governmental or regulatory authorities including increasing taxes and changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; Advantage's success at acquisition, exploitation and development of reserves; unexpected drilling results; changes in commodity prices, currency exchange rates, net capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties, including hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production and processing facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; delays in anticipated timing of drilling and completion of wells; individual well productivity; competition from other producers; the lack of availability of qualified personnel or management; credit risk; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; Advantage's ability to comply with current and future environmental or other laws; stock market volatility and market valuations; liabilities inherent in oil and natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions; geological, technical, drilling and processing problems and other difficulties in producing petroleum reserves; ability to obtain required approvals of regulatory authorities; ability to access sufficient capital from internal and external sources; that the Glacier Gas Plant Carbon Capture and Storage project (Phase I) will not come on-stream when expected; that Advantage will not announce its 2022 guidance when expected; and that Advantage will not be able to return capital to its shareholders. Many of these risks and uncertainties and additional risk factors are described in the Corporation's Annual Information Form which is available at www.sedar.com ("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; the impact and duration thereof that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs and natural gas; effects of regulation by governmental agencies; current and future commodity prices and royalty regimes; the Corporation's current and future hedging program; future exchange rates; royalty rates; future operating costs; future transportation costs and availability of product transportation capacity; availability of skilled labor; availability of drilling and related equipment; timing and amount of net capital expenditures; the number of new wells required to achieve the budget objectives; that the Corporation will have sufficient adjusted funds flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's properties in the manner currently contemplated; current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated; that Entropy will

have the ability to develop its technology in the manner currently contemplated; that the Glacier Gas Plant Carbon Capture and Storage project (Phase I) will come on-stream; the anticipated benefits and results from Entropy's technology; and the estimates of the Corporation's production and reserves volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

Management has included the above summary of assumptions and risks related to forward-looking information in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this press release and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

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.

Non-GAAP Measures

The Corporation discloses several financial and performance measures in this press release that do not have any standardized meaning prescribed under GAAP. These financial and performance measures include "net capital expenditures", "adjusted funds flow", "free cash flow", "net debt", "operating netback", "working capital deficit" and "net debt to adjusted funds flow", which should not be considered as alternatives to, or more meaningful than "net income", "comprehensive income", "cash provided by operating activities", "cash used in investing activities", or "bank indebtedness" presented within the consolidated financial statements as determined in accordance with GAAP. 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. Advantage's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies.

Net Capital Expenditures

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

	Three months ended		Nine months ended	
	September 30		September 30	
(\$000)	2021	2020	2021	2020
Cash used in investing activities	\$36,940	\$ 11,220	\$72,843	\$ 121,296
Changes in non-cash working capital	(5,608)	10,032	(1,867)	4,249
Project funding received, net of incurred cost	20	-	20,043	-
Net capital expenditures				

\$

31,352

\$

21,252

\$

91,019

\$

125,545

Working Capital

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

Net Debt

Net debt is comprised of bank indebtedness and working capital. Net debt provides Management and users with a measure of the Corporation's bank indebtedness and expected settlement of net liabilities in the next year. A detailed calculation of net debt is provided below:

(\$000)	September 30		December 31	
	2021	2020	2021	2020
Bank indebtedness (non-current)	\$ 193,828	\$ 247,105		
Working capital (surplus) deficit	(25,891)	4,292		
Net debt	\$ 167,937	\$ 251,397		

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, and to support future capital expenditures plans. 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. Adjusted funds flow has also been presented per boe, by dividing adjusted funds flow by total production in boe for the reporting period, and per basic share, by dividing by the basic weighted average shares outstanding of the Corporation.

A reconciliation between adjusted funds flow and the nearest measure calculated in accordance with GAAP, cash provided by operating activities, is provided below:

(\$000)	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Cash provided by operating activities	\$ 46,988	\$ 25,271	\$ 155,688	\$ 70,454
Expenditures on decommissioning liability	438	267	780	470
Changes in non-cash working capital	15,927	(1,967)	7,129	1,999
Adjusted funds flow	\$ 63,353	\$ 23,571	\$ 163,597	\$ 72,923

Net Debt to Adjusted Funds Flow

Net debt to adjusted funds flow is a non-GAAP ratio, and is calculated by dividing net debt by adjusted funds flow for the previous four quarters. Net debt to adjusted funds flow is a coverage ratio that provides

Management and users the ability to determine how long it would take the Corporation to repay its bank debt if it devoted all its adjusted funds flow to bank debt repayment.

Free Cash Flow

Advantage computes free cash flow as adjusted funds flow less net capital expenditures. Advantage uses free cash flow as an indicator of the efficiency and liquidity of Advantage's business by measuring its cash available after net capital expenditures to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares.

Operating Netback

Advantage calculates operating netback on a per boe basis. Operating netback is comprised of sales revenue, realized gains (losses) on derivatives, net of expenses resulting from field operations, including royalty expense, operating expense and transportation expense. Operating netback provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells. A detailed calculation of operating netback is provided below:

	Three months ended			
	September 30			
	2021		2020	
	\$000	per boe	\$000	per boe
Petroleum and natural gas sales from production	\$ 134,354	\$ 29.19	\$ 60,063	\$ 14.69
Realized losses on derivatives	(23,963)	(5.21)	(4,209)	(1.03)
Royalty expense	(8,059)	(1.75)	(2,566)	(0.63)
Operating expense	(10,967)	(2.38)	(9,615)	(2.35)
Transportation expense	(17,754)	(3.86)	(12,754)	(3.12)
Operating netback	\$ 73,611	\$ 15.99	\$ 30,919	\$ 7.56

	Nine months ended			
	September 30			
	2021		2020	
	\$000	per boe	\$000	per boe
Petroleum and natural gas sales from production	\$ 332,780	\$ 24.40	\$ 171,882	\$ 13.82
Realized losses on derivatives	(37,490)	(2.75)	(1,691)	(0.14)
Royalty expense	(18,602)	(1.36)	(7,407)	(0.60)
Operating expense	(32,023)	(2.35)	(29,255)	(2.35)
Transportation expense	(50,672)	(3.72)	(41,329)	(3.32)
Operating netback				

\$

193,993

92,200

§

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

bbl	one barrel
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
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 of oil or NGLs
mmcf/d	million cubic feet per day

Crude oil and Light crude oil and medium crude oil as defined in National Instrument 51-101

condensate

NGLs Natural Gas Liquids as defined in National Instrument 51-101

Natural gas Conventional Natural Gas as defined in National Instrument 51-101

SOURCE [Advantage Energy Ltd.](#)

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