

Advantage Announces Second Quarter 2023 Financial and Operating Results

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(TSX: AAV)

CALGARY, July 27, 2023 - [Advantage Energy Ltd.](#) ("Advantage" or the "Corporation") is pleased to report its second quarter 2023 results, including continued strong well performance and a successful major planned production outage while net debt^a remained on-target. Development operations continued at a steady pace with a focus on our liquids-weighted assets at Wembley, Valhalla and Progress.

Second Quarter 2023 Financial Highlights

- Cash provided by operating activities of \$38.0 million
- Adjusted funds flow ("AFF")^a of \$52.4 million or \$0.31 per share^a
- Cash used in investing activities was \$88.4 million
- Net capital expenditures^a were \$64.9 million
- Net income of \$2.2 million or \$0.02 per share
- Repurchased 1.9 million shares at a cost of \$14.2 million (\$7.45/share average)

Second Quarter 2023 Operational Highlights

- Quarterly production of 51,842 boe/d (272.9 MMcf/d natural gas and 6,355 bbls/d liquids), an 11% decrease from the first quarter of 2023 primarily due to the planned turnaround at the Glacier Gas Plant, with minor impacts from certain unplanned disruptions including wildfires
- Quarterly liquids production of 6,355 bbls/d (2,801 bbls/d crude oil, 871 bbls/d condensate and 2,683 bbls/d NGL), on-track to grow annually by more than 20% as compared to 2022
- At Glacier, winter program gas wells delivered an average IP30 of 14.3 MMcf/d
- The Glacier Gas Plant expansion to 425 MMcf/d capacity was completed, with peak gas rates having now exceeded 410 MMcf/d (raw)
- At Wembley, winter program wells delivered an average IP30 of 1,572 boe/d (3.4 MMcf/d natural gas, 649 bbls/d crude oil and 353 bbls/d NGLs), including Advantage's first D4 well (IP30 of 2,107 boe/d including 4.5 MMcf/d natural gas, 1,026 bbls/d crude oil and 333 bbls/d NGLs). Three additional Wembley D3 wells remain behind pipe with production expected to begin in August.

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

Marketing Update

Advantage has hedged approximately 24% of its forecast natural gas production for summer 2023 and 16% for winter 2023/24. As part of our ongoing efforts to expand our natural gas export capacity and reduce concentration risk, Advantage successfully acquired 61 MMcf/d of new long-term Empress capacity commencing April 2026.

Looking Forward

To maximize shareholder value, Advantage remains focused on growing AFF per share^a through organic growth and

share repurchases. Advantage's three-year plan is to deliver compound annual production growth of approximately 10% with annual capital spending between \$250 million and \$300 million. All free cash flow^a is planned to be returned to shareholders via share buybacks with our net debt^a target between \$170 million and \$230 million (excludes Entropy Inc., a subsidiary of Advantage).

Advantage's 2023 capital guidance remains between \$250 million and \$280 million. Production guidance for 2023 remains between 59,000 boe/d and 62,500 boe/d, with operational outperformance partially offset by unplanned events including third-party pipeline restrictions. During the major turnaround at the Glacier Gas Plant in May 2023, two unplanned maintenance issues arose that extended the outage by three days, impacting second quarter production by an additional 2%. Production growth is planned to resume in the second half of 2023.

With modern, low emissions-intensity assets and ownership of 85%^b of Entropy Inc., the Corporation continues to proudly deliver clean, reliable, sustainable energy, contributing to a reduction in global emissions by displacing high-carbon fuels. Advantage wishes to thank our employees, Board of Directors and our shareholders for their ongoing support.

Below are complete tables showing financial and operating highlights.

^b Advantage currently owns 90% of Entropy's common shares. Assuming Brookfield Global Transition Fund's currently-held unsecured debentures are exchanged for common shares according to the terms of the investment agreement, Advantage will own 85% of Entropy's common shares.

Financial Highlights	Three months ended		Six months ended	
	June 30	June 30	June 30	June 30
(\$000, except as otherwise indicated)	2023	2022	2023	2022
Financial Statement Highlights				
Natural gas and liquids sales	107,240	314,297	253,239	491,866
Net income and comprehensive income	2,211	164,234	31,325	183,730
per basic share ⁽²⁾	0.02	0.86	0.19	0.96
Basic weighted average shares (000)	167,268	190,415	167,298	190,621
Cash provided by operating activities	37,966	157,439	143,921	266,596
Cash provided by (used in) financing activities	43,778	(37,556)	(14,581)	(88,325)
Cash used in investing activities	(88,439)	(80,720)	(174,029)	(157,703)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾	52,381	187,056	149,214	295,934
per boe ⁽¹⁾	11.10	34.05	15.00	28.85
per basic share ⁽¹⁾⁽²⁾	0.31	0.98	0.89	1.55
Net capital expenditures ⁽¹⁾	64,924	47,570	181,624	133,584
Free cash flow ⁽¹⁾	(12,543)	139,486	(32,410)	162,350
Working capital surplus ⁽¹⁾	12,949	77,858	12,949	77,858
Bank indebtedness	226,442	106,776	226,442	106,776
Net debt ⁽¹⁾⁽³⁾	229,426	44,301	229,426	44,301

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

⁽²⁾ Based on basic weighted average shares outstanding.

⁽³⁾ Consolidated net debt of \$229.4 million includes \$214.7 million with Advantage and \$14.7 million with Entropy.

Operating Highlights	Three months ended Six months ended			
	June 30		June 30	
	2023	2022	2023	2022
Operating				
Production				
Crude oil (bbls/d)	2,801	2,858	2,269	1,933
Condensate (bbls/d)	871	1,128	1,014	1,093
NGLs (bbls/d)	2,683	3,392	2,780	3,124
Total liquids production (bbls/d)	6,355	7,378	6,063	6,150
Natural gas (Mcf/d)	272,919	317,976	293,482	303,183
Total production (boe/d)	51,842	60,374	54,976	56,681
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf) ⁽¹⁾	2.81	6.75	3.67	5.94
Liquids (\$/bbl) ⁽¹⁾	75.36	107.83	76.48	97.77
Operating Netback (\$/boe)				
Natural gas and liquids sales ⁽¹⁾	22.73	57.21	25.45	47.94
Realized gains (losses) on derivatives ⁽¹⁾	1.07	(8.50)	2.32	(5.57)
Processing and other income ⁽¹⁾	0.22	0.41	0.29	0.36
Net sales of purchased natural gas ⁽¹⁾	(0.05)	-	(0.02)	0.01
Royalty expense ⁽¹⁾	(1.33)	(6.17)	(2.31)	(4.90)
Operating expense ⁽¹⁾	(4.44)	(2.75)	(3.92)	(2.77)
Transportation expense ⁽¹⁾	(4.34)	(4.44)	(4.33)	(4.40)
Operating netback ⁽¹⁾	13.86	35.76	17.48	30.67

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

The Corporation's unaudited consolidated financial statements for the three and six months ended June 30, 2023 together with the notes thereto, and Management's Discussion and Analysis for the three and six months ended June 30, 2023 have been filed on www.sedarplus.ca 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.

Web Site: www.advantageog.com

Forward-Looking Information and 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 anticipated annual liquids production growth in 2023; the anticipated timing of when production is expected to begin at three of Advantage's Wembley D3 wells that remain behind pipe; Advantage's plans to expand its natural gas export capacity and reduce its concentration risk; the anticipated benefits to be derived from Advantage's new long-term Empress capacity; Advantage's plans to maximize shareholder value by focusing on growing AFF per share through organic growth and share repurchases; Advantage's anticipated annual compounded production growth and annual capital spending over the next three years; Advantage's expectations that all free cash flow will be returned to its shareholders via share buybacks; Advantage's net debt target for the next three years; Advantage's 2023 capital guidance; Advantage's anticipated 2023 average production; Advantage's expectations of when production growth will resume; and the Corporation's expectations that it will continue to deliver clean, reliable, sustainable energy, and contribute to a reduction in global emissions by displacing high-carbon fuels. Advantage's actual decisions, activities, results, performance or achievement could differ materially from those expressed in, or implied by, such forward-looking statements and accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what benefits that Advantage will derive from them.

These statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Advantage's control, including, but not limited to: changes in general economic, market and business conditions; industry conditions, 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; 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; ability to access sufficient capital from internal and external sources; the risk that Advantage's annual liquids production in 2023 may be less than anticipated; the risk that production may not begin at three of Advantage's D3 wells that are behind pipe when anticipated, or at all; the risk that Advantage may not expand its natural gas export capacity or reduce its concentration risk; the risk that Advantage may not grow AFF per share through organic growth and share repurchases; the risk that the Corporation may not have sufficient financial resources to purchase its shares pursuant to its share buyback program in the future; the risk that Advantage's annual compounded production growth over the next three years may be less than anticipated; the risk that Advantage's annual capital spending over the next three years may be greater than anticipated; the risk that all free cash flow may not be returned to shareholders via share buybacks; the risk that Advantage's net debt may be greater than anticipated; the risk that Advantage's 2023 average production may be less than anticipated; and the risk that Advantage's production growth may not resume when anticipated, or at all. 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; 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 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 growth in adjusted funds flow per share will maximize shareholder value; that the Corporation will allocate its free cash flow to its share buyback program; that the Corporation will have sufficient financial resources to purchase its shares pursuant to its share buyback program in the future; that a capital program focused on oil-weighted growth will deliver outsized adjusted funds flow growth per unit of production; 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.

This press release contains additional forward-looking statements which are estimates of Advantage's annual compounded production growth, annual capital spending and net debt target for the next three years. The foregoing estimates are based on various assumptions and are provided for illustration only and are based on budgets and forecasts that have not been finalized and are subject to change and a variety of contingencies including prior years' results. In addition, the foregoing estimates and assumptions underlying the 2024 and 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 press release and except as required by applicable securities laws, Advantage undertakes no obligation to update such forecasts.

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

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 annual capital spending over the next three years; Advantage's expectations that all free cash flow will be returned to shareholders via share buybacks; Advantage's net debt target for the next three years; and Advantage's 2023 capital guidance; 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.

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.

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 to natural gas, crude oil and condensate and NGLs production in this press release refer to conventional natural gas, light crude oil and medium crude oil and natural gas liquids product types, respectively, as defined in National Instrument 51-101.

Specified Financial Measures

Throughout this news release, Advantage discloses certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss) and comprehensive income (loss), cash provided by operating activities, and cash used in investing activities, as indicators of Advantage's performance.

Non-GAAP Financial Measures

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. A reconciliation of the most directly comparable financial measure has been provided below:

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
(\$000)				
Cash provided by operating activities	37,966	157,439	143,921	266,596
Expenditures on decommissioning liability	46	103	499	554
Changes in non-cash working capital	14,369	29,514	4,794	28,784
Adjusted funds flow	52,381	187,056	149,214	295,934

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. A reconciliation of the most directly comparable financial measure has been provided below:

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
(\$000)				
Cash used in investing activities	88,439	80,720	174,029	157,703
Changes in non-cash working capital	(23,515)	(33,150)	7,595	(24,124)
Project funding received	-	-	-	5
Net capital expenditures	64,924	47,570	181,624	133,584

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. A reconciliation of the most directly comparable financial measure has been provided below:

	Three months ended Six months ended			
	June 30		June 30	
	2023	2022	2023	2022
(\$000)				
Cash provided by operating activities	37,966	157,439	143,921	266,596
Cash used in investing activities	(88,439)	(80,720)	(174,029)	(157,703)
Changes in non-cash working capital	37,884	62,664	(2,801)	52,908
Expenditures on decommissioning liability	46	103	499	554
Project funding received	-	-	-	(5)
Free cash flow	(12,543)	139,486	(32,410)	162,350

Operating Netback

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. Operating netback 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 netback is as follows:

	Three months ended Six months ended			
	June 30		June 30	
	2023	2022	2023	2022
(\$000)				
Natural gas and liquids sales	107,240	314,297	253,239	491,866
Realized losses on derivatives	5,068	(46,679)	23,093	(57,122)
Processing and other income	1,020	2,277	2,840	3,715
Net sales of purchased natural gas (247)	-		(247)	70
Royalty expense	(6,274)	(33,924)	(22,976)	(50,221)
Operating expense	(20,968)	(15,088)	(38,971)	(28,381)
Transportation expense	(20,459)	(24,378)	(43,106)	(45,131)
Operating netback	65,380	196,505	173,872	314,796

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.

	Three months ended		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
(\$000, except as otherwise indicated)				
Adjusted funds flow	52,381	187,056	149,214	295,934
Weighted average shares outstanding (000)	167,268	190,415	167,298	190,621
Adjusted funds flow per share (\$/share)	0.31	0.98	0.89	1.55

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		Six months ended	
	June 30		June 30	
	2023	2022	2023	2022
(\$000, except as otherwise indicated)				
Adjusted funds flow	52,381	187,056	149,214	295,934
Total production (boe/d)	51,842	60,374	54,976	56,681
Days in period	91	91	181	181
Total production (boe)	4,717,622	5,494,034	9,950,656	10,259,261
Adjusted funds flow per BOE (\$/boe)	11.10	34.05	15.00	28.85

Operating netback per BOE

Operating netback per boe is derived by dividing each component of operating netback 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		Six months ended	
	June 30		June 30	
(\$000, except as otherwise indicated)	2023	2022	2023	2022
Operating netback	65,380	196,505	173,872	314,796
Total production (boe/d)	51,842	60,374	54,976	56,681
Days in period	91	91	181	181
Total production (boe)	4,717,622	5,494,034	9,950,656	10,259,261
Operating netback per BOE (\$/boe)	13.86	35.76	17.48	30.67

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.

	Three months ended		Six months ended	
	June 30		June 30	
(\$000, except as otherwise indicated)	2023	2022	2023	2022
Net capital expenditures	64,924	47,570	181,624	133,584
Adjusted funds flow	52,381	187,056	149,214	295,934
Payout ratio	1.2	0.3	1.2	0.5

Net Debt to Adjusted Funds Flow Ratio

Net debt to adjusted funds flow is calculated by dividing net debt by adjusted fund 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 indebtedness if it devoted all its adjusted funds flow to debt repayment.

(\$000, except as otherwise indicated)	June 30		June 30	
	2023	2022	2023	2022
Net Debt	229,426	44,301		
Adjusted funds flow (prior four quarters)	370,070	430,514		
Net debt to adjusted funds flow ratio	0.6	0.1		

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. In 2022, the Corporation reclassified deferred share units which were previously included in trade and other accrued liabilities, to provisions and other liabilities. Management determined that by reclassifying the deferred share units to provisions and other liabilities, users can better assess the Corporation's short-term operating requirements. Comparative figures have been restated to reflect the reclassification.

A summary of working capital as at June 30, 2023 and June 30, 2022 is as follows:

	June 30 June 30	
	2023	2022
Cash and cash equivalents	4,251	45,806
Trade and other receivables	55,112	106,934
Prepaid expenses and deposits	17,158	6,912
Trade and other accrued liabilities	(63,572)	(81,794)
Working capital surplus	12,949	77,858

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. Comparative figures have been restated to reflect the reclassification of deferred share units in trade and other accrued liabilities which affects net debt.

A summary of the reconciliation of net debt as at June 30, 2023 and June 30, 2022 is as follows:

	June 30 June 30	
	2023	2022
Bank indebtedness	226,442	106,776
Unsecured debentures	15,933	15,383
Working capital surplus deficit	(12,949)	(77,858)
Net debt	229,426	44,301

Supplementary Financial Measures

Average Realized Prices

The Corporation discloses multiple average realized prices within this press release. The determination of

these prices are as follows:

"Natural gas excluding derivatives" is comprised of natural gas sales, as determined in accordance with IFRS, divided by the Corporation's natural gas production.

"Natural gas including derivatives" is comprised of natural gas sales, including realized gains (losses) on natural gas derivatives, as determined in accordance with IFRS, divided by the Corporation's natural gas production.

"Crude Oil" is comprised of crude oil sales, as determined in accordance with IFRS, divided by the Corporation's crude oil production.

"Condensate" is comprised of condensate sales, as determined in accordance with IFRS, divided by the Corporation's condensate production.

"NGLs" is comprised of NGLs sales, as determined in accordance with IFRS, divided by the Corporation's NGLs production.

"Total liquids excluding derivatives" is comprised of crude oil, condensate and NGLs sales, as determined in accordance with IFRS, divided by the Corporation's crude oil, condensate and NGLs production.

"Total liquids including derivatives" is comprised of crude oil, condensate and NGLs sales, including realized gains (losses) on crude oil derivatives as determined in accordance with IFRS, divided by the Corporation's crude oil, condensate and NGLs production.

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:

- Natural gas and liquids sales per boe
- Operating expense per boe
- Realized gains (losses) on derivatives per boe
- Royalty expense per boe
- Net sales of purchased natural gas per boe
- Processing and other income per boe
- Transportation expense per boe

Abbreviations

Terms and abbreviations that are used in this press release that are not otherwise defined herein are provided below:

bbbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 Mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
Mcf	- thousand cubic feet
Mcf/d	- thousand cubic feet per day
Mcfe	- thousand cubic feet equivalent (1 bbl = 6 Mcf)
MMcf/d	- million cubic feet per day
Crude oil	- Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
"NGLs" & "condensate"	- Natural Gas Liquids as defined in National Instrument 51-101
Natural gas	- Conventional Natural Gas as defined in National Instrument 51-101
Liquids	- Total of crude oil, condensate and NGLs
IP30	- average initial production rate over 30 consecutive days

SOURCE [Advantage Energy Ltd.](#)

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