

2022 Third Quarter Report

Financial Highlights

(\$000, except as otherwise indicated)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Financial Statement Highlights				
Natural gas and liquids sales	235,392	134,354	727,258	332,780
Net income and comprehensive income	40,568	43,098	224,298	51,398
per basic share ⁽²⁾	0.22	0.23	1.19	0.27
Basic weighted average shares (000)	186,717	190,829	189,305	189,824
Cash provided by operating activities	123,224	46,988	389,820	155,688
Cash used in financing activities	(71,048)	(26,960)	(159,373)	(55,988)
Cash used in investing activities	(42,822)	(36,940)	(200,525)	(72,843)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾	96,651	63,353	392,585	163,597
per boe ⁽¹⁾	19.39	13.77	25.76	12.00
per basic share ⁽¹⁾⁽²⁾	0.52	0.33	2.07	0.86
Net capital expenditures ⁽¹⁾	58,519	31,352	192,103	91,019
Free cash flow ⁽¹⁾	38,132	32,001	200,482	72,578
Working capital surplus ⁽¹⁾	46,960	29,914	46,960	29,914
Bank indebtedness	113,804	193,828	113,804	193,828
Net debt ⁽¹⁾	82,432	163,914	82,432	163,914
Operating Highlights				
Production				
Crude oil (bbls/d)	2,168	1,038	2,012	1,197
Condensate (bbls/d)	1,049	1,002	1,078	788
NGLs (bbls/d)	3,230	2,684	3,160	2,557
Total liquids production (bbls/d)	6,447	4,724	6,250	4,542
Natural gas (Mcf/d)	286,328	271,804	297,503	272,467
Total production (boe/d)	54,168	50,025	55,834	49,953
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	4.61	3.48	5.51	3.12
Liquids (\$/bbl)	87.89	53.42	94.34	49.68
Operating Netback (\$/boe)				
Natural gas and liquids sales ⁽¹⁾	47.23	29.19	47.71	24.40
Realized losses on derivatives ⁽¹⁾	(12.58)	(5.21)	(7.86)	(2.75)
Processing and other income ⁽¹⁾	0.46	-	0.39	-
Royalty expense ⁽¹⁾	(5.80)	(1.75)	(5.19)	(1.36)
Operating expense ⁽¹⁾	(3.72)	(2.38)	(3.08)	(2.35)
Transportation expense ⁽¹⁾	(4.48)	(3.86)	(4.43)	(3.72)
Operating netback ⁽¹⁾	21.11	15.99	27.54	14.22

⁽¹⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

⁽²⁾ Based on basic weighted average shares outstanding.

MESSAGE TO SHAREHOLDERS

Advantage Announces Third Quarter 2022 Financial and Operating Results

Advantage Energy Ltd. (“Advantage” or the “Corporation”) is pleased to provide third quarter 2022 results, with production, share buybacks, capital spending and leverage targets all on track to achieve corporate goals.

Our corporate focus remains on growing adjusted funds flow per share^(a), via highest netback production growth and share count reduction. Production remains on track to grow by approximately 10% year-over-year while delivering strong free cash flow^(a). Advantage is committed to continuing our share buyback strategy, with 12.8 million common shares repurchased year-to-date, returning \$135 million to our shareholders. Despite this progress, our debt levels remain below the corporate target of \$200 million, so in the coming quarters, share repurchases are expected to exceed free cash flow^(a) materially.

Financial Highlights

- Cash provided by operating activities of \$123.2 million
- Adjusted funds flow (“AFF”)^(a) of \$96.7 million or \$0.52/share (up 53% versus the same period in 2021)
- Free cash flow (“FCF”)^(a) of \$38.1 million (39% of AFF)
- Cash used in investing activities was \$42.8 million
- Net capital expenditures^(a) were \$58.5 million
- Net income of \$40.6 million or \$0.22/share
- Tax pools of \$1.4 billion continue to provide cash tax deferrals
- Operating expenses were \$3.72/boe, including expenses related to a scheduled major plant turnaround and inflation
- Bank indebtedness increased to \$113.8 million
- Net debt^(a) increased to \$82.4 million, significantly below our target of \$200 million
- Total share buybacks of \$82 million and 7.7 million shares during the quarter

Operational Highlights

- Quarterly production of 54,168 boe/d (286 MMcf/d natural gas and 6,447 bbls/d liquids). Production remains on track to achieve corporate guidance for 2022 despite having shut-in an average of approximately 2,500 boe/d of AECO-exposed production during extremely low prices.
- Quarterly liquids production of 6,447 bbls/d (2,168 bbls/d oil, 1,049 bbls/d condensate, and 3,230 bbls/d NGLs), an increase of 36% compared to third quarter of 2021.
- At Glacier, two 5-well pads were drilled with the first pad on production and the second pad scheduled to be on-stream before year-end. An additional 4 gross (2 net) wells will be drilled prior to year-end.
- At Valhalla, the 15-01 two-well pad delivered a total IP30 of 1,950 boe/d (8.3 MMcf/d, 348 bbls/d condensate, and 174 bbls/d NGLs). Advantage has now established the prolific nature of this asset in 3 separate benches (D3, D4 and Upper Montney).
- At Wembley, a 3-well pad (50% working interest) with two D3 wells and a lower Montney well is currently being completed and scheduled to be on production in early November.
- Entropy Inc. (“Entropy”, a subsidiary of Advantage) completed the commissioning of the world’s first gas-fired carbon capture and storage project at the Glacier plant, with first carbon dioxide sequestration occurring in August.

(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” in the Consolidated Management’s Discussion & Analysis 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.

Marketing Update

Natural gas pricing in most of North America was strong through the third quarter of 2022, resulting in elevated sales revenues, partially offset by fixed price hedges that were in place prior to the ramp-up.

Locally, AECO pricing was extremely weak during the quarter as a result of ongoing NGTL expansion delays and a regulated tariff structure that inherently drives high volatility. However, Advantage invests in downstream transportation assets to reduce our overall exposure to the AECO market. In anticipation of ongoing AECO weakness, approximately 13% of production remains exposed to AECO for the summer 2023 season (including hedging). The remainder of Advantage production is exposed to markets outside of AECO including Empress, Dawn, Chicago and Ventura.

Advantage has hedged approximately 33% of its gas production for this winter at an average of US\$4.98/MMbtu and 11% for next summer at US\$3.35/MMbtu.

Board Appointment

Advantage is pleased to announce the appointment of Ms. Janine J. McArdle to the Board of Directors. Ms. McArdle is Founder & CEO of Apex Strategies, LLC and currently serves on the boards of Santos Ltd. and Antero Midstream Corporation. Janine has a strong background in crude oil and natural gas marketing, both in North America and international operations, and has extensive experience in the development of LNG market opportunities for gas sourced out of Western Canada. She brings strategic expertise to Advantage's crude oil and natural gas marketing operations and natural gas market diversification plans. Janine holds a Bachelor of Science, Chemical Engineering from the University of Nebraska and an MBA Finance from the University of Houston. Ms. McArdle is a member of the National Association of Corporate Directors (NACD) and Women Corporate Directors (WCD).

Looking Forward

In order to maximize shareholder returns, Advantage's priority is growing AFF per share^(a). To optimize growth of AFF^(a), Advantage will target organic production growth of between 10% and 15% per year throughout our three-year corporate plan, depending on commodity pricing. Despite significant progress with our share buybacks, our debt levels remain below the corporate target of \$200 million, so in the coming quarters, share repurchases are expected to exceed FCF^(a) materially.

Advantage's 2022 capital is expected to be at the high end of our guidance (\$210 million to \$230 million) as a result of adding 1.5 net new drills and increased frac intensity across all assets. Production guidance for 2022 remains between 53,500 boe/d and 56,500 boe/d with liquids production between 5,800 bbls/d and 6,200 bbls/d. Operating costs are expected to average \$3.05/boe for the year.

Through our ownership in Entropy, Advantage remains on track to achieve "net zero" emissions by 2025, pending a functional carbon regulatory environment. As the world continues to adjust to violent geopolitical instability and the closely related European energy crisis, Advantage is proud to deliver clean, reliable, sustainable energy, while contributing to a reduction in global emissions by displacing high-carbon fuels.



CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS
For the three and nine months ended September 30, 2022 and 2021

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of October 27, 2022, provides a detailed explanation of the consolidated financial and operating results of Advantage Energy Ltd. ("Advantage", the "Corporation", "us", "we" or "our") for the three and nine months ended September 30, 2022 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2022 and the audited consolidated financial statements for the year ended December 31, 2021 (together, the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

This MD&A contains specified financial measures such as non-GAAP financial measures, non-GAAP ratios, capital management measures, supplementary financial measures and forward-looking information. Readers are advised to read this MD&A in conjunction with both the "Specified Financial Measures" and "Forward-Looking Information and Other Advisories" found at the end of this MD&A.

Financial Highlights	Three months ended September 30		Nine months ended September 30	
(\$000, except as otherwise indicated)	2022	2021	2022	2021
Financial Statement Highlights				
Natural gas and liquids sales	235,392	134,354	727,258	332,780
Net income and comprehensive income	40,568	43,098	224,298	51,398
per basic share ⁽²⁾	0.22	0.23	1.19	0.27
Basic weighted average shares (000)	186,717	190,829	189,305	189,824
Cash provided by operating activities	123,224	46,988	389,820	155,688
Cash used in financing activities	(71,048)	(26,960)	(159,373)	(55,988)
Cash used in investing activities	(42,822)	(36,940)	(200,525)	(72,843)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾	96,651	63,353	392,585	163,597
per boe ⁽¹⁾	19.39	13.77	25.76	12.00
per basic share ⁽¹⁾⁽²⁾	0.52	0.33	2.07	0.86
Net capital expenditures ⁽¹⁾	58,519	31,352	192,103	91,019
Free cash flow ⁽¹⁾	38,132	32,001	200,482	72,578
Working capital surplus ⁽¹⁾	46,960	29,914	46,960	29,914
Bank indebtedness	113,804	193,828	113,804	193,828
Net debt ⁽¹⁾	82,432	163,914	82,432	163,914

⁽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.

Operating Highlights

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Operating				
Production				
Crude oil (bbls/d)	2,168	1,038	2,012	1,197
Condensate (bbls/d)	1,049	1,002	1,078	788
NGLs (bbls/d)	3,230	2,684	3,160	2,557
Total liquids production (bbls/d)	6,447	4,724	6,250	4,542
Natural gas (Mcf/d)	286,328	271,804	297,503	272,467
Total production (boe/d)	54,168	50,025	55,834	49,953
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	4.61	3.48	5.51	3.12
Liquids (\$/bbl)	87.89	53.42	94.34	49.68
Operating Netback (\$/boe)				
Natural gas and liquids sales	47.23	29.19	47.71	24.40
Realized losses on derivatives	(12.58)	(5.21)	(7.86)	(2.75)
Processing and other income	0.46	-	0.39	-
Royalty expense	(5.80)	(1.75)	(5.19)	(1.36)
Operating expense	(3.72)	(2.38)	(3.08)	(2.35)
Transportation expense	(4.48)	(3.86)	(4.43)	(3.72)
Operating netback ⁽¹⁾	21.11	15.99	27.54	14.22

⁽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.

Corporate Update

2022 Guidance Update

The Corporation reiterates our 2022 average production guidance range of 53,500 boe/d to 56,500 boe/d and expects our cash used in investing activities to be at the high end of our guidance (\$210 million to \$230 million) as a result of adding 1.5 net new drills, continued inflation, and increased frac intensity across all assets. Advantage has revised our expected guidance for operating and transportation expenses as reflected in the following table.

Forward Looking Information⁽¹⁾	2022 Prior Guidance⁽³⁾	2022 Revised Guidance
Cash Used in Investing Activities ⁽²⁾ (\$ millions)	210 to 230	210 to 230
Average Production (boe/d)	53,500 to 56,500	53,500 to 56,500
Liquids Production (bbls/d)	5,800 to 6,200	5,800 to 6,200
Royalty Rate (%)	12 to 17	11 to 13
Operating Expense (\$/boe)	2.45	3.05
Transportation Expense (\$/boe)	4.85 to 5.15	4.45 to 4.65
G&A/Finance Expense (\$/boe)	1.55	1.55

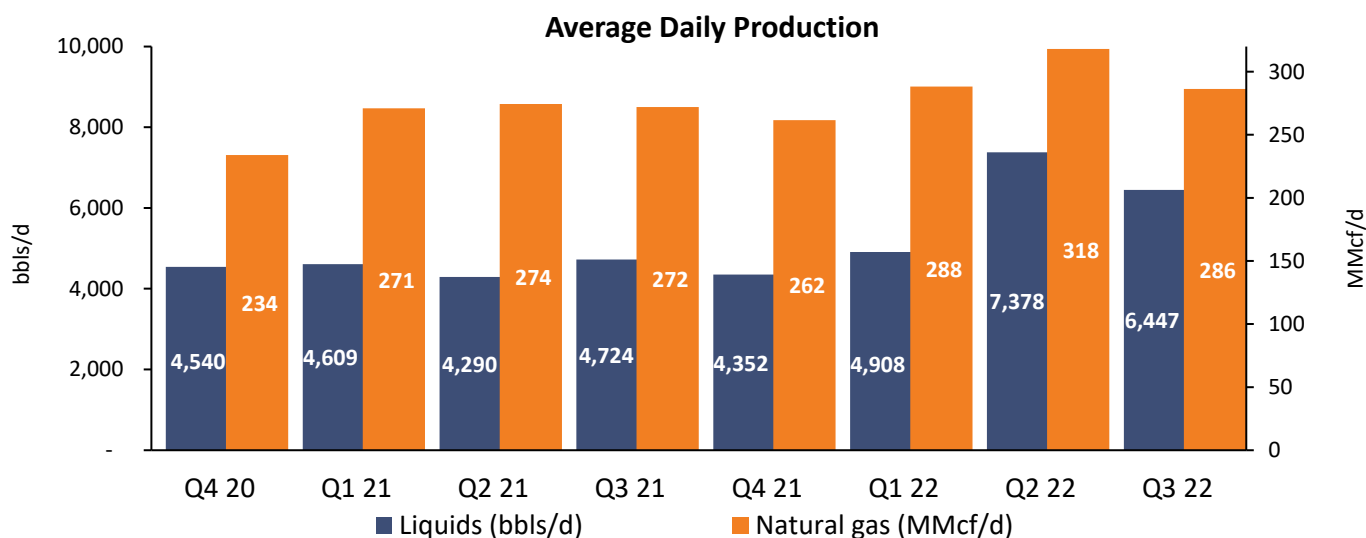
⁽¹⁾ Forward-looking statements and information representing Management estimates. Please see “Forward-Looking Information and Other Advisories”.

⁽²⁾ Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed between years and other differences are immaterial.

⁽³⁾ See June 30, 2022 MD&A dated July 28, 2022.

Production

Average Daily Production	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Crude oil (bbls/d)	2,168	1,038	109	2,012	1,197	68
Condensate (bbls/d)	1,049	1,002	5	1,078	788	37
NGLs (bbls/d)	3,230	2,684	20	3,160	2,557	24
Total liquids production (bbls/d)	6,447	4,724	36	6,250	4,542	38
Natural gas (Mcf/d)	286,328	271,804	5	297,503	272,467	9
Total production (boe/d)	54,168	50,025	8	55,834	49,953	12
Liquids (% of total production)	12	9		11	9	
Natural gas (% of total production)	88	91		89	91	



For the three and nine months ended September 30, 2022, Advantage recorded total production averaging 54,168 boe/d and 55,834 boe/d, respectively, increases of 8% and 12% compared to the same periods of the prior year. Advantage remains on track to deliver 2022 total annual production within our guidance range of 53,500 boe/d to 56,500 boe/d.

Natural gas production for the three and nine months ended September 30, 2022, averaged 286 MMcf/d and 298 MMcf/d, respectively, increases of 5% and 9% compared to the same periods of the prior year. The increases for each period are a result of continued drilling and development at Glacier and Valhalla (see "Cash Used in Investing Activities and Net Capital Expenditures"). The planned decrease in third quarter natural gas production from the prior quarter was to conduct maintenance at the Glacier Gas Plant, which we aligned with maintenance on TC Energy's NGTL pipeline system, accompanied by strategic shut-ins of natural gas production exposed to AECO pricing during periods of significant volatility (see "Commodity Prices and Marketing").

Liquids production increased to 6,447 bbls/d and 6,250 bbls/d for the three and nine months ended September 30, 2022, increases of 36% and 38% compared to the same periods of the prior year, as a result of our liquids development focus whereby Wembley and Progress wells were brought onstream in 2022 (see "Cash Used in Investing Activities and Net Capital Expenditures"). Advantage's higher liquids production came on during a period where WTI has averaged over US\$98/bbl (see "Commodity Prices and Marketing"), materially contributing to the Corporation's increased operating netback (see "Operating Netback").

Commodity Prices and Marketing

Average Realized Prices ⁽²⁾	Three months ended			Nine months ended		
	September 30 2022	September 30 2021	% Change	September 30 2022	September 30 2021	% Change
Natural gas						
Excluding derivatives (\$/Mcf)	6.96	4.25	64	6.94	3.50	98
Including derivatives (\$/Mcf)	4.61	3.48	32	5.51	3.12	77
Liquids						
Crude oil (\$/bbl)	102.75	88.38	16	118.21	74.62	58
Condensate (\$/bbl)	112.46	76.21	48	123.76	75.71	63
NGLs (\$/bbl)	69.45	51.49	35	72.46	45.55	59
Total liquids excluding derivatives (\$/bbl)	87.64	64.84	35	96.04	58.44	64
Total liquids including derivatives (\$/bbl)	87.89	53.42	65	94.34	49.68	90
Average Benchmark Prices						
Natural gas ⁽¹⁾						
AECO daily (\$/Mcf)	4.16	3.60	16	5.28	3.27	61
AECO monthly (\$/Mcf)	5.82	3.54	64	5.66	3.11	82
Empress daily (\$/Mcf)	7.13	4.23	69	6.65	3.50	90
Henry Hub (\$US/MMbtu)	8.18	4.27	92	6.54	3.52	86
Emerson 2 daily (\$US/MMbtu)	6.22	3.71	68	5.71	3.11	84
Dawn daily (\$US/MMbtu)	7.37	4.07	81	6.35	3.26	95
Chicago Citygate (\$US/MMbtu)	7.84	3.85	104	6.54	3.07	113
Ventura (\$US/MMbtu)	7.67	3.72	106	6.49	3.00	116
Liquids						
WTI (\$US/bbl)	91.64	70.55	30	98.14	64.85	51
MSW Edmonton (\$/bbl)	116.84	84.01	39	122.76	75.97	62
Average Exchange rate (\$US/\$CDN)	0.7660	0.7936	(3)	0.7796	0.7990	(2)

⁽¹⁾ Converted on the basis of 1 Mcf = 1.055056 GJ and 1 Mcf = 1 MMbtu.

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

Advantage's realized liquids price excluding derivatives for the three and nine months ended September 30, 2022, was \$87.64/bbl and \$96.04/bbl, respectively, increases of 35% and 64% compared to the same periods of the prior year. Realized crude oil, condensate and NGL prices all increased significantly in 2022 due to the improved WTI price, with continued global economic recovery from the COVID-19 pandemic combined with the ongoing Ukrainian-Russian war. Liquids prices in the third quarter of 2022 slightly pulled back from their highs in the second quarter due to economic global recession concerns. The price that Advantage receives for crude oil and condensate production is driven by global supply and demand and local Edmonton light sweet oil and condensate price differentials. Approximately 68% of our liquids production is comprised of crude oil, condensate, and pentanes, which typically attracts much higher market prices than other NGLs.

Advantage's realized natural gas price excluding derivatives for the three and nine months ended September 30, 2022, was \$6.96/Mcf and \$6.94/Mcf, respectively, increases of 64% and 98% compared to the same periods of the prior year. These increases were attributed to higher natural gas benchmark prices in all markets where Advantage physically delivers natural gas. The third quarter of 2022 experienced significantly volatile AECO prices due to pipeline maintenance on TC Energy's NGTL system, while other natural gas benchmark prices remained strong. Advantage has realized natural gas prices higher than AECO as we currently have additional market exposure at Dawn, Empress, Emerson, Chicago and Ventura.

Commodity Prices and Marketing (continued)

Advantage continues to invest in additional transportation commitments to diversify production to alternative markets, thereby reducing price volatility and achieving higher operating netbacks (see "Transportation Expense"). In the first quarter of 2022, Advantage added 47.4 MMcf/d of firm transportation capacity to Empress, AB on the NGTL system for a 4-year term commencing April 2022. During the third quarter of 2022, Advantage added an additional 23.7 MMcf/d of firm transportation capacity to Empress for a 3-year term commencing September 2022.

During the year, Advantage entered into certain marketing transactions whereby the price received for downstream market exposure is exchanged for AECO plus a premium that exceeds the transportation cost to that market. Although these transactions resulted in premium pricing versus AECO, AECO underperformed by a larger margin in the third quarter of 2022, offsetting the gains and resulting in lower recognized revenue. These transactions are short-term in nature and represent 16% of our expected natural gas production for the fourth quarter of 2022 and 10% for the first quarter of 2023.

The following table outlines the Corporation's 2022 and 2023 forward-looking natural gas market exposure, excluding hedging.

Sales Markets	Forward-looking 2022 ⁽²⁾		Forward-looking 2023 ⁽²⁾	
	Effective Production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)
AECO	113.6	39	89.7	28
AECO premium ⁽³⁾	60.1	20	10.4	3
Empress	32.0	11	89.3	28
Emerson	3.2	1	24.7	8
Dawn	53.0	18	51.5	16
Chicago	17.1	6	18.1	6
Ventura	15.0	5	15.0	5
PJM power price ⁽⁴⁾	-	-	18.8	6
Total	294.0⁽²⁾	100	317.5⁽²⁾	100

⁽¹⁾ Converted on the basis of 1 Mcf = 1.055056 GJ and 1 Mcf = 1 MMbtu.

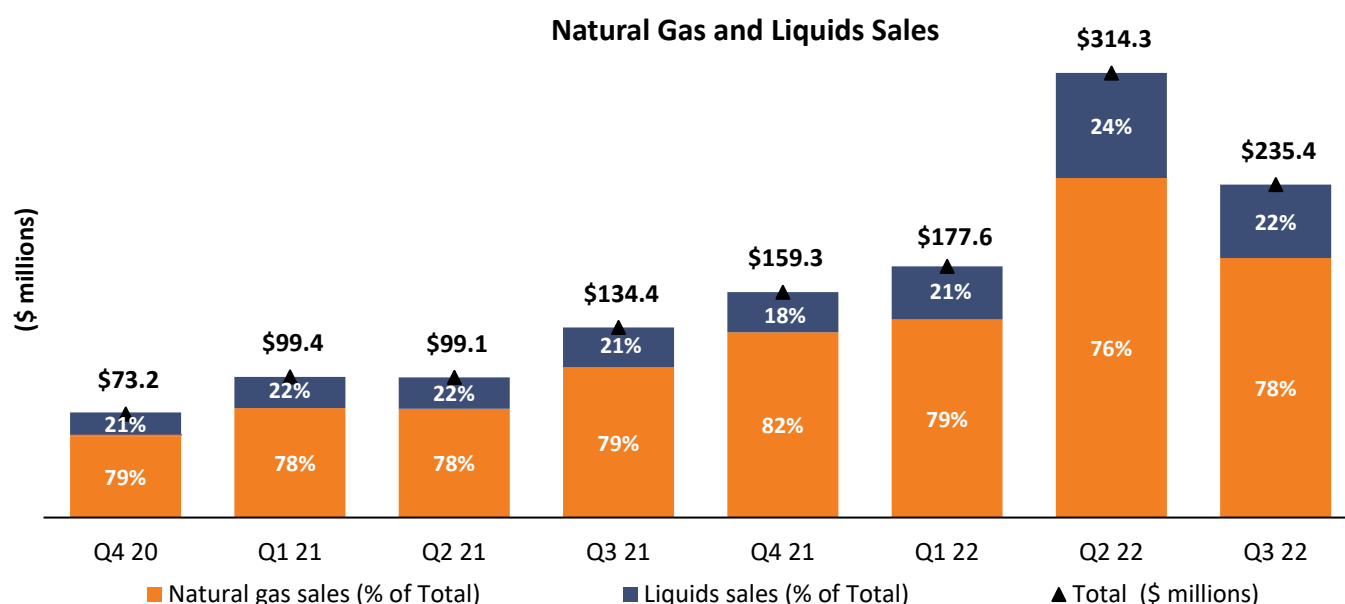
⁽²⁾ Represents the midpoint of our revised 2022 guidance for natural gas production volumes (see New Release dated July 28, 2022), while assuming 8% natural gas production growth in 2023.

⁽³⁾ Represents marketing transactions where the price received for the Corporation's downstream market exposure is priced at AECO plus a fixed basis premium, which is greater than the transportation cost to reach such downstream markets.

⁽⁴⁾ Sales are based upon a spark-spread pricing formula, providing Advantage exposure to PJM power prices, back-stopped with a natural gas price collar.

Natural gas and liquids sales

(\$000, except as otherwise indicated)	Three months ended			Nine months ended		
	September 30 2022	September 30 2021	% Change	September 30 2022	September 30 2021	% Change
Crude oil	20,494	8,440	143	64,932	24,386	166
Condensate	10,853	7,025	54	36,422	16,286	124
NGLs	20,637	12,715	62	62,510	31,794	97
Liquids	51,984	28,180	84	163,864	72,466	126
Natural gas	183,408	106,174	73	563,394	260,314	116
Natural gas and liquids sales	235,392	134,354	75	727,258	332,780	119
per boe	47.23	29.19	62	47.71	24.40	96



Natural gas and liquids sales for the three and nine months ended September 30, 2022, increased by \$101.0 million or 75% and \$394.5 million or 119%, respectively, compared to the same periods of 2021.

For the three months ended September 30, 2022, natural gas sales increased by \$77.2 million or 73%, compared to the corresponding period in 2021, due to a 64% increase in realized natural gas prices (see "Commodity Prices and Marketing"), accompanied by a 5% increase in natural gas production volumes (see "Production"). Third quarter liquids sales increased by \$23.8 million, or 84%, due to a 35% increase in realized liquids prices (see "Commodity Prices and Marketing"), accompanied by a 36% increase in liquids production volumes (see "Production").

For the nine months ended September 30, 2022, natural gas sales increased by \$303.1 million or 116%, compared to 2021, due to a 98% increase in realized natural gas prices (see "Commodity Prices and Marketing"), accompanied by a 9% increase in natural gas production volumes (see "Production"). Liquids sales increased by \$91.4 million, or 126%, due to a 64% increase in realized liquids prices (see "Commodity Prices and Marketing"), accompanied by a 38% increase in liquids production volumes (see "Production").

Financial Risk Management

The Corporation's financial results and condition are impacted primarily by the prices received for natural gas, crude oil, condensate and NGLs production. Natural gas, crude oil, condensate and NGLs prices can fluctuate widely and are determined by supply and demand factors, including available access to transportation, weather, general economic conditions in consuming and producing regions and political factors. Additionally, certain commodity prices are transacted and denominated in US dollars. Advantage has been proactive in commodity risk management for the purposes of reducing the volatility of cash provided by operating activities that supports our Montney development by diversifying sales to different physical markets and entering financial commodity and foreign exchange derivative contracts. Advantage's Credit Facilities (as defined herein) allow us to enter fixed price derivative contracts on up to 75% of total estimated production over the first three years and up to 50% over the fourth and fifth years. In addition, the Credit Facilities allow us to enter basis swap arrangements to any natural gas price point in North America for up to 100,000 MMBtu/d with a maximum term of seven years. Basis swap arrangements are excluded from hedged production limits.

The Corporation enters financial risk management derivative contracts to manage the Corporation's exposure to commodity price risk, foreign exchange risk and interest rate risk. A summary of realized and unrealized derivative gains and losses for the three and nine months ended September 30, 2022, and 2021 are as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Realized gains (losses) on derivatives				
Natural gas	(61,889)	(19,045)	(115,757)	(28,263)
Crude oil	148	(4,965)	(2,900)	(10,864)
Foreign exchange	(927)	218	(1,029)	2,150
Interest rate	-	(171)	(104)	(513)
Total	(62,668)	(23,963)	(119,790)	(37,490)
Unrealized gains (losses) on derivatives				
Natural gas	(388)	(7,278)	(39,789)	(33,127)
Crude oil	812	4,650	504	(3,757)
Foreign exchange	(2,262)	(2,713)	(3,016)	(4,458)
Interest rate	-	169	136	495
Natural gas embedded derivative	(5,275)	22,793	50,785	25,348
Unsecured debentures	(314)	-	(314)	-
Total	(7,427)	17,621	8,306	(15,499)
Gains (losses) on derivatives				
Natural gas	(62,277)	(26,323)	(155,546)	(61,390)
Crude oil	960	(315)	(2,396)	(14,621)
Foreign exchange	(3,189)	(2,495)	(4,045)	(2,308)
Interest rate	-	(2)	32	(18)
Natural gas embedded derivative	(5,275)	22,793	50,785	25,348
Unsecured debentures	(314)	-	(314)	-
Total	(70,095)	(6,342)	(111,484)	(52,989)

Financial Risk Management (continued)

Natural gas

For the three and nine months ended September 30, 2022, Advantage realized losses on natural gas derivatives of \$61.9 million and \$115.8 million, respectively, due to the settlement of contracts with average derivative contract prices that were below average market prices that significantly strengthened during the year. Advantage's hedged natural gas position will decrease by 17 MMcf/d heading into the fourth quarter of 2022, resulting in less production hedged at a higher price.

Advantage recognized an unrealized loss on natural gas derivatives for the three and nine months ended September 30, 2022, of \$0.4 million and \$39.8 million, respectively. Unrealized losses are a result of changes in the fair value of the Corporation's outstanding natural gas derivative contracts accompanied with the settlement of contracts in their respective periods. For the nine months ended September 30, 2022, the change in the fair value of our outstanding natural gas derivative contracts was significantly impacted by the increased liability valuation of our natural gas derivative contracts due to strengthening Henry Hub prices.

Crude oil

For the three months ended September 30, 2022, Advantage realized a gain on crude oil derivatives of \$0.1 million, while recording a realized loss on crude oil derivatives of \$2.9 million for the nine months ended September 30, 2022, due to the settlement of contracts with average derivative contract prices varying from the average market prices during each period.

Advantage recognized an unrealized gain on crude oil derivatives for the three and nine months ended September 30, 2022, of \$0.8 million and \$0.5 million, respectively. The change in the fair value of our outstanding crude oil derivative contracts was impacted by the increased asset valuation of our crude oil derivative contracts due to slightly decreased WTI prices.

Natural gas embedded derivative

Advantage entered into a long-term natural gas supply agreement in 2020 under which Advantage will supply 25,000 MMbtu/d of natural gas for a 10-year period, scheduled to commence in 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM power prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US\$2.50/MMbtu. The Corporation will have unrealized gains (losses) on the embedded derivative based on movements in the forward curve for PJM power prices. The Corporation will not have realized gains (losses) on the embedded derivative until the Corporation begins delivering natural gas. For the three and nine months ended September 30, 2022, the Corporation's embedded derivative resulted in an unrealized loss of \$5.3 million and an unrealized gain of \$50.8 million, respectively, as a result of changing future PJM power prices.

Foreign exchange

For the three and nine months ended September 30, 2022, Advantage realized losses on foreign exchange derivatives of \$0.9 million and \$1.0 million, respectively, while recording unrealized losses of \$2.3 million and \$3.0 million, respectively. The realized and unrealized losses are due to the value of the Canadian dollar being lower than the Corporation's average hedged foreign exchange rate position.

Interest rate

For the nine months ended September 30, 2022, Advantage realized losses on interest rate derivatives of \$0.1 million. The Corporation's interest rate derivative contracts concluded in the first quarter of 2022.

Financial Risk Management (continued)

The fair value of derivative assets and liabilities is the estimated value to settle the outstanding contracts as at a point in time. As such, unrealized derivative gains and losses do not impact adjusted funds flow and the actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices, foreign exchange rates and interest rates as compared to the valuation assumptions. Remaining derivative contracts will settle between October 1, 2022 and December 31, 2024, apart from the Corporation's natural gas embedded derivative which is expected to be settled between the years 2023 and 2033.

As at September 30, 2022 and October 27, 2022, the Corporation had the following commodity and foreign exchange derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - AECO 7A			
Fixed price swap	April 2023 to October 2023	9,478 Mcf/d	\$4.60/Mcf ⁽¹⁾
Natural gas - Henry Hub NYMEX			
Fixed price swap	April 2022 to October 2022	130,000 Mcf/d	US \$4.23/Mcf
Fixed price swap	November 2022 to March 2023	105,000 Mcf/d	US \$4.98/Mcf
Fixed price swap	April 2023 to October 2023	25,000 Mcf/d	US \$3.35/Mcf
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	April 2023 to December 2024	40,000 Mcf/d	Henry Hub less US \$1.19/Mcf
Crude oil - WTI NYMEX			
Fixed price swap	July 2022 to December 2022	250 bbls/d	US \$96.50/bbl
Collar	April 2022 to December 2022	250 bbls/d	US \$80.00/bbl - US \$115.00/bbl
Forward rate - CAD/USD			
Average rate currency swap	February 2021 to January 2023	US \$ 750,000/month	1.2850
Average rate currency swap	June 2021 to May 2023	US \$ 2,000,000/month	1.2025
Average rate currency swap	March 2022 to February 2023	US \$ 1,500,000/month	1.2719
Average rate currency swap	May 2022 to March 2023	US \$ 1,000,000/month	1.2850

(1) Contract entered into subsequent to September 30, 2022

Processing and Other Income

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Processing and other income (\$000)	2,276	-	nm	5,991	-	nm
per boe	0.46	-	nm	0.39	-	nm

Advantage earns processing income from contracts entered in 2022 whereby the Corporation charges third-parties to utilize excess capacity at the Glacier Gas Plant and the Progress battery.

Net Sales of Purchased Natural Gas

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Sales of purchased natural gas (\$000)	-	-	nm	4,826	-	nm
Natural gas purchases (\$000)	-	-	nm	(4,756)	-	nm
Net sales of purchased natural gas (\$000)	-	-	nm	70	-	nm
per boe	-	-	nm	-	-	nm

During the nine months ended September 30, 2022, the Corporation purchased natural gas volumes to satisfy physical sales commitments during planned downtime at the Glacier Gas Plant. During the nine months ended September 30, 2022, Advantage realized \$4.8 million of revenue from the sale of purchased natural gas while the natural gas volumes were purchased for a total of \$4.8 million.

Royalty Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Royalty expense (\$000)	28,882	8,059	258	79,103	18,602	325
per boe	5.80	1.75	231	5.19	1.36	282
Royalty rate (%) ⁽¹⁾	12.3	6.0	6.3	10.9	5.6	5.3

⁽¹⁾ Percentage of natural gas and liquids sales.

Advantage pays royalties to the owners of mineral rights from which we have mineral leases. The Corporation has mineral leases with provincial governments, individuals and other companies. Our current average royalty rates are determined by various royalty regimes that incorporate factors including well depths, completion data, well production rates, and commodity prices. Royalties also include the impact of Gas Cost Allowance ("GCA") which is a reduction of royalties payable to the Alberta Provincial Government (the "Crown") to recognize capital and operating expenditures incurred by Advantage in the gathering and processing of the Crown's share of our natural gas production.

Royalty expense for the three and nine months ended September 30, 2022 increased by \$20.8 million and \$60.5 million, respectively. The increase in royalty expense was due to significantly higher natural gas and liquids prices accompanied with increased production and royalty rates. Royalties paid on new wells drilled in Alberta are typically low until the initial capital investment is recovered at which time the royalty rate will increase based on the magnitude of production and commodity price. With the much higher commodity price environment and well productivity, Advantage's new wells quickly payout the initial capital invested at a rapid pace thereby resulting in higher royalty rates than historically experienced.

Operating Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Operating expense (\$000)	18,544	10,967	69	46,925	32,023	47
per boe	3.72	2.38	56	3.08	2.35	31

Operating expense for the three and nine months ended September 30, 2022, increased by \$7.6 million and \$14.9 million, increases of 69% and 47%. The higher operating expense was attributed to the 8% and 12% increases in total production, additional third-party processing fees associated with higher production at Wembley, and higher insurance premiums tied to generating increased natural gas and liquids sales. Operating expense per boe increased by 56% and 31%, respectively, due to planned maintenance and turnaround costs incurred at the Glacier Gas Plant in the third quarter, accompanied with higher liquids production from our Wembley area. We anticipate operating expense to average approximately \$3.05 per boe for 2022.

Transportation Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Natural gas (\$000)	19,478	16,466	18	60,662	46,857	29
Liquids (\$000)	2,847	1,288	121	6,794	3,815	78
Total transportation expense (\$000)	22,325	17,754	26	67,456	50,672	33
per boe	4.48	3.86	16	4.43	3.72	19

Transportation expense represents the cost of transporting our natural gas and liquids production to the sales points, including associated fuel costs. Transportation expense for the three and nine months ended September 30, 2022, increased by \$4.6 million and \$16.8 million, respectively, increases of 26% and 33%. The increases in transportation expense are a result of increased NGTL tolls, higher fuel costs associated with increased natural gas prices, additional downstream natural gas transportation and additional liquids transportation associated with higher liquids production. Transportation expense is expected to average approximately \$4.45 to \$4.65 per boe for 2022.

Operating Netback

	Three months ended September 30			
	2022		2021	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	235,392	47.23	134,354	29.19
Realized losses on derivatives	(62,668)	(12.58)	(23,963)	(5.21)
Processing and other income	2,276	0.46	-	-
Royalty expense	(28,882)	(5.80)	(8,059)	(1.75)
Operating expense	(18,544)	(3.72)	(10,967)	(2.38)
Transportation expense	(22,325)	(4.48)	(17,754)	(3.86)
Operating netback⁽¹⁾	105,249	21.11	73,611	15.99

	Nine months ended September 30			
	2022		2021	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	727,258	47.71	332,780	24.40
Realized losses on derivatives	(119,790)	(7.86)	(37,490)	(2.75)
Processing and other income	5,991	0.39	-	-
Net sales of purchased natural gas	70	-	-	-
Royalty expense	(79,103)	(5.19)	(18,602)	(1.36)
Operating expense	(46,925)	(3.08)	(32,023)	(2.35)
Transportation expense	(67,456)	(4.43)	(50,672)	(3.72)
Operating netback⁽¹⁾	420,045	27.54	193,993	14.22

⁽¹⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

For the three and nine months ended September 30, 2022, Advantage's operating netback increased by 43% and 117%, respectively, or \$5.12/boe and \$13.32/boe. The increase in the Corporation's operating netbacks per boe was primarily due to the increase in natural gas and liquids sales as a result of significantly increased natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This increase was partially offset by realized losses on derivatives (see "Financial Risk Management") and increased royalty expense (see "Royalty Expense"), both similarly due to much higher natural gas and crude oil benchmark prices.

General and Administrative Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
General and administrative expense (\$000)	6,418	5,757	11	16,894	14,920	13
per boe	1.29	1.25	3	1.11	1.09	2
Employees at September 30				52	40	30

General and administrative ("G&A") expense for the three and nine months ended September 30, 2022 increased by \$0.7 million and \$2.0 million, respectively. For the nine months ended September 30, 2022, the Corporation's G&A increased largely due to a 30% increase in employee count, and an incremental \$1.8 million for a total of \$2.5 million of G&A incurred by Entropy Inc. ("Entropy"), the Corporation's subsidiary.

Share-based Compensation Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Share-based compensation (\$000)	1,909	1,741	10	5,923	5,025	18
Capitalized (\$000)	(756)	(557)	36	(1,682)	(1,490)	13
Cash settled awards (\$000)	-	-	nm	-	(682)	nm
Share-based compensation expense (\$000)	1,153	1,184	(3)	4,241	2,853	49
per boe	0.23	0.26	(12)	0.28	0.21	33

Advantage's long-term compensation plan for employees consists of a balanced approach between a cash-based performance award incentive plan (see "General and Administrative Expense") and a share-based restricted and performance award incentive Plan. Under Advantage's restricted and performance award incentive plan, Performance Share Units are granted to service providers of Advantage which cliff vest after three years from grant date. Capitalized share-based compensation is attributable to personnel involved with the development of the Corporation's capital projects. For the nine months ended September 30, 2022, share-based compensation increased due to an increase in employees, additional share-based compensation associated with Entropy, and certain awards settled in cash in 2021. Entropy implemented a long-term share-based compensation plan for service providers of Entropy in 2021, consisting of a stock option plan whereby an initial grant of stock options occurred in June 2021.

Depreciation Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Depreciation expense (\$000)	33,924	26,919	26	101,568	80,788	26
per boe	6.81	5.85	16	6.66	5.92	13

The increase in depreciation expense during the three and nine months ended September 30, 2022, was attributable to an increased net book value associated with the Corporation's natural gas and liquids properties subsequent to booking an impairment reversal of \$340.7 million in the fourth quarter of 2021, accompanied with increased 2022 production (see "Production").

Finance Expense

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Cash finance expense (\$000)	2,180	4,501	(52)	10,566	15,476	(32)
per boe	0.44	0.98	(55)	0.69	1.13	(39)
Accretion expense (\$000)	491	297	65	1,267	857	48
Total finance expense (\$000)	2,671	4,798	(44)	11,833	16,333	(28)
per boe	0.54	1.04	(48)	0.78	1.20	(35)

Advantage realized lower cash finance expense during the three and nine months ended September 30, 2022, as a result of decreased average outstanding bank indebtedness when compared to the same periods in 2021. Advantage's bank indebtedness interest rates are primarily based on short-term bankers' acceptance rates plus a stamping fee and determined by net debt to the trailing four quarters Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio as calculated pursuant to our Credit Facilities.

On April 5, 2022, the Corporation's subsidiary Entropy issued a \$25 million unsecured debenture that is non-recourse to Advantage. The unsecured debenture bears an interest rate of 8% that Entropy can elect to pay in cash or pay-in-kind. Any paid-in-kind interest is added to the aggregate principal amount of the unsecured debenture. For the nine months ended September 30, 2022, Entropy incurred interest of \$1.0 million that was paid in cash (see "Unsecured Debentures").

Taxes

	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Income tax expense (\$000)	13,088	9,476	38	69,517	12,202	nm
Effective tax rate (%)	24.4	18.0		23.7	19.2	

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three and nine months ended September 30, 2022, the Corporation recognized a deferred income tax expense of \$13.1 million and \$69.5 million, respectively, as a result of generating substantial income before taxes and non-controlling interest. As at September 30, 2022, the Corporation had a deferred income tax liability of \$165.8 million.

Net Income and Comprehensive Income Attributable to Advantage Shareholders

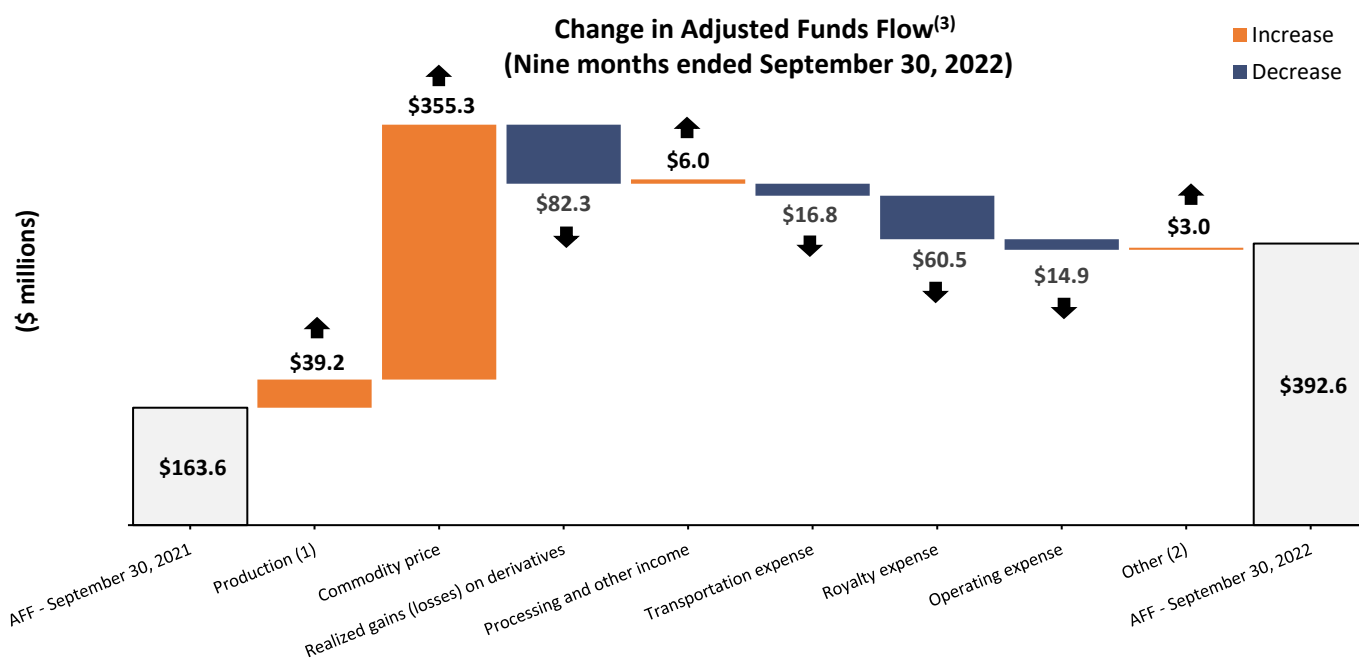
	Three months ended			Nine months ended		
	September 30		%	September 30		%
	2022	2021	Change	2022	2021	Change
Net income and comprehensive income attributable to Advantage shareholders (\$000)	40,792	43,188	(6)	224,705	51,488	336
per share - basic	0.22	0.23	(4)	1.19	0.27	340
per share - diluted	0.21	0.22	(5)	1.15	0.26	342

Advantage recognized net income attributable to Advantage shareholders of \$40.8 million and \$224.8 million for the three and nine months ended September 30, 2022, respectively. Net income and comprehensive income attributable to Advantage shareholders was significantly higher when compared to 2021 largely due to increased natural gas and liquids sales attributable to higher commodity prices and production (see "Natural gas and liquids sales"), partially offset by increased expenses and losses on derivatives (see "Financial Risk Management").

Cash Provided by Operating Activities and Adjusted Funds Flow ("AFF")

(\$000, except as otherwise indicated)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Cash provided by operating activities	123,224	46,988	389,820	155,688
Expenditures on decommissioning liability	517	438	1,071	780
Changes in non-cash working capital	(27,090)	15,927	1,694	7,129
Adjusted funds flow ⁽¹⁾	96,651	63,353	392,585	163,597
Adjusted funds flow per boe ⁽¹⁾	19.39	13.77	25.76	12.00
Adjusted funds flow per share ⁽¹⁾	0.52	0.33	2.07	0.86

⁽¹⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".



⁽¹⁾ The change in natural gas and liquids sales related to the change in production is determined by multiplying the prior period realized price by current period production.

⁽²⁾ Other includes net sales of purchased natural gas, general and administrative expense, and finance expense (excluding accretion of decommissioning liability and unsecured debentures).

⁽³⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

For the three and nine months ended September 30, 2022, Advantage realized cash provided by operating activities of \$123.2 million and \$389.8 million, increases of \$76.2 million and \$234.1 million, respectively, when compared to the same periods of 2021. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of \$96.7 million and \$392.6 million, increases of \$33.3 million and \$229.0 million, respectively, when compared to the same periods of 2021. Adjusted funds flow of \$96.7 million for the three months ended September 30, 2022, includes \$98.1 million earned by Advantage that was partially offset by \$1.4 million of negative adjusted funds flow incurred by Entropy.

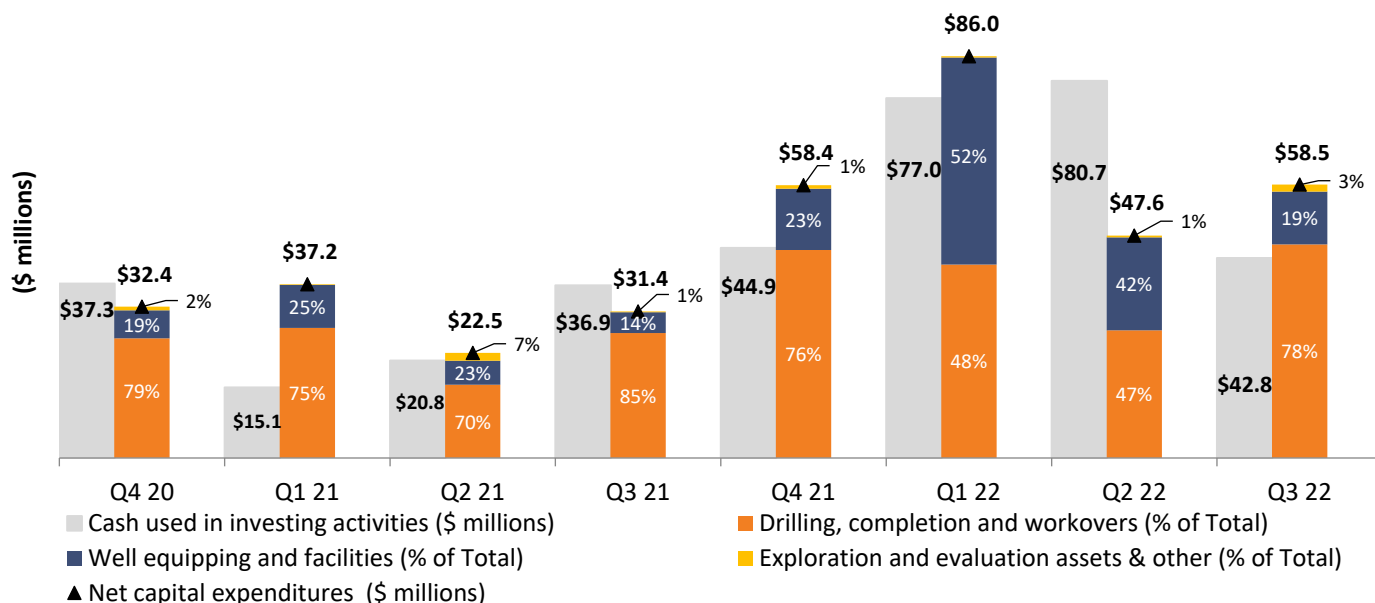
The increases in cash provided by operating activities and adjusted funds flow were largely due to the increase in natural gas and liquids sales as a result of significantly improved commodity prices and higher total production (see "Commodity Prices and Marketing" and "Production"). These increases were partially offset by higher realized losses on derivatives (see "Financial Risk Management") and increased royalties paid to the crown.

Cash Used in Investing Activities and Net Capital Expenditures

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Drilling, completion and workovers	45,688	26,715	114,361	70,188
Well equipping and facilities	11,245	4,451	75,412	18,780
Carbon capture and storage	1,295	-	1,295	-
Property acquisitions	-	-	-	1,473
Other	219	21	485	59
Expenditures on property, plant and equipment	58,447	31,187	191,553	90,500
Expenditures on exploration and evaluation assets	-	-	-	354
Expenditures on intangible assets	72	165	550	165
Net capital expenditures ⁽¹⁾	58,519	31,352	192,103	91,019
Changes in non-cash working capital	(15,697)	5,608	8,427	1,867
Project funding received	-	(20)	(5)	(20,043)
Cash used in investing activities	42,822	36,940	200,525	72,843

(1) Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

Cash Used in Investing Activities and Net Capital Expenditures



Advantage invested \$58.5 million and \$192.1 million on property, plant, and equipment, exploration and evaluation assets and intangible assets during the three and nine months ended September 30, 2022. Net capital expenditures include \$8 million of casing and other equipment that was pre-purchased for future use to reduce costs and secure supply given the current inflationary environment.

Glacier

Production at Advantage's Glacier gas property has continued to grow, surpassing a peak production level of 50,000 boe/d during the first half of 2022 after being the focus of our 2021 capital program. During the first half of 2022, well activity was limited to 5.0 gross (3.0 net) wells brought on production. Well performance of these wells has been exceptional averaging a peak IP30 rate of 1,850 boe/d (10.2 MMcf/d natural gas and 156 bbls/d condensate), despite being choked back to minimize erosional risks and impacts on existing nearby wells.

Cash Used in Investing Activities and Net Capital Expenditures (continued)

Drilling resumed during the third quarter with 8 wells rig released and completion activity initiated on 5 wells. Flowback of the 5 wells will be finished early in the fourth quarter with permanent production following immediately. A total of 14.0 gross (12.0 net) wells will be drilled at Glacier during the second half of 2022, providing natural gas production growth leading into the higher demand winter heating season.

Construction and commissioning of the Phase 1 CCS and waste heat recovery project at the Glacier Gas Plant, designed to lower emissions by 47,000 tonnes per annum of CO₂e, has been completed along with baseline testing using industry standard monoethanolamine ("MEA") solvent. Performance to-date of the Entropy equipment with MEA has met or exceeded internal expectations and modeling. The solvent was switched out to Entropy23™ in October for testing and data collection. Initial efficiency of Entropy23™ is likely to be determined during the fourth quarter of 2022, although establishing long-term operating costs, optimized heat duty and degradation tracking may require up to one year.

Valhalla

Advantage drilled 4.0 gross (4.0 net) wells at Valhalla year-to-date. Two wells were placed on production during the second quarter and two wells placed on production in the third quarter. The wells' IP30 average production rate was 1,179 boe/d (4.8 MMcf/d natural gas, 282 bbls/d condensate and 92 bbls/d NGLs) at 24% liquids (raw volumes measured at wellsite separator) despite the wells being choked back to minimize erosional risks. All Valhalla production flows through Advantage owned infrastructure to our Glacier Gas Plant. Strong well results support Management's view that our Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan.

Wembley

At Wembley, development of this oil-weighted property was weighted to the first half of 2022 with an active program consisting of 3.0 gross (3.0 net) wells drilled, 6.0 gross (6.0 net) wells completed and 6.0 gross (6.0 net) wells placed on production. The Wembley asset is now connected to two major processing facilities providing sufficient gas processing capacity for future growth. Following the last of group of wells being placed on production, the property achieved record production.

Drilling resumed in the third quarter with 3.0 gross (1.5 net) wells rig released and completion activity ongoing. Flowback of the 3 wells will conclude in November with permanent production following immediately. One of the wells on the pad has targeted a new development layer that will be evaluated by Advantage for the first time in Wembley.

Progress

Construction of the first phase (inlet separation and compression) of our 100% owned Progress compressor site and liquids handling hub was completed early in the second quarter providing additional gas and liquids handling at Progress, generating processing income with a 5-year commitment from a third-party that will utilize excess capacity at this facility and the Glacier Gas Plant, while freeing up capacity at Valhalla.

Entropy Inc.

Entropy has incurred \$1.9 million of net capital expenditures during the nine months ended September 30, 2022, including \$0.6 million related to the technology development and testing of Entropy's proprietary carbon capture solvents (intangible assets), and \$1.3 million related to initial engineering and design work for the Athabasca Leismer CCS facility with final investment decision expected in the fourth quarter of 2022.

Commitments and Contractual Obligations

The Corporation has commitments and contractual obligations in the normal course of operations. Commitments include operating costs for our head office lease, natural gas processing costs associated with third-party facilities, and transportation costs for delivery of our natural gas and liquids production (crude oil, condensate and NGLs) to sales points. Transportation commitments are required to ensure our production is delivered to sales markets and Advantage actively manages our portfolio in conjunction with our future development plans ensuring we are properly diversified to multiple markets. Of our total transportation commitments, \$232 million is required for delivery of natural gas and liquids production to Alberta markets, while Advantage has proactively committed to \$221 million in additional transportation to diversify natural gas production to the Dawn, Empress and Emerson markets, with the objective of reducing price volatility and achieving higher operating netbacks (see "Transportation Expense"). Contractual obligations comprise those liabilities to third-parties incurred for the purpose of financing Advantage's business and development, including our bank indebtedness.

The following table is a summary of the Corporation's remaining commitments and contractual obligations. Advantage has no guarantees or off-balance sheet arrangements other than as disclosed.

(\$ millions)	Payments due by period						
	Total	2022 (3 months)	2023	2024	2025	2026	Beyond
Building operating cost ⁽¹⁾	2.0	0.1	0.4	0.4	0.4	0.4	0.3
Processing	55.4	1.7	7.9	10.0	9.5	7.0	19.3
Transportation	453.2	18.2	71.1	71.3	69.1	57.5	166.0
Total commitments	510.6	20.0	79.4	81.7	79.0	64.9	185.6
Performance Awards	13.6	-	6.0	5.9	1.7	-	-
Lease liability	2.2	0.1	0.4	0.5	0.4	0.4	0.4
Financing liability	161.7	3.2	12.7	12.7	12.7	12.7	107.7
Bank indebtedness ⁽²⁾							
- principal	115.0	-	-	115.0	-	-	-
- interest	10.6	1.5	6.1	3.0	-	-	-
Unsecured debentures - principal ⁽³⁾	25.0	-	-	-	-	-	25.0
Total contractual obligations	328.1	4.8	25.2	137.1	14.8	13.1	133.1
Total future payments	838.7	24.8	104.6	218.8	93.8	78.0	318.7

⁽¹⁾ Excludes fixed lease payments which are included in the Corporation's lease liability.

⁽²⁾ As at September 30, 2022, the Corporation's bank indebtedness was governed by a credit facility agreement for a two-year term with a syndicate of financial institutions. The facility is revolving and extendible for a further 364-day period upon an annual review and at the option of the syndicate. If not extended, the credit facility will mature with any outstanding principal payable at the end of the two-year term (see "Bank Indebtedness, Credit Facilities and Working Capital").

⁽³⁾ The unsecured debentures are a liability of Entropy and are non-recourse to Advantage. The principal balance of unsecured debentures bears an interest rate of 8%, which can be paid-in-kind, or cash, at the discretion of Entropy (see "Unsecured Debentures").

Liquidity and Capital Resources

The following table is a summary of the Corporation's capitalization structure:

(\$000, except as otherwise indicated)	As at September 30, 2022	As at December 31, 2021
Bank indebtedness	113,804	167,345
Unsecured debentures	15,588	-
Working capital surplus ⁽¹⁾	(46,960)	(6,865)
Net debt ⁽¹⁾	82,432	160,480
Shares outstanding	181,717,113	190,828,976
Shares closing market price (\$/share)	9.93	7.41
Market capitalization	1,804,451	1,414,043
Total capitalization	1,886,883	1,574,523
Net debt to adjusted funds flow ratio ⁽¹⁾	0.2	0.7

⁽¹⁾ Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

As at September 30, 2022, Advantage had a \$350 million Credit Facility of which \$222.6 million or 64% was available after deducting letters of credit of US\$9 million outstanding (see "Bank Indebtedness, Credit Facilities and Working Capital"). The Corporation's adjusted funds flow was utilized to fund our capital expenditure program of \$192.1 million, repurchase and cancel 12.2 million common shares for \$128.9 million, and reduce bank indebtedness by \$53.5 million with a net debt to adjusted funds flow ratio of 0.2 times. Advantage continues to be focused on maintaining a strong balance sheet, a disciplined commodity risk management program and maintaining available liquidity such that it is well positioned to continue successfully executing its multi-year development plan.

Advantage monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The capital structure of the Corporation is composed of working capital, bank indebtedness, unsecured debentures and share capital. Advantage may manage its capital structure by issuing new common shares, repurchasing outstanding common shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend, or adjusting capital spending. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis. Management of the Corporation's capital structure is facilitated through its financial and operational forecasting processes. Selected forecast information is frequently provided to the Board of Directors. This continual financial assessment process further enables the Corporation to mitigate risks. The Corporation continues to satisfy all liabilities and commitments as they come due.

Bank Indebtedness, Credit Facilities and Working Capital

As at September 30, 2022, Advantage had bank indebtedness outstanding of \$113.8 million, a decrease of \$53.5 million since December 31, 2021. Advantage's Credit Facilities have a borrowing base of \$350 million that is collateralized by a \$1 billion floating charge demand debenture covering all assets of the Corporation and has no financial covenants (the "Credit Facilities"). Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating ("LMR") as determined by the AER is not less than 2.0. The borrowing base for the Credit Facilities is determined by the banking syndicate through an evaluation of our reserve estimates based upon their independent commodity price assumptions. Revisions or changes in the reserve estimates and commodity prices can have either a positive or a negative impact on the borrowing base. On June 17, 2022, the Credit Facilities were renewed with no changes to the borrowing base of \$350 million, comprised of a \$30 million extendible revolving operating loan facility from one financial institution and a \$320 million extendible revolving loan facility from a syndicate of financial institutions. The Credit Facility has a tenor of two years with a maturity date in June 2024 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term, no principal payments are required until the revolving period matures in June 2024 in the event of a reduction, or the Credit Facility not being renewed. The Corporation had letters of credit of US\$9 million outstanding at September 30, 2022 (December 31, 2021 - US\$9 million). The Credit Facilities do not contain any financial covenants, but the Corporation is subject to various affirmative and negative covenants under its Credit Facilities. The Corporation was in compliance with all covenants as at September 30, 2022 and December 31, 2021.

Advantage had a working capital surplus of \$47.0 million as at September 30, 2022, an increase in the surplus of \$40.1 million compared to December 31, 2021 largely due to the timing of net capital expenditures and related payments, accompanied with increases in trade and other receivables tied to strong commodity prices. Our working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits, trade and other accrued liabilities. Working capital varies primarily due to the timing of such items, the current level of business activity including our capital expenditure program, commodity price volatility, and seasonal fluctuations. We do not anticipate any problems in meeting future obligations as they become due as they can be satisfied with cash provided by operating activities and our available Credit Facilities.

Unsecured Debentures

On March 25, 2022, the Corporation's subsidiary Entropy entered into an investment agreement with Brookfield Renewable, who provided a capital commitment of \$300 million. Entropy will issue unsecured debentures to fund carbon capture and storage projects that reach final investment decision as certain predetermined return thresholds are met. Under the terms of the agreement, Entropy and the investor have options that provide for the unsecured debentures to be exchanged for common shares at an exchange price of \$10 per share, subject to adjustment in certain circumstances. The investor has the option to exchange the outstanding unsecured debentures for common shares at any time while Entropy may commence a mandatory exchange of unsecured debentures for common shares in advance of an Initial Public Offering ("IPO"). The unsecured debentures have a term of 10 years, if not exchanged for common shares, which are to be repaid at the end of the term in the amount greater of the principal amount and the investor's pro rata share of the fair market value of Entropy, and are non-recourse to Advantage. Each debenture issued by Entropy bears an interest rate of 8% per annum that Entropy can elect to pay in cash or pay-in-kind, due on a quarterly basis. Any paid-in-kind interest is added to the aggregate principal, subject to certain limitations.

On April 5, 2022, Entropy issued unsecured debentures and received an initial \$25.0 million in gross proceeds and incurred \$3.8 million of issuance cost. For the nine months ended September 30, 2022, Entropy incurred interest of \$1.0 million that was paid in cash.

Other Liabilities

In 2020, Advantage sold a 12.5% interest in the Corporation's Glacier Gas Plant and entered into a 15-year take-or-pay volume commitment agreement with the purchaser for 50 MMcf/d capacity at a fee of \$0.66/Mcf. The sale and volume commitment agreement is treated as a financing transaction with an effective interest rate of 9.1%. For the nine months ended September 30, 2022, the Corporation made cash payments of \$9.1 million (September 30, 2021 - \$9.0 million) under the take-or-pay volume commitment agreement. During the third quarter of 2022, as part of the planned capital expansion of the Glacier Gas Plant, the working interest partner provided \$5.0 million in additional financing, with the volume commitment fee being revised to \$0.696/Mcf for the remainder of the term.

As at September 30, 2022, Advantage had a decommissioning liability of \$43.6 million (December 31, 2021 - \$62.5 million) for the future abandonment and reclamation of the Corporation's natural gas and liquids properties. The decommissioning liability includes assumptions in respect of actual costs to abandon and reclaim wells and facilities, the time frame in which such costs will be incurred, annual inflation factors and discount rates. The total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$59.2 million (December 31, 2021 - \$57.6 million), with 56% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the nine months ended September 30, 2022, was \$1.1 million (year ended December 31, 2021 - \$1.0 million). Advantage continues to maintain an industry leading LMR of 27.5, demonstrating that the Corporation has no issues addressing its abandonment, remediation, and reclamation obligations.

Non-controlling interest ("NCI")

On May 5, 2021, Entropy issued common shares to Advantage and Allardyce Bower Holdings Inc. ("ABC") in exchange for intangibles and intellectual property, resulting in Advantage and ABC owning 90% and 10% of Entropy, respectively. Advantage consolidates 100% of Entropy and has recognized a non-controlling interest in shareholders' equity, representing the carrying value of the 10% shareholding of Entropy held by outside interests. ABC's contribution of intellectual property to Entropy resulted in the initial recognition of an intangible asset of \$2.5 million.

For the nine months ended September 30, 2022, the net loss and comprehensive loss attributed to non-controlling interest was \$0.4 million (September 30, 2021 - \$0.1 million).

Shareholders' Equity

On April 7, 2022, the TSX approved the Corporation commencing a normal course issuer bid ("NCIB"). Pursuant to the NCIB, Advantage may purchase for cancellation, from time-to-time, as it considers advisable, up to a maximum of 18,704,019 common shares of the Corporation. The NCIB commenced on April 13, 2022 and will terminate on April 12, 2023 or such earlier time as the NCIB is completed or terminated at the option of Advantage. Purchases pursuant to the NCIB will be made on the open market through the facilities of the TSX or alternative trading systems. The price that Advantage will pay for any common shares under the NCIB will be the prevailing market price on the TSX at the time of such purchase. Common shares acquired under the NCIB will be cancelled. For the nine months ended September 30, 2022, the Corporation purchased 12.2 million common shares for cancellation at an average price of \$10.60 per common share for a total of \$128.9 million.

As at September 30, 2022, a total of 4.0 million Performance Share Units were outstanding under the Restricted and Performance Award Incentive Plan, which represents 2.2% of Advantage's total outstanding common shares. During April 2022, 1,585,888 Performance Share Units matured and were settled with the issuance of 3,056,992 common shares.

As at October 27, 2022, Advantage had 181.1 million common shares outstanding.

Quarterly Performance

	2022			2021			2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(\$'000, except as otherwise indicated)								
Financial Statement Highlights								
Natural gas and liquids sales	235,392	314,297	177,569	159,255	134,354	99,053	99,373	73,203
Net income (loss) and comprehensive income (loss)	40,568	164,234	19,496	359,956	43,098	8,725	(425)	24,168
per basic share ⁽²⁾	0.22	0.86	0.10	1.90	0.23	0.04	0.00	0.13
Basic weighted average shares (000)	186,717	190,415	190,829	190,829	190,829	190,501	188,113	188,113
Cash provided by operating activities	123,224	157,439	109,157	67,464	46,988	57,134	51,566	30,260
Cash provided by (used in) financing activities	(71,048)	(37,556)	(50,769)	(27,423)	(26,960)	(21,480)	(7,548)	5,071
Cash used in investing activities	(42,822)	(80,720)	(76,983)	(44,939)	(36,940)	(20,834)	(15,069)	(37,325)
Other Financial Highlights								
Adjusted funds flow ⁽¹⁾	96,651	187,056	108,878	71,227	63,353	46,266	53,978	31,738
per boe ⁽¹⁾	19.39	34.05	22.85	16.15	13.77	10.17	12.04	7.92
per basic share ⁽¹⁾⁽²⁾	0.52	0.98	0.57	0.37	0.33	0.24	0.29	0.17
Net capital expenditures ⁽¹⁾	58,519	47,570	86,014	58,384	31,352	22,482	37,185	32,390
Free cash flow ⁽¹⁾	38,132	139,486	22,864	12,843	32,001	23,784	16,793	(652)
Working capital surplus (deficit) ⁽¹⁾	46,960	77,858	(19,115)	6,865	29,914	27,595	27,516	(3,216)
Bank indebtedness	113,804	106,776	117,558	167,345	193,828	219,856	240,428	247,105
Net debt ⁽¹⁾	82,432	44,301	136,673	160,480	163,914	192,261	212,912	250,321
Operating Highlights								
Production								
Crude oil (bbls/d)	2,168	2,858	997	816	1,038	1,163	1,395	1,653
Condensate (bbls/d)	1,049	1,128	1,057	1,012	1,002	637	721	653
NGLs (bbls/d)	3,230	3,392	2,854	2,524	2,684	2,490	2,493	2,234
Total liquids production (bbls/d)	6,447	7,378	4,908	4,352	4,724	4,290	4,609	4,540
Natural gas (mcf/d)	286,328	317,976	288,226	261,530	271,804	274,328	271,262	233,949
Total production (boe/d)	54,168	60,374	52,946	47,940	50,025	50,011	49,819	43,532
Average prices (including realized derivatives)								
Natural gas (\$/mcf)	4.61	6.75	5.04	4.17	3.48	2.81	3.07	2.45
Liquids (\$/bbl)	87.89	107.83	82.48	50.92	49.68	47.21	48.11	37.62
Operating Netback (\$/boe)								
Natural gas and liquids sales	47.23	57.21	37.26	36.11	29.19	21.76	22.16	18.28
Realized gains (losses) on derivatives	(12.58)	(8.50)	(2.19)	(8.41)	(5.21)	(2.12)	(0.87)	(0.74)
Processing and other income	0.46	0.41	0.30	-	-	-	-	-
Net sales of purchased natural gas	-	-	0.01	-	-	-	-	-
Royalty expense	(5.80)	(6.17)	(3.42)	(2.02)	(1.75)	(1.20)	(1.13)	(0.77)
Operating expense	(3.72)	(2.75)	(2.79)	(2.92)	(2.38)	(2.21)	(2.45)	(2.68)
Transportation expense	(4.48)	(4.44)	(4.36)	(4.48)	(3.86)	(3.72)	(3.57)	(3.62)
Operating netback ⁽¹⁾	21.11	35.76	24.81	18.28	15.99	12.51	14.14	10.47

(1) Specified financial measure which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

(2) Based on basic weighted average shares outstanding.

The table above highlights the Corporation's performance for the third quarter of 2022 and for the preceding seven quarters. Production steadily increased from the end of 2020 through the first half of 2021. Production decreased in the fourth quarter of 2021 due to unplanned "firm service" restrictions on TC Energy's NGTL system but then subsequently increased during 2022 with a return to normal production levels and bringing onstream newly drilled wells.

Quarterly Performance (continued)

Natural gas and liquids sales and adjusted funds flow were impacted in 2020 by the decrease in commodity prices due to the COVID-19 pandemic which escalated at the end of the first quarter and continued through the year. Natural gas and liquids sales and adjusted funds flow increased significantly in the first quarter of 2021 through the third quarter of 2022 as a result of increased production accompanied with strong natural gas and liquids benchmark prices. Cash provided by operating activities experienced greater fluctuations than adjusted funds flow due to changes in non-cash working capital, which primarily resulted from the amount and timing of trade payable settlements and accounts receivable collections. The Corporation incurred a large net loss in the first quarter of 2020 due to an impairment charge which was triggered by the COVID-19 pandemic impact on anticipated future commodity prices due to supply and demand outlooks. This impairment charge was recovered in the fourth quarter of 2021, attributed to the significant improvement in commodity prices, resulting in a significant increase to net income. As a result of strong commodity prices, the Corporation generated significant net income in the three quarters of 2022.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires Management to make certain judgments and estimates. Changes in these judgments and estimates could have a material impact on the Corporation's financial results and financial condition.

Management relies on the estimate of reserves as prepared by the Corporation's independent qualified reserves evaluator. The process of estimating reserves is critical to several accounting estimates. The process of estimating reserves is complex and requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development and production activities becomes available and as economic conditions impact natural gas and liquids prices, operating expense, royalty burden changes, and future development costs. Reserve estimates impact net income (loss) and comprehensive income (loss) through depreciation, impairment and impairment reversals of natural gas and liquids properties. After tax discounted cashflows are used to ensure the carrying amount of the Corporation's natural gas and liquids properties are recoverable. The discount rate used is subject to judgement and may impact the carrying value of the Corporation's natural gas and liquids properties. The reserve estimates are also used to assess the borrowing base for the Credit Facilities. Revision or changes in the reserve estimates can have either a positive or a negative impact on asset values, net income (loss), comprehensive income (loss) and the borrowing base of the Corporation.

The Corporation's assets are required to be aggregated into cash generating units ("CGUs") for the purpose of calculating impairment based on their ability to generate largely independent cash inflows. Factors considered in the classification include the integration between assets, shared infrastructures, the existence of common sales points, geography, geologic structure, and the manner in which Management monitors and makes decisions about its operations. The classification of assets and allocation of corporate assets into CGUs requires significant judgment and may impact the carrying value of the Corporation's assets in future periods.

Critical Accounting Estimates (continued)

Management's process of determining the provision for deferred income taxes and the provision for decommissioning liability costs and related accretion expense are based on estimates. Estimates used in the determination of deferred income taxes provisions are significant and can include expected future tax rates, expectations regarding the realization or settlement of the carrying amount of assets and liabilities and other relevant assumptions. Estimates used in the determination of decommissioning liability cost provisions and accretion expense are significant and can include proved and probable reserves, future production rates, future commodity prices, future costs, future interest rates and other relevant assumptions. Revisions or changes in any of these estimates can have either a positive or a negative impact on asset and liability values, net income (loss) and comprehensive income (loss).

In accordance with IFRS, derivative assets and liabilities are recorded at their fair values at the reporting date, with gains and losses recognized directly into comprehensive income (loss) in the same period. The fair value of derivatives outstanding is an estimate based on pricing models, estimates, assumptions and market data available at that time. As such, the recognized amounts are non-cash items and the actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions. For embedded derivatives, Management assesses and determines the definition of the host contract and the separate embedded derivative. The judgements made in determining the host contract can influence the fair value of the embedded derivative.

In determining the lease term for leases, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Changes in Accounting Policies

The Corporation has adopted the following accounting policies during the three and nine months ended September 30, 2022:

Unsecured debentures

Unsecured debentures are measured at fair value and are separated out into their liability and derivative liability components. The unsecured debentures liability is recorded on the consolidated statement of financial position at amortized cost. After initial recognition, the Corporation will accrete the unsecured debentures over their contractual term using the effective interest rate method. Cost associated with the issuance of unsecured debentures are included in the initial carrying amount of the liability.

The unsecured debentures derivative liability is recorded on the consolidated statement of financial position at fair value. The exchange features of the unsecured debentures are determined to be an embedded derivative liability and are separately valued and accounted for on the statement of financial position with changes in fair value recognized through profit and loss. The Corporation determines the fair value of the derivative liability using a Black Scholes model. Inputs used in the Black Scholes model involves Management's judgment and may impact net income and comprehensive income of the Corporation.

Accounting Pronouncements not yet Adopted

A description of additional accounting standards and interpretations that will be adopted in future periods can be found in the notes to the Consolidated Financial Statements for the three and nine months ended September 30, 2022.

Evaluation of Disclosure Controls and Procedures

Advantage's Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures ("DC&P"), or caused it to be designed under their supervision, to provide reasonable assurance that material information relating to the Corporation is made known to them by others, particularly during the period in which the annual filings are being prepared, and information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Management of Advantage, including our Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of the Corporation's DC&P annually.

Evaluation of Internal Controls over Financial Reporting

Advantage's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework Advantage's officers used to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations. Management of Advantage, including our Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of the Corporation's ICFR annually.

Advantage's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during our most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the interim period ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, our ICFR.

It should be noted that while the Chief Executive Officer and Chief Financial Officer believe that the Corporation's design of DC&P and ICFR provide a reasonable level of assurance that they are effective, they do not expect that the control system will prevent all errors and fraud. A control system, no matter how well conceived or operated, does not provide absolute, but rather is designed to provide reasonable assurance that the objective of the control system is met. The Corporation's ICFR may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Corporation's policies and procedures.

Specified Financial Measures

Throughout this MD&A and in other documents disclosed by the Corporation, 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:

(\$000)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Cash provided by operating activities	123,224	46,988	389,820	155,688
Expenditures on decommissioning liability	517	438	1,071	780
Changes in non-cash working capital	(27,090)	15,927	1,694	7,129
Adjusted funds flow	96,651	63,353	392,585	163,597

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:

(\$000)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Cash used in investing activities	42,822	36,940	200,525	72,843
Changes in non-cash working capital	15,697	(5,608)	(8,427)	(1,867)
Project funding received	-	20	5	20,043
Net capital expenditures	58,519	31,352	192,103	91,019

Specified Financial Measures (continued)

Non-GAAP Financial Measures (continued)

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:

(\$000)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Cash provided by operating activities	123,224	46,988	389,820	155,688
Cash used in investing activities	(42,822)	(36,940)	(200,525)	(72,843)
Changes in non-cash working capital	(42,787)	21,535	10,121	8,996
Expenditures on decommissioning liability	517	438	1,071	780
Project funding received	-	(20)	(5)	(20,043)
Free cash flow	38,132	32,001	200,482	72,578

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:

(\$000)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Natural gas and liquids sales	235,392	134,354	727,258	332,780
Realized losses on derivatives	(62,668)	(23,963)	(119,790)	(37,490)
Processing and other income	2,276	-	5,991	-
Net sales of purchased natural gas	-	-	70	-
Royalty expense	(28,882)	(8,059)	(79,103)	(18,602)
Operating expense	(18,544)	(10,967)	(46,925)	(32,023)
Transportation expense	(22,325)	(17,754)	(67,456)	(50,672)
Operating netback	105,249	73,611	420,045	193,993

Specified Financial Measures (continued)

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.

(\$000, except as otherwise indicated)	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Adjusted funds flow	96,651	63,353	392,585	163,597
Weighted average shares outstanding (000)	186,717	190,829	189,305	189,824
Adjusted funds flow per share (\$/share)	0.52	0.33	2.07	0.86

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.

(\$000, except as otherwise indicated)	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Adjusted funds flow	96,651	63,353	392,585	163,597
Total production (boe/d)	54,168	50,025	55,834	49,953
Days in period	92	92	273	273
Total production (boe)	4,983,456	4,602,300	15,242,682	13,637,169
Adjusted funds flow per BOE (\$/boe)	19.39	13.77	25.76	12.00

Operating netback per BOE

Operating netback per boe is derived by dividing each component of the 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.

(\$000, except as otherwise indicated)	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Operating netback	105,249	73,611	420,045	193,993
Total production (boe/d)	54,168	50,025	55,834	49,953
Days in period	92	92	273	273
Total production (boe)	4,983,456	4,602,300	15,242,682	13,637,169
Operating netback per BOE (\$/boe)	21.11	15.99	27.54	14.22

Specified Financial Measures (continued)

Non-GAAP Ratios (continued)

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.

(\$000, except as otherwise indicated)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net capital expenditures	58,519	31,352	192,103	91,019
Adjusted funds flow	96,651	63,353	392,585	163,597
Payout ratio	0.6	0.5	0.5	0.6

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 debt if it devoted all its adjusted funds flow to debt repayment.

(\$000, except as otherwise indicated)	September 30	September 30
	2022	2021
Net Debt	82,432	163,914
Adjusted funds flow (prior four quarters)	463,812	195,335
Net debt to adjusted funds flow ratio	0.2	0.8

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 provisions 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 September 30, 2022 and December 31, 2021 is as follows:

	September 30	December 31
	2022	2021
Cash and cash equivalents	55,160	25,238
Trade and other receivables	82,342	54,769
Prepaid expenses and deposits	10,638	3,483
Trade and other accrued liabilities	(101,180)	(76,625)
Working capital surplus	46,960	6,865

Specified Financial Measures (continued)

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 September 30, 2022 and December 31, 2021 is as follows:

	September 30 2022	December 31 2021
Bank indebtedness	113,804	167,345
Unsecured debentures	15,588	-
Working capital surplus	(46,960)	(6,865)
Net debt	82,432	160,480

Supplementary Financial Measures

Average Realized Prices

The Corporation discloses multiple average realized prices within the MD&A (see "Commodity Prices and Marketing"). 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.

Specified Financial Measures (continued)

Dollars per BOE figures

Throughout the MD&A, 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 the MD&A in \$ per boe:

- Finance expense per boe
- Depreciation expense per boe
- Finance expense per boe
- General and administrative expense per boe
- Natural gas and liquids sales per boe
- Operating expense per boe
- Realized losses on derivatives per boe
- Royalty expense per boe
- Net sales of purchased natural gas per boe
- Processing and other income per boe
- Share-based compensation expense per boe
- Transportation expense per boe

Sustaining Capital

Sustaining capital is management's estimate of the net capital expenditures required to drill, complete, equip and tie-in new wells to existing infrastructure thereby offsetting the corporate decline rate and maintain production at existing levels.

Conversion Ratio

The term "boe" or barrels of oil equivalent and "Mcf" or thousand cubic feet equivalent may be misleading, particularly if used in isolation. A boe or Mcfe conversion ratio of six thousand cubic feet of natural gas equivalent to one barrel of oil (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. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil 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.

Forward-Looking Information and Other Advisories

This MD&A contains certain forward-looking statements and forward-looking information (collectively, "forward-looking statements"), which are based on our current internal expectations, estimates, projections, assumptions and beliefs. These forward-looking statements relate to future events or our future 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 "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar or related expressions. These statements are not guarantees of future performance.

In particular, forward-looking statements in this MD&A include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; the Corporation's 2022 average production guidance and its expectation that Advantage will meet its 2022 total annual production guidance; the Corporation's anticipated cash used in investing activities for 2022; the Corporation's 2022 operating expense, transportation expense, royalty rate and G&A/finance expense guidance and the anticipated benefits to be derived from the Corporation's additional transportation commitments; the anticipated benefits to be derived from the Corporation's commodity risk management and financial risk management derivative contracts; Advantage's expectations of when flowback will be finished on certain of its wells and that permanent production will follow immediately; the number of wells that Advantage expects to drill at Glacier during the second half of 2022 and the anticipated benefits to be derived therefrom; Advantage's expectations of when initial efficiency of Entropy23™ will be determined and when it expects to be able to establish long-term operating costs, optimized heat duty and degradation tracking; Advantage's expectations that royalties paid on new wells drilled in Alberta will be low until the initial capital investment is recovered and that due to the higher commodity price environment and well productivity new wells will quickly pay out the Corporation's initial capital investment; the anticipated number of common shares that Advantage will purchase for cancellation pursuant to its NCIB and the anticipated timing thereof; the Corporation's forecasted 2022 natural gas market exposure including the anticipated effective production rate and the percentage of natural gas production; the terms of the Credit Facilities; the terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the anticipated benefits to be derived therefrom; Management's expectations that the Corporation's Valhalla asset will play a pivotal role in the Corporation's liquids-rich gas development plan; the Corporation's expectations that the two major processing facilities connected to its Wembley asset will provide sufficient gas processing capacity for future growth; that one of Advantage's wells on pad has targeted a new development layer that will be evaluated by Advantage for the first time in Wembley; the anticipated benefits to be derived from the Corporation's Progress compressor site and liquids handling hub; Advantage's expectations of when the Athabasca Leismer CCS facility will reach final investment decision; future commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; the Corporation's ability to ensure that it is properly diversified to multiple markets; the Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they become due and the means for satisfying such future obligations; the Corporation's expectations that it is well positioned to continue successfully executing its multi-year development plan; Advantage's anticipated means of managing its capital structure; Advantage's expectations that its financial assessment process will enable the Corporation to mitigate risks; the planned capital expansion of the Glacier Gas Plant; Advantage's expectations that its cash provided by operating activities and its available Credit Facilities will allow it to meet its future obligations as they become due; that Entropy will issue future unsecured debentures to fund carbon capture and storage projects and Entropy's expectation that such projects will reach financial investment decision; the terms of the unsecured debenture and the investment agreement between Entropy and Brookfield Renewable; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; the statements under "critical accounting estimates" in this MD&A; that management will evaluate the

Forward-Looking Information and Other Advisories (continued)

effectiveness of the Corporation's DC&P annually; the anticipated benefits to be derived from the Corporation's ICFR; and other matters.

These forward-looking statements involve substantial known and unknown risks and uncertainties, many of which are beyond our control, including, but not limited to, risks related to changes in general economic conditions (including as a result of demand and supply effects resulting from the COVID-19 pandemic and the actions of OPEC and non-OPEC countries) which will, among other things, impact demand for and market prices of the Corporation's products, market and business conditions; continued volatility in market prices for oil and natural gas; the impact of significant declines in market prices for oil and natural gas; stock market volatility; changes to legislation and regulations and how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; actions by governmental or regulatory authorities including increasing taxes, regulatory approvals, changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; the effect of acquisitions; our success at acquisition, exploitation and development of reserves; unexpected drilling results; failure to achieve production targets on timelines anticipated or at all; changes in commodity prices, currency exchange rates, 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; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; individual well productivity; delays in anticipated timing of drilling and completion of wells; lack of available capacity on pipelines; delays in timing of facility installation; potential disruption of the Corporation's operations as a result of the COVID-19 pandemic through potential loss of manpower and labour pools resulting from quarantines in the Corporation's operating areas, risk on the financial capacity of the Corporation's contract counterparties and potentially their ability to perform contractual obligations, delays in obtaining stakeholder and regulatory approvals; the failure to extend the Credit Facilities at each annual review; competition from other producers; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; the number of common shares that Advantage will purchase for cancellation pursuant to its NCIB will be less than anticipated; the risk that flowback may not be finished and that permanent production may not be achieved at the Corporation's wells when anticipated, or at all; the risk that the Corporation may not drill the number of wells that it anticipates at Glacier in the second half of 2022; the risk that the Corporation's Valhalla asset may not play a pivotal role in the Corporation's liquids-rich gas development plan; that the two major processing facilities connected to the Corporation's Wembley asset will not provide sufficient gas processing capacity for future growth; the risk that the Corporation may not be properly diversified to multiple markets; the risk that the Corporation may not be able to satisfy all liabilities and commitments and meet future obligations as they become due; the risk that the undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability may be greater than expected; the risk that Advantage's new wells may not payout its capital investment when anticipated, or at all; the risk that Advantage's cash provided by operating activities and its Credit Facilities may not allow the Corporation to meet its future obligations as they become due; the risk that initial efficiency of Entropy23™ may not be determined when anticipated, or at all; the risk that Entropy23™ may not be able to establish long-term operating costs, optimized heat duty or degradation tracking; the risk that the Athabasca Leismer CCS facility may not reach final investment decision when anticipated, or at all; the risk that Entropy's carbon capture and storage projects may not reach final investment decision; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at www.sedar.com and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

Forward-Looking Information and Other Advisories (continued)

The future acquisition by the Corporation of the Corporation's common shares pursuant to its NCIB, if any, and the level thereof is uncertain. Any decision to acquire common shares of the Corporation pursuant to the NCIB 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 NCIB, if any, in the future.

With respect to forward-looking statements contained in this MD&A, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; the impact (and the 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; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; the impact of increasing competition; the price of crude oil and natural gas; 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 crude oil and natural gas properties in the manner currently contemplated; availability of pipeline capacity; that current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the two major processing facilities connected to its Wembley asset will provide sufficient gas processing capacity for future growth; that the Corporation's cash provided by operating activities and available Credit Facilities will be able to satisfy all of the Corporation's liabilities, commitments and future obligations as they become due; that the unsecured debentures that maybe issued by Entropy will fund its carbon capture and storage projects; that initial efficiency of Entropy23™ will be determined; that the Athabasca Leismer CCS facility will reach final investment decision; and that the estimates of the Corporation's production, reserves and resources 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 provided in this MD&A 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 MD&A 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 MD&A 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: the Corporation's 2022 operating expense, transportation expense, royalty rate and G&A/finance expense guidance; the Corporation's anticipated cash used in

Forward-Looking Information and Other Advisories (continued)

investing activities for 2022; and the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability; 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 MD&A 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 MD&A was made as of the date of this MD&A 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 MD&A is not conclusive and is subject to change.

This MD&A contains metrics commonly used in the oil and natural gas industry which have been prepared by management such as "operating netback". These terms do not have standard meaning and may not be comparable to similar measures presented by other companies and, therefore, should not be used to make such comparisons. Management uses these oil and natural gas metrics for its own performance measurements, and to provide shareholders with measures to compare Advantage's operations overtime. Readers are cautioned that the information provided by these metrics, or that can be derived from metrics presented in the MD&A, should not be relied upon for investment or other purposes. Refer above to "Specified Financial Measures" section of this MD&A for additional disclosure on "operating netback".

References in this MD&A 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.

References to natural gas, crude oil and condensate and NGLs production in the MD&A refer to conventional natural gas, light crude oil and medium crude oil and natural gas liquids, respectively, product types as defined in National Instrument 51-101.

Abbreviations

Terms and abbreviations that are used in this MD&A that are not otherwise defined herein are provided below:

bbl(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
GJ	- gigajoules
Mcf	- thousand cubic feet
Mcf/d	- thousand cubic feet per day
Mcfe	- thousand cubic feet equivalent (1 bbl = 6 Mcf)
Mcfe/d	- thousand cubic feet equivalent per day
MMbtu	- million British thermal units
MMbtu/d	- million British thermal units per day
MMcf	- million cubic feet
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
AECO	- a notional market point on TransCanada Pipeline Limited's NGTL system where the purchase and sale of natural gas is transacted
MSW	- price for mixed sweet crude oil at Edmonton, Alberta
NGTL	- NOVA Gas Transmission Ltd.
WTI	- West Texas Intermediate, price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
CCS	- Carbon Capture and Storage
MCCS	- Modular Carbon Capture and Storage
IP30	- average initial production rate over 30 consecutive days
OPEC	- Organization of the Petroleum Exporting Countries
nm	- not meaningful information

Additional Information

Additional information relating to Advantage can be found on SEDAR at www.sedar.com and the Corporation's website at www.advantageog.com. Such other information includes the annual information form, the management information circular, press releases, material change reports, material contracts and agreements, and other financial reports. The annual information form will be of particular interest for current and potential shareholders as it discusses a variety of subject matter including the nature of the business, description of our operations, general and recent business developments, risk factors, reserves data and other oil and gas information.

October 27, 2022



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2022 and 2021

Advantage Energy Ltd.

Consolidated Statements of Financial Position

(unaudited, expressed in thousands of Canadian dollars)

	Notes	September 30 2022	December 31 2021
ASSETS			
Current assets			
Cash and cash equivalents	3	55,160	25,238
Trade and other receivables		82,342	54,769
Prepaid expenses and deposits		10,638	3,483
Derivative asset	8	5,544	282
Total current assets		153,684	83,772
Non-current assets			
Derivative asset	8	115,801	57,699
Exploration and evaluation assets	4	20,713	20,713
Right-of-use assets	5	1,873	1,879
Intangible assets	6	3,541	2,991
Property, plant and equipment	7	1,900,959	1,827,936
Total non-current assets		2,042,887	1,911,218
Total assets		2,196,571	1,994,990
LIABILITIES			
Current liabilities			
Trade and other accrued liabilities		101,180	76,625
Derivative liability	8	68,112	2,765
Current portion of provisions and other liabilities	11	20,626	11,224
Total current liabilities		189,918	90,614
Non-current liabilities			
Derivative liability	8	1,712	12,315
Bank indebtedness	9	113,804	167,345
Unsecured debentures	10	15,588	-
Unsecured debentures - derivative liability	10	6,093	-
Provisions and other liabilities	11	142,262	168,314
Deferred income tax liability	12	165,801	96,284
Total non-current liabilities		445,260	444,258
Total liabilities		635,178	534,872
SHAREHOLDERS' EQUITY			
Share capital	13	2,228,434	2,370,716
Contributed surplus		129,574	110,315
Deficit		(798,539)	(1,023,244)
Total shareholders' equity attributable to Advantage shareholders		1,559,469	1,457,787
Non-controlling interest		1,924	2,331
Total shareholders' equity		1,561,393	1,460,118
Total liabilities and shareholders' equity		2,196,571	1,994,990

Commitments (note 18)

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Consolidated Statements of Comprehensive Income (Loss)

(unaudited, expressed in thousands of Canadian dollars, except per share amounts)

	Notes	Three months ended September 30		Nine months ended September 30	
		2022	2021	2022	2021
Revenues					
Natural gas and liquids sales	16(a)	235,392	134,354	727,258	332,780
Sales of purchased natural gas	16(b)	-	-	4,826	-
Processing and other income		2,276	-	5,991	-
Royalty expense		(28,882)	(8,059)	(79,103)	(18,602)
Natural gas and liquids revenue		208,786	126,295	658,972	314,178
Losses on derivatives	8	(70,095)	(6,342)	(111,484)	(52,989)
Total revenues		138,691	119,953	547,488	261,189
Expenses					
Operating expense		18,544	10,967	46,925	32,023
Transportation expense		22,325	17,754	67,456	50,672
Natural gas purchases	16(b)	-	-	4,756	-
General and administrative expense		6,418	5,757	16,894	14,920
Share-based compensation expense	14	1,153	1,184	4,241	2,853
Depreciation expense	5,7	33,924	26,919	101,568	80,788
Finance expense		2,671	4,798	11,833	16,333
Total expenses		85,035	67,379	253,673	197,589
Income before taxes and non-controlling interest		53,656	52,574	293,815	63,600
Income tax expense	12	(13,088)	(9,476)	(69,517)	(12,202)
Net income and comprehensive income before non-controlling interest		40,568	43,098	224,298	51,398
Net income (loss) and comprehensive income (loss) attributable to:					
Advantage shareholders		40,792	43,188	224,705	51,488
Non-controlling interest		(224)	(90)	(407)	(90)
Net income per share attributable to Advantage shareholders					
Basic	15	0.22	0.23	1.19	0.27
Diluted	15	0.21	0.22	1.15	0.26

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Deficit	Non- controlling interest	Total shareholders' equity
Balance, December 31, 2021	2,370,716	110,315	(1,023,244)	2,331	1,460,118
Net income and comprehensive income	-	-	224,705	(407)	224,298
Share-based compensation (note 14(b))	-	5,923	-	-	5,923
Settlement of Performance Share Units	6,948	(6,948)	-	-	-
Common shares repurchased (note 13(c))	(149,230)	20,284	-	-	(128,946)
Balance, September 30, 2022	2,228,434	129,574	(798,539)	1,924	1,561,393

	Share capital	Contributed surplus	Deficit	Non- controlling interest	Total shareholders' equity
Balance, December 31, 2020	2,360,647	114,280	(1,434,767)	-	1,040,160
Net income and comprehensive income	-	-	51,488	(90)	51,398
Share-based compensation (note 14(b))	-	5,025	-	-	5,025
Settlement of Performance Share Units	10,069	(10,751)	-	-	(682)
Issuance of Entropy common shares to non-controlling interest	-	-	-	2,500	2,500
Balance, September 30, 2021	2,370,716	108,554	(1,383,279)	2,410	1,098,401

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Consolidated Statements of Cash Flows

(unaudited, expressed in thousands of Canadian dollars)

	Notes	Three months ended		Nine months ended	
		September 30		September 30	
		2022	2021	2022	2021
Operating Activities					
Income before taxes and non-controlling interest		53,656	52,574	293,815	63,600
Add items not requiring cash:					
Unrealized (gains) losses on derivatives	8	7,427	(17,621)	(8,306)	15,499
Share-based compensation expense	14(b)	1,153	1,184	4,241	2,853
Depreciation expense	5,7	33,924	26,919	101,568	80,788
Accretion of decommissioning liability	11	286	297	1,062	857
Accretion of unsecured debentures	8	205	-	205	-
Expenditures on decommissioning liability	11	(517)	(438)	(1,071)	(780)
Changes in non-cash working capital	17	27,090	(15,927)	(1,694)	(7,129)
Cash provided by operating activities		123,224	46,988	389,820	155,688
Financing Activities					
Common shares repurchased	13	(81,971)	-	(128,946)	-
Increase (decrease) in bank indebtedness	9,17	7,028	(26,028)	(53,541)	(53,277)
Net proceeds from unsecured debentures	10	-	-	21,162	-
Proceeds from financing liability	11	5,000	-	5,000	-
Principal repayment of lease liability	11,17	(129)	(72)	(281)	(215)
Principal repayment of financing liability	11,17	(976)	(860)	(2,767)	(2,496)
Cash used in financing activities		(71,048)	(26,960)	(159,373)	(55,988)
Investing Activities					
Payments on property, plant and equipment	7,17	(42,750)	(36,795)	(199,980)	(92,367)
Payments on exploration and evaluation assets	4	-	-	-	(354)
Payments on intangible assets	6	(72)	(165)	(550)	(165)
Project funding received	11	-	20	5	20,043
Cash used in investing activities		(42,822)	(36,940)	(200,525)	(72,843)
Increase (decrease) in cash and cash equivalents		9,354	(16,912)	29,922	26,857
Cash and cash equivalents, beginning of period		45,806	47,048	25,238	3,279
Cash and cash equivalents, end of period		55,160	30,136	55,160	30,136

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Notes to the Condensed Consolidated Financial Statements

September 30, 2022 (unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except as otherwise indicated.

1. Business and structure of Advantage Energy Ltd.

Advantage Energy Ltd. and its subsidiaries (together "Advantage" or the "Corporation") is a low-carbon energy producer with a significant position in the Montney resource play located in Western Canada. Advantage is domiciled and incorporated in Canada under the Business Corporations Act (Alberta). Advantage's head office address is 2200, 440 – 2nd Avenue SW, Calgary, Alberta, Canada. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "AAV".

2. Basis of preparation

(a) Statement of compliance

The Corporation prepares its condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as defined in the Chartered Professional Accountants Canada Handbook (the "CPA Canada Handbook"). The CPA Canada Handbook incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including IAS 34, Interim Financial Reporting. The Corporation has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended December 31, 2021, except as noted below. Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS as issued by the IASB. Certain information provided for the prior period has been reclassified to conform to the presentation adopted for the periods ended September 30, 2022.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of October 27, 2022, the date the Board of Directors approved the statements.

(b) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation's accounting policies in the audited consolidated financial statements for the year ended December 31, 2021 and note 10.

The methods used to measure fair values of derivative instruments are discussed in note 8. The methods used to measure the fair value of the Corporation's natural gas and liquids properties are discussed in note 7.

(c) Functional and presentation currency

These condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Basis of consolidation

These condensed consolidated financial statements include the accounts of the Corporation and all subsidiaries over which it has control, including Entropy Inc. ("Entropy"), a private Canadian corporation of which Advantage owned 90% of the common shares (note 14). All inter-corporate balances, income and expenses resulting from inter-corporate transactions are eliminated.

2. Basis of preparation (continued)

(e) New significant accounting policies

Unsecured debentures

Unsecured debentures are measured at fair value and are separated out into their liability and derivative liability components. The unsecured debentures liability is recorded on the consolidated statement of financial position at amortized cost. After initial recognition, the Corporation will accrete the unsecured debentures over their contractual term using the effective interest rate method. Costs associated with the issuance of unsecured debentures are included in the initial carrying amount of the liability.

The unsecured debentures derivative liability is recorded on the consolidated statement of financial position at fair value. The exchange features of the unsecured debentures (note 10) are determined to be an embedded derivative liability and are separately valued and accounted for on the statement of financial position with changes in fair value recognized through profit and loss. The Corporation determines the fair value of the derivative liability using a Black Scholes model. Inputs used in the Black Scholes model involves management's judgment and may impact net income and comprehensive income of the Corporation.

3. Cash and cash equivalents

	September 30 2022	December 31 2021
Cash at financial institutions	55,160	25,238

Cash at financial institutions earn interest at floating rates based on daily deposit rates. As at September 30, 2022, cash at financial institutions included US\$17.8 million (December 31, 2021 - US\$6.3 million). The Corporation only deposits cash with major financial institutions of high-quality credit ratings. Included in the cash and cash equivalents balance is \$15.4 million held by the Corporation's subsidiary, Entropy.

4. Exploration and evaluation assets

Balance at December 31, 2020	20,580
Additions	677
Lease expiries	(84)
Transferred to property, plant and equipment (note 7)	(460)
Balance at December 31, 2021 and September 30, 2022	20,713

5. Right-of-use assets

Cost

Balance at December 31, 2020	2,504
Additions	169
Expired leases	(35)
Balance at December 31, 2021	2,638
Additions	255
Balance at September 30, 2022	2,893

Accumulated depreciation

Balance at December 31, 2020	468
Depreciation	326
Expired leases	(35)
Balance at December 31, 2021	759
Depreciation	261
Balance at September 30, 2022	1,020

Net book value

At December 31, 2021	1,879
At September 30, 2022	1,873

6. Intangible assets

Cost

Balance at December 31, 2020	-
Intellectual property acquisition	2,500
Additions	491
Balance at December 31, 2021	2,991
Additions	550
Balance at September 30, 2022	3,541

Accumulated amortization

Balance at December 31, 2021 and September 30, 2022	-
--	----------

Net book value

At December 31, 2021	2,991
At September 30, 2022	3,541

The Corporation has not incurred amortization on its intangible assets as the assets are not available for use.

7. Property, plant and equipment

Cost	Natural Gas and Liquids Properties	Carbon Capture and Storage	Furniture and Equipment	Total
Balance at December 31, 2020	2,811,316	-	6,692	2,818,008
Additions	148,154	-	81	148,235
Capitalized share-based compensation (note 14(b))	2,051	-	-	2,051
Changes in decommissioning liability (note 11(e))	1,505	-	-	1,505
Transferred from exploration and evaluation assets (note 4)	460	-	-	460
Balance at December 31, 2021	2,963,486	-	6,773	2,970,259
Additions	189,773	1,295	485	191,553
Capitalized share-based compensation (note 14(b))	1,682	-	-	1,682
Changes in decommissioning liability (note 11(e))	(18,905)	-	-	(18,905)
Balance at September 30, 2022	3,136,036	1,295	7,258	3,144,589
Accumulated depreciation				
Balance at December 31, 2020	1,371,238	-	5,278	1,376,516
Depreciation	106,227	-	233	106,460
Impairment reversal	(340,653)	-	-	(340,653)
Balance at December 31, 2021	1,136,812	-	5,511	1,142,323
Depreciation	101,082	-	225	101,307
Balance at September 30, 2022	1,237,894	-	5,736	1,243,630
Net book value				
At December 31, 2021	1,826,674	-	1,262	1,827,936
At September 30, 2022	1,898,142	1,295	1,522	1,900,959

During the nine months ended September 30, 2022, Advantage capitalized general and administrative expenditures directly related to development activities of \$4.8 million, included in additions (year ended December 31, 2021 - \$7.8 million).

Advantage included future development costs of \$2.0 billion (December 31, 2021 - \$2.0 billion) in property, plant and equipment costs subject to depreciation.

8. Financial risk management

As at September 30, 2022, there were no significant differences between the carrying amounts reported on the consolidated statement of financial position and the estimated fair values of the Corporation's financial instruments due to the short terms to maturity and the floating interest rate on the Corporation's bank indebtedness.

Fair value is determined following a three-level hierarchy:

Level 1: Quoted prices in active markets for identical assets and liabilities. The Corporation does not have any financial assets or liabilities that require level 1 inputs.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract. Derivative assets and liabilities are measured at fair value on a recurring basis. For derivative assets and liabilities, pricing inputs include quoted forward prices for commodities, foreign exchange rates, interest rates, volatility, and risk-free rate discounting, all of which can be observed or corroborated in the marketplace. The actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations as compared to the valuation assumptions.

Level 3: Fair value is determined using inputs that are not observable. The Corporation's natural gas embedded derivative is categorized as level 3 in the fair value hierarchy as the long-term portion of the PJM forward price is an unobservable input. The Corporation's unsecured debentures – derivative liability is categorized as level 3 in the fair value hierarchy as multiple inputs such as volatility, probability of a future change of control event, and share price are unobservable inputs. Fair value less costs of disposition used to determine the recoverable amounts of Advantage's CGUs at December 31, 2021 was classified as Level 3 in the fair value hierarchy as certain key assumptions were not based on observable market data, but rather, Management's best estimates.

8. Financial risk management (continued)

The Corporation enters into financial risk management derivative contracts to manage the Corporation's exposure to commodity price risk, foreign exchange risk and interest rate risk. The table below summarizes the realized gains (losses) and unrealized gains (losses) on derivatives recognized in net income.

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Realized gains (losses) on derivatives				
Natural gas	(61,889)	(19,045)	(115,757)	(28,263)
Crude oil	148	(4,965)	(2,900)	(10,864)
Foreign exchange	(927)	218	(1,029)	2,150
Interest rate	-	(171)	(104)	(513)
Total	(62,668)	(23,963)	(119,790)	(37,490)
Unrealized gains (losses) on derivatives				
Natural gas	(388)	(7,278)	(39,789)	(33,127)
Crude oil	812	4,650	504	(3,757)
Foreign exchange	(2,262)	(2,713)	(3,016)	(4,458)
Interest rate	-	169	136	495
Natural gas embedded derivative	(5,275)	22,793	50,785	25,348
Unsecured debentures revaluation (note 10)	(314)	-	(314)	-
Total	(7,427)	17,621	8,306	(15,499)
Gains (losses) on derivatives				
Natural gas	(62,277)	(26,323)	(155,546)	(61,390)
Crude oil	960	(315)	(2,396)	(14,621)
Foreign exchange	(3,189)	(2,495)	(4,045)	(2,308)
Interest rate	-	(2)	32	(18)
Natural gas embedded derivative	(5,275)	22,793	50,785	25,348
Unsecured debentures revaluation (note 10)	(314)	-	(314)	-
Total	(70,095)	(6,342)	(111,484)	(52,989)

8. Financial risk management (continued)

The fair value of financial risk management derivatives has been allocated to current and non-current assets and liabilities based on the expected timing of cash settlements. The following table summarizes the estimated fair market value of the Corporation's outstanding financial risk management derivative contracts.

	September 30 2022	December 31 2021
Derivative type		
Natural gas derivative liability	(52,961)	(13,172)
Crude oil derivative asset	524	20
Foreign exchange derivative liability	(4,526)	(1,510)
Interest rate derivative liability	-	(136)
Natural gas embedded derivative asset	108,484	57,699
Unsecured debentures derivative liability (note 10)	(6,093)	-
Net derivative asset	45,428	42,901
Consolidated statement of financial position classification		
Current derivative asset	5,544	282
Non-current derivative asset	115,801	57,699
Current derivative liability	(68,112)	(2,765)
Non-current derivative liability	(1,712)	(12,315)
Unsecured debentures derivative liability (note 10)	(6,093)	-
Net derivative asset	45,428	42,901

8. Financial risk management (continued)

(a) Commodity price risk

The Corporation's commodity derivative contracts are classified as Level 2 within the fair value hierarchy. As at September 30, 2022 (other than as indicated), the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - AECO 7A			
Fixed price swap	April 2023 to October 2023	9,478 Mcf/d	\$4.60/Mcf ⁽¹⁾
Natural gas - Henry Hub NYMEX			
Fixed price swap	April 2022 to October 2022	130,000 Mcf/d	US \$4.23/Mcf
Fixed price swap	November 2022 to March 2023	105,000 Mcf/d	US \$4.98/Mcf
Fixed price swap	April 2023 to October 2023	25,000 Mcf/d	US \$3.35/Mcf
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	April 2023 to December 2024	40,000 Mcf/d	Henry Hub less US \$1.19/Mcf
Crude oil - WTI NYMEX			
Fixed price swap	July 2022 to December 2022	250 bbls/d	US \$96.50/bbl
Collar	April 2022 to December 2022	250 bbls/d	US \$80.00/bbl - US \$115.00/bbl

(1) Contract entered into subsequent to September 30, 2022

Natural Gas - Embedded Derivative

Advantage has a long-term natural gas supply agreement under which Advantage will supply 25,000 MMbtu/d of natural gas for a 10-year period, commencing 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US \$2.50/MMbtu. The Corporation will realize gains or losses when the price received under the contract deviates from US \$2.50/MMbtu. As at September 30, 2022, the fair value of the natural gas embedded derivative resulted in an asset of \$108.5 million (December 31, 2021 – \$57.7 million asset).

The Corporation's natural gas embedded derivative contract is classified as Level 3 within the fair value hierarchy. The Corporation determines the fair value of the embedded derivative contract by utilizing an observable 5-year PJM electricity forecast. The remaining unobservable period beyond 5-years is estimated using the implied inflation rate in the 5-year PJM electricity forecast. At September 30, 2022, the implied inflation rate in the 5-year PJM power forecast averaged 1% per year. If the implied inflation rate in the 5-year PJM electricity forecast changed by 1%, the fair value of the embedded derivative would increase/decrease by \$0.5 million. Had the PJM electricity power forecast increased or decreased by 10%, this would have resulted in a \$16.4 million increase, or a \$22.1 million decrease, respectively.

8. Financial risk management (continued)

(b) Foreign exchange risk

The Corporation's foreign exchange derivative contracts are classified as Level 2 within the fair value hierarchy. As at September 30, 2022, the Corporation had the following foreign exchange derivative contracts in place:

Description of Derivative	Term	Notional Amount	Rate
Forward rate - CAD/USD			
Average rate currency swap	February 2021 to January 2023	US \$ 750,000/month	1.2850
Average rate currency swap	June 2021 to May 2023	US \$ 2,000,000/month	1.2025
Average rate currency swap	March 2022 to February 2023	US \$ 1,500,000/month	1.2719
Average rate currency swap	May 2022 to March 2023	US \$ 1,000,000/month	1.2850

(c) Capital management

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 provisions 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 September 30, 2022 and December 31, 2021 is as follows:

	September 30 2022	December 31 2021
Cash and cash equivalents	55,160	25,238
Trade and other receivables	82,342	54,769
Prepaid expenses and deposits	10,638	3,483
Trade and other accrued liabilities	(101,180)	(76,625)
Working capital surplus	46,960	6,865

8. Financial risk management (continued)

(c) Capital management (continued)

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.

A summary of the reconciliation of net debt as at September 30, 2022 and December 31, 2021 is as follows:

	September 30 2022	December 31 2021
Bank indebtedness (note 9)	113,804	167,345
Unsecured debentures (note 10)	15,588	-
Working capital surplus	(46,960)	(6,865)
Net debt	82,432	160,480

Advantage's capital structure as at September 30, 2022 and December 31, 2021 is as follows:

	September 30 2022	December 31 2021
Net debt	82,432	160,480
Shares outstanding (note 13)	181,717,113	190,828,976
Share closing market price (\$/share)	9.93	7.41
Market Capitalization	1,804,451	1,414,043
Total Capitalization	1,886,883	1,574,523

9. Bank indebtedness

	September 30 2022	December 31 2021
Revolving credit facility	115,000	168,000
Discount on bankers' acceptance and other fees	(1,196)	(655)
Balance, end of period	113,804	167,345

On June 17, 2022, the Credit Facilities were renewed with no changes to the borrowing base of \$350 million, comprised of a \$30 million extendible revolving operating loan facility from one financial institution and a \$320 million extendible revolving loan facility from a syndicate of financial institutions. The Credit Facility has a tenor of two years with a maturity date in June 2024 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term, no principal payments are required until the revolving period matures in June 2024 in the event of a reduction, or the Credit Facility not being renewed. The Corporation had letters of credit of US\$9 million outstanding at September 30, 2022 (December 31, 2021 - US\$9 million). The Credit Facilities do not contain any financial covenants, but the Corporation is subject to various affirmative and negative covenants under its Credit Facilities. The Corporation was in compliance with all covenants as at September 30, 2022 and December 31, 2021.

10. Unsecured debentures

On March 25, 2022, the Corporation's subsidiary Entropy entered into an investment agreement with Brookfield Renewable, who provided a capital commitment of \$300 million. Entropy will issue unsecured debentures to fund carbon capture and storage projects that reach final investment decision as certain predetermined return thresholds are met. Under the terms of the agreement, Entropy and the investor have options that provide for the unsecured debentures to be exchanged for commons shares at an exchange price of \$10 per share, subject to adjustment in certain circumstances. The investor has the option to exchange the outstanding unsecured debentures for common shares at any time while Entropy may commence a mandatory exchange of unsecured debentures for common shares in advance of an Initial Public Offering ("IPO"). The unsecured debentures have a term of 10 years, if not exchanged for common shares, which are to be repaid at the end of the term in the amount greater of the principal amount and the investor's pro rata share of the fair market value of Entropy and are non-recourse to Advantage. Each debenture issued by Entropy bears an interest rate of 8% per annum that Entropy can elect to pay in cash or pay-in-kind, due on a quarterly basis. Any paid-in-kind interest is added to the aggregate principal, subject to certain limitations.

On April 5, 2022, Entropy issued unsecured debentures and received an initial \$25.0 million gross proceeds and incurred \$3.8 million of issuance cost. For the nine months ended September 30, 2022, Entropy incurred interest of \$1.0 million that was paid in cash, and \$0.2 million of accretion expense.

The exchange features of the unsecured debentures meet the definition of a derivative liability, as the exchange features allow the unsecured debentures to be potentially exchanged for a variable amount of common shares, and as such does not meet the fixed-for-fixed criteria for equity classification. The unsecured debenture - derivative liability is classified as Level 3 within the fair value hierarchy.

The following tables disclose the components associated with the unsecured debentures at initial recognition. The changes in the unsecured debentures are as follows:

	September 30 2022
Balance, beginning of the year	-
Initial recognition	19,221
Issuance costs	(3,838)
Accretion expense	205
Balance, end of period	15,588

The changes in the unsecured debentures - derivative liability related to the exchange features are as follows:

	September 30 2022
Balance, beginning of the year	-
Initial recognition	5,779
Revaluation	314
Balance, end of period	6,093

The following table provides a summary of the outstanding aggregate principal balance of the Corporation's unsecured debentures:

	September 30 2022
Aggregate principal balance, beginning of the year	-
Unsecured debentures issued	25,000
Aggregate principal balance, end of period	25,000

11. Provisions and other liabilities

	As at September 30, 2022	As at December 31, 2021
Performance Awards (note 14(c))	8,118	9,970
Deferred Share Units (note 14(d))	6,739	4,773
Deferred revenue (a)	6,603	6,603
Project funding grant (b)	-	57
Lease liability (c)	2,147	2,173
Financing liability (d)	95,721	93,488
Decommissioning liability (e)	43,560	62,474
Balance, end of period	162,888	179,538
Current provisions and other liabilities	20,626	11,224
Non-current provisions and other liabilities	142,262	168,314

(a) Deferred revenue

Deferred revenue represents an advance payment received by Advantage in consideration for the future delivery of natural gas. The balance has been classified as short-term as the performance obligation related to the deferred revenue is expected to be satisfied in 2023.

(b) Project funding grant

The Corporation received a \$20 million grant under the Government of Alberta's "*Industrial Energy Efficiency and Carbon Capture Utilization and Storage Program*" to be utilized solely for project expenditures related to reducing carbon emissions. Advantage shall not use the funding for more than 75% of the total project expenses, whereby any excess would result in a proportionate repayment of the project funding. The project which the funding relates to was completed in 2022.

(c) Lease liability

The Corporation incurs lease payments related to its head office and other miscellaneous equipment. The Corporation has recognized a lease liability in relation to all lease arrangements measured at the present value of the remaining lease payments using the Corporation's weighted-average incremental borrowing rate of 4.3%.

A reconciliation of the lease liability is provided below:

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of the year	2,173	2,279
Additions	255	169
Interest expense	67	96
Lease payments	(348)	(371)
Balance, end of period	2,147	2,173
Current lease liability	372	364
Non-current lease liability	1,775	1,809

11. Provisions and other liabilities (continued)

(d) Financing liability

In 2020, Advantage sold a 12.5% interest in the Corporation's Glacier Gas Plant for \$100 million and entered into a 15-year take-or-pay volume commitment agreement with the purchaser for 50 MMcf/d capacity at a fee of \$0.66/Mcf. During the third quarter of 2022, as part of the planned capital expansion of the Glacier Gas Plant, the working interest partner provided \$5.0 million in additional financing, with the volume commitment fee being revised to \$0.696/Mcf for the remainder of the term. The volume commitment agreement is treated as a financing transaction with an effective interest rate of 9.1%.

A reconciliation of the financing liability is provided below:

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of the year	93,488	96,864
Proceeds	5,000	-
Interest expense	6,351	8,669
Financing payments	(9,118)	(12,045)
Balance, end of period	95,721	93,488
Current financing liability	4,172	3,696
Non-current financing liability	91,549	89,792

(e) Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids assets including well sites, gathering systems and facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2022 and 2077. A risk-free rate of 3.0% (December 31, 2021 - 1.8%) and an inflation factor of 2.0% (December 31, 2021 - 2.0%) were used to calculate the fair value of the decommissioning liability at September 30, 2022. As at September 30, 2022, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$59.2 million (December 31, 2021 - \$57.6 million).

A reconciliation of the decommissioning liability is provided below:

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of the year	62,474	60,894
Accretion expense	1,062	1,108
Liabilities incurred	1,116	1,737
Change in estimates	(1,086)	(1,800)
Effect of change in risk-free rate and inflation rate factor	(18,935)	1,568
Liabilities settled	(1,071)	(1,033)
Balance, end of period	43,560	62,474
Current decommissioning liability	2,408	2,000
Non-current decommissioning liability	41,152	60,474

11. Provisions and other liabilities (continued)

(f) Contractual maturities

The following table details the undiscounted cash flows and contractual maturities of the Corporation's Performance Awards, lease liability and financing liability, as at September 30, 2022:

(\$ millions)	Payments due by period						
	2022		2023	2024	2025	2026	Beyond
	Total	3 months					
Performance Awards	13.6	-	6.0	5.9	1.7	-	-
Lease liability	2.2	0.1	0.4	0.5	0.4	0.4	0.4
Financing liability	161.7	3.2	12.7	12.7	12.7	12.7	107.7
Total fixed payments	177.5	3.3	19.1	19.1	14.8	13.1	108.1

12. Income taxes

The provision for income taxes is as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Current income tax expense	-	-	-	-
Deferred income tax expense	13,088	9,476	69,517	12,202
Income tax expense	13,088	9,476	69,517	12,202

Income tax expense is recognized based on Management's best estimate of the weighted average annual income tax rate expected for the full financial year.

13. Share capital

(a) Authorized

The Corporation is authorized to issue an unlimited number of shares without nominal or par value.

(b) Issued

	Common Shares (# of shares)	Share capital
Balance at December 31, 2020	188,112,797	2,360,647
Shares issued on Performance Share Unit settlements (note 14 (a))	2,716,179	-
Contributed surplus transferred on Performance Share Unit settlements	-	10,069
Balance at December 31, 2021	190,828,976	2,370,716
Shares issued on Performance Share Unit settlements (note 14 (a))	3,056,992	-
Contributed surplus transferred on Performance Share Unit settlements	-	6,948
Shares purchased and cancelled under NCIB	(12,168,855)	(149,230)
Balance at September 30, 2022	181,717,113	2,228,434

(c) Normal Course Issuer Bid ("NCIB")

On April 7, 2022, the Toronto Stock Exchange (the "TSX") approved the Corporation commencing a NCIB. Pursuant to the NCIB, Advantage will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 18,704,019 common shares of the Corporation. The NCIB commenced on April 13, 2022 and will terminate on April 12, 2023 or such earlier time as the NCIB is completed or terminated at the option of Advantage.

Purchases pursuant to the NCIB will be made on the open market through the facilities of the TSX or alternative trading systems. The price that Advantage will pay for any common shares under the NCIB will be the prevailing market price on the TSX at the time of such purchase. Common shares acquired under the NCIB will be cancelled.

For the nine months ended September 30, 2022, the Corporation purchased 12.2 million common shares for cancellation at an average price of \$10.60 per common share for a total of \$128.9 million. Share capital was reduced by \$149.2 million while contributed surplus was increased by \$20.3 million, representing the excess average carrying value of the common shares over the purchase price.

14. Long-term compensation plans

(a) Restricted and Performance Award Incentive Plan – Performance Share Units

Under the Restricted and Performance Award Incentive Plan, service providers can be granted two types of equity incentive awards: Restricted Share Units and Performance Share Units. As at September 30, 2022, no Restricted Share Units have been granted. Performance Share Units vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors.

The following table is a continuity of Performance Share Units:

	Performance Share Units
Balance at December 31, 2020	5,243,598
Granted	1,247,026
Vested and settled	(1,549,658)
Forfeited	(60,282)
Balance at December 31, 2021	4,880,684
Granted	716,668
Vested and settled	(1,588,411)
Balance at September 30, 2022	4,008,941

During April 2022, 1,588,411 Performance Share Units vested and were settled with the issuance of 3,056,992 common shares.

(b) Share-based compensation expense

Share-based compensation expense after capitalization for the three and nine months ended September 30, 2022, and 2021 are as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Total share-based compensation	1,909	1,741	5,923	5,025
Capitalized	(756)	(557)	(1,682)	(1,490)
Cash settled awards	-	-	-	(682)
Share-based compensation expense	1,153	1,184	4,241	2,853

14. Long-term compensation plans (continued)

(c) Performance Award Incentive Plan - Performance Awards

Under the Performance Award Incentive Plan, service providers can be granted cash Performance Awards. Such grants vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. Performance Awards are expensed to general and administrative expense with the recording of a current and non-current liability (note 11) until eventually settled in cash.

The following table is a continuity of the Corporation's liability related to outstanding Performance Awards:

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of the year	9,970	4,620
Performance Award expense	4,752	5,284
Interest expense	37	66
Vested and settled	(6,641)	-
Balance, end of period	8,118	9,970
Current	5,036	5,107
Non-current	3,082	4,863

(d) Deferred Share Units

Deferred Share Units are issued to Directors of the Corporation. Each Deferred Share Unit entitles participants to receive cash equal to the Corporation's common shares, multiplied by the number of DSUs held. All Deferred Share Units vest immediately upon grant and become payable upon retirement of the Director from the Board.

The following table is a continuity of Deferred Share Units:

	Deferred Share Units
Balance at December 31, 2020	629,330
Granted	105,140
Settled	(90,377)
Balance at December 31, 2021	644,093
Granted	34,616
Balance at September 30, 2022	678,709

The expense related to Deferred Share Units is calculated using the fair value method based on the Corporation's share price at the end of each reporting period and is charged to general and administrative expense. The following table is a continuity of the Corporation's liability related to outstanding Deferred Share Units:

	Nine months ended September 30, 2022	Year ended December 31, 2021
Balance, beginning of the year	4,773	1,076
Granted	315	418
Revaluation of outstanding Deferred Share Units	1,651	3,599
Settled	-	(320)
Balance, end of period	6,739	4,773
Current	2,035	-
Non-current	4,704	4,773

15. Net income per share attributable to Advantage shareholders

The calculations of basic and diluted net income per share are derived from both net income attributable to Advantage shareholders and weighted average shares outstanding, calculated as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net income attributable to Advantage shareholders				
Basic and diluted	40,792	43,188	224,705	51,488
Weighted average shares outstanding				
Basic	186,717,205	190,828,976	189,305,191	189,824,089
Performance Share Units	6,841,684	8,526,599	6,841,684	8,526,599
Diluted	193,558,889	199,355,575	196,146,875	198,350,688
Net income per share attributable to Advantage shareholders				
Basic (\$/share)	0.22	0.23	1.19	0.27
Diluted (\$/share)	0.21	0.22	1.15	0.26

16. Revenues

(a) Natural gas and liquids sales

For the three and nine months ended September 30, 2022, and 2021, natural gas and liquids sales was as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Crude oil	20,494	8,440	64,932	24,386
Condensate	10,853	7,025	36,422	16,286
NGLs	20,637	12,715	62,510	31,794
Liquids	51,984	28,180	163,864	72,466
Natural Gas	183,408	106,174	563,394	260,314
Natural gas and liquids sales	235,392	134,354	727,258	332,780

At September 30, 2022, receivables from contracts with customers, which are included in trade and other receivables, were \$75.8 million (December 31, 2021 - \$49.5 million).

(b) Sales of purchased natural gas

During the nine months ended September 30, 2022, the Corporation purchased natural gas volumes to satisfy physical sales commitments. Purchases and sales of natural gas from third-parties was as follows:

	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Sales of purchased natural gas	-	-	4,826	-
Natural gas purchases	-	-	(4,756)	-
Net sales of purchased natural gas	-	-	70	-

17. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Source (use) of cash:				
Trade and other receivables	24,592	(17,999)	(27,573)	(23,254)
Prepaid expense and deposits	(3,726)	(1,756)	(7,155)	(2,859)
Trade and other accrued liabilities	19,386	1,472	24,555	22,787
Performance Awards	1,154	1,481	(1,852)	3,863
Deferred Share Units	1,381	-	1,966	-
Project funding grant	-	(4,733)	(62)	(9,533)
	42,787	(21,535)	(10,121)	(8,996)
Related to operating activities	27,090	(15,927)	(1,694)	(7,129)
Related to financing activities	-	-	-	-
Related to investing activities	15,697	(5,608)	(8,427)	(1,867)
	42,787	(21,535)	(10,121)	(8,996)

The following table provides a detailed breakdown of the cash and non-cash changes in financing liabilities arising from financing activities:

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Cash flows				
Common shares repurchased	(81,971)	-	(128,946)	-
Draws on Credit Facility	75,000	1,718	135,000	16,718
Repayment of Credit Facility	(68,000)	(28,000)	(188,000)	(70,000)
Bankers' acceptance and other fees	(2,067)	(2,065)	(6,175)	(8,204)
Net proceeds from unsecured debentures	-	-	21,162	-
Net proceeds from financing liability	5,000	-	5,000	-
Lease payments	(151)	(97)	(348)	(287)
Financing payments	(3,145)	(3,036)	(9,118)	(9,009)
Net cash flows	(75,334)	(31,480)	(171,425)	(70,782)
Non-cash changes				
Amortization of bankers' acceptance fees	2,095	2,319	5,634	8,209
Lease liability interest expense	22	25	67	72
Financing liability interest expense	2,169	2,176	6,351	6,513
Total non-cash changes	4,286	4,520	12,052	14,794
Cash used in financing activities	(71,048)	(26,960)	(159,373)	(55,988)

18. Commitments

At September 30, 2022, Advantage had commitments relating to building operating cost, processing commitments, and transportation commitments. The estimated remaining payments are as follows:

(\$ millions)	Payments due by period						
	2022		2023	2024	2025	2026	Beyond
	Total	3 months					
Building operating cost ⁽¹⁾	2.0	0.1	0.4	0.4	0.4	0.4	0.3
Processing	55.4	1.7	7.9	10.0	9.5	7.0	19.3
Transportation	453.2	18.2	71.1	71.3	69.1	57.5	166.0
Total commitments	510.6	20.0	79.4	81.7	79.0	64.9	185.6

⁽⁴⁾ Excludes fixed lease payments which are included in the Corporation's lease liability.

ABBREVIATIONS

Crude Oil and Natural Gas Liquids

bbl	barrel
bbls	barrels
Mbbls	thousand barrels
NGLs	natural gas liquids
BOE or boe	barrel of oil equivalent
Mboe	thousand barrels of oil equivalent
MMboe	million barrels of oil equivalent
boe/d	barrels of oil equivalent per day
bbls/d	barrels of oil per day

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
bcf/d	billion cubic feet per day
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
Mcfe	thousand cubic feet of natural gas equivalent, using the ratio of 6 Mcf of natural gas being equivalent to one bbl of oil
MMcfe/d	million cubic feet of natural gas equivalent per day
MMbtu	million British Thermal Units
MMbtu/d	million British Thermal Units per day
GJ/d	Gigajoules per day

Other

AECO	a notional market point on the NGTL system, located at the AECO 'C' hub in Southeastern Alberta, where the purchase and sale of natural gas is transacted
CCS	means "Carbon Capture and Storage"
CDOR	means "Canadian Dollar Offered Rate"
Henry Hub	a central delivery location, located near Louisiana's Gulf Coast connecting several intrastate and interstate pipelines, that serves as the official delivery location for futures contracts on the NYMEX
MSW	means "Mixed Sweet Blend", the reference price paid for conventionally produced light sweet crude oil at Edmonton, Alberta
PJM	a regional transmission organization that coordinates the movement of wholesale electricity in the Mid Atlantic region of the US
WTI	means "West Texas Intermediate", the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade
Crude oil	Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
Natural gas	Conventional Natural Gas as defined in National Instrument 51-101
"NGLs" & "condensate"	Natural Gas Liquids as defined in National Instrument 51-101
Liquids	Total of crude oil, condensate and NGLs

Directors

Jill T. Angevine ⁽¹⁾⁽³⁾⁽⁴⁾
Stephen E. Balog ⁽²⁾⁽⁴⁾
Michael E. Belenkie
Deirdre M. Choate ⁽¹⁾⁽³⁾⁽⁴⁾
Donald M. Clague ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
Paul G. Haggis ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾
Norman W. MacDonald ⁽¹⁾⁽²⁾
Andy J. Mah ⁽²⁾
Janine M. McArdle

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Reserves, and Health, Safety, Environment Committee

⁽³⁾ Member of Compensation Committee

⁽⁴⁾ Member of Governance and Sustainability Committee

Officers

Michael Belenkie, President and CEO
Craig Blackwood, CFO
Neil Bokenfohr, Senior Vice President
David Sterna, Vice President, Marketing and Commercial
John Quaipe, Vice President, Finance
Darren Tisdale, Vice President, Geosciences
Geoff Keyser, Vice President, Corporate Development

Corporate Secretary

Jay P. Reid, Partner
Burnet, Duckworth and Palmer LLP

Auditors

PricewaterhouseCoopers LLP

Bankers

The Bank of Nova Scotia
National Bank of Canada
Royal Bank of Canada
Canadian Imperial Bank of Commerce
ATB Financial
Wells Fargo Bank N.A., /Canada Branch
Business Development Bank of Canada

Independent Reserve Evaluators

Sproule Associates Limited

Legal Counsel

Burnet, Duckworth and Palmer LLP

Transfer Agent

Computershare Trust Company of Canada

Corporate Office

2200, 440 – 2nd Avenue SW
Calgary, Alberta T2P 5E9
(403) 718-8000

Contact Us

Toll free: 1-866-393-0393

Email: ir@advantageog.com

Visit our website at www.advantageog.com

Toronto Stock Exchange Trading Symbol

AAV



Corporate Office

2200, 440 – 2nd Avenue SW
Calgary, Alberta T2P 5E9
(403) 718-8000

Contact Us

Toll free: 1-866-393-0393
Email: ir@advantageog.com
Visit our website at www.advantageog.co,