



CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and years ended December 31, 2022 and 2021

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of February 23, 2023, 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 months and year ended December 31, 2022, and should be read in conjunction with the December 31, 2022, audited 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 financial 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 (\$000, except as otherwise indicated)	Three months ended		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Financial Statement Highlights				
Natural gas and liquids sales	223,200	159,255	950,458	492,035
Net income and comprehensive income per basic share ⁽²⁾	113,462 0.63	359,956 1.90	337,761 1.81	411,354 2.17
Basic weighted average shares (000)	180,248	190,829	187,022	190,077
Cash provided by operating activities	112,558	67,464	502,378	223,152
Cash used in financing activities	(49,718)	(27,423)	(209,091)	(83,411)
Cash used in investing activities	(69,060)	(44,939)	(269,585)	(117,782)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾ per boe ⁽¹⁾ per basic share ⁽¹⁾⁽²⁾	124,205 24.29 0.69	71,227 16.15 0.37	516,790 25.39 2.76	234,824 13.01 1.24
Net capital expenditures ⁽¹⁾	49,687	58,384	241,790	149,403
Free cash flow ⁽¹⁾	74,518	12,843	275,000	85,421
Working capital surplus ⁽¹⁾	71,564	6,865	71,564	6,865
Bank indebtedness	177,200	167,345	177,200	167,345
Net debt ⁽¹⁾	121,336	160,480	121,336	160,480

⁽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		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Operating				
Production				
Crude oil (bbls/d)	1,854	816	1,972	1,101
Condensate (bbls/d)	1,092	1,012	1,082	844
NGLs (bbls/d)	2,680	2,524	3,039	2,548
Total liquids production (bbls/d)	5,626	4,352	6,093	4,493
Natural gas (Mcf/d)	299,684	261,530	298,053	269,710
Total production (boe/d)	55,573	47,940	55,769	49,445
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	5.65	4.17	5.55	3.38
Liquids (\$/bbl)	86.39	54.70	92.48	50.92
Operating Netback (\$/boe)				
Natural gas and liquids sales	43.66	36.11	46.69	27.26
Realized losses on derivatives	(4.76)	(8.41)	(7.08)	(4.13)
Processing and other income	0.60	-	0.45	-
Royalty expense	(5.31)	(2.02)	(5.22)	(1.53)
Operating expense	(3.39)	(2.92)	(3.16)	(2.49)
Transportation expense	(4.43)	(4.48)	(4.43)	(3.90)
Operating netback ⁽¹⁾	26.37	18.28	27.25	15.21

⁽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

2023 Guidance

On December 1, 2022, the Corporation announced its 2023 budget (see News Release dated December 1, 2022). The Corporation's capital program is focused on prudent adjusted funds flow per share growth via high rate-of-return development drilling into existing infrastructure.

The below table summarizes Advantage's 2023 guidance:

Forward Looking Information⁽¹⁾	2023 Guidance⁽³⁾
Cash Used in Investing Activities ⁽²⁾ (\$ millions)	250 to 280
Total Average Production (boe/d)	59,000 to 62,500
Liquids Production (% of total average production)	~12%
Royalty Rate (%)	9 to 12
Operating Expense (\$/boe)	3.25
Transportation Expense (\$/boe)	4.75
G&A/Finance Expense (\$/boe)	1.40

⁽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⁾ Guidance and actual numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc.

2022 Guidance Update

The below table summarizes Advantage's 2022 guidance compared to actual 2022 financial and operational results:

	Original 2022 Guidance⁽¹⁾	Q1 2022 Revision⁽²⁾	Q2 2022 Revision⁽³⁾	Q3 2022 Revision⁽⁴⁾	2022 Actual⁽⁶⁾
Net Capital Expenditures (\$ millions)	170 to 200	-	210 to 230	-	238.0
Average Production (boe/day)	52,000 to 55,000	-	53,500 to 56,500	-	55,769
Liquids Production (bbls/day)	5,400 to 5,800	-	5,800 to 6,200	-	6,093
Royalty Rate (%)	7 to 9	12 to 17	-	11 to 13	11.2
Operating Expense (\$/boe)	2.45	-	-	3.05	3.16
Transportation Expense (\$/boe)	4.35	4.85 to 5.15	-	4.45 to 4.65	4.43
G&A/Finance Expense ⁽⁵⁾ (\$/boe)	1.55	-	-	-	1.65

Notes:

⁽¹⁾ See December 31, 2021 MD&A dated February 24, 2022.

⁽²⁾ See March 31, 2022 MD&A dated April 29, 2022.

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

⁽⁴⁾ See September 30, 2022 MD&A dated October 27, 2022.

⁽⁵⁾ Finance expense includes foreign exchange and excludes accretion of decommissioning liability and unsecured debentures.

⁽⁶⁾ Guidance and actual numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc.

Corporate Update (continued)

2022 Guidance Update (continued)

Net Capital Expenditures

The Corporation increased net capital expenditures guidance in the second quarter of 2022 to between \$210 million and \$230 million as a result of adding 1.5 net new drills, continued inflation, and increased frac intensity across all assets. Advantage incurred net capital expenditures of \$238.0 million, 3% over our revised 2022 guidance range. Under the Government of Canada's proposed refundable investment tax credit ("ITC") for Carbon Capture, Utilization and Storage ("CCUS") projects, the Corporation expects it is entitled to recover approximately \$15 million to \$20 million of its incurred net capital expenditures on the Glacier Gas Plant Phase 1 CCS project constructed by Advantage. As the ITC has yet to receive royal ascent in the House of Commons, the Corporation was unable to recognize this benefit as at December 31, 2022.

Production

As a result of strong operational execution, 2022 production guidance was increased in the second quarter of 2022 to between 53,500 boe/d and 56,500 boe/d with liquids production between 5,800 bbls/d and 6,200 bbls/d. Advantage's total production and liquids production averaged within our revised guidance range.

Royalty Rate

Given the increased commodity price environment and accelerated royalty payouts realized on the Corporation's wells, the Corporation increased its royalty rate guidance range in the first quarter of 2022 to between 12% and 17%, further revising to between 11% and 13% during the third quarter of 2022. The Corporation's actual royalty rate was within our revised guidance range.

Operating Expense

As a result of continued inflation, higher than expected third-party processing fees associated with increased volumes at Wembley, and increased costs associated with the high commodity price environment, the Corporation increased operating expense guidance in the third quarter of 2022 to \$3.05/boe, with actual operating expense per boe coming in modestly 4% above our revised range.

Transportation Expense

Subsequent to Advantage securing additional Empress transportation capacity, the Corporation's transportation expense guidance was increased to between \$4.85/boe and \$5.15/boe in the first quarter of 2022. Transportation expense guidance was reduced to between \$4.45/boe and \$4.65/boe, due to lower-than-expected tolls and fuel costs, with actual transportation expense being just below our revised guidance at \$4.43/boe.

G&A/Finance Expense

Advantage's G&A/Finance expense of \$1.65/boe was 6% higher than guidance due to incremental G&A costs associated with increased staffing levels, and increased interest on bank indebtedness due to increased interest rates and share buybacks totaling \$241 million (see "Corporate Update – Share Buyback Program").

Corporate Update (continued)

Share Buyback Program

Advantage dedicated all free cash flow in 2022 towards purchasing for cancellation, common shares of the Corporation. This was achieved through purchasing 13.3 million common shares under a normal course issuer bid ("NCIB"), and 8.9 million common shares under a substantial issuer bid ("SIB"), resulting in \$241.0 million being returned to the Corporation's shareholders under the share buyback program (see "Shareholders' Equity").

Subsequent to December 31, 2022, the Corporation purchased 5.4 million common shares under the NCIB, achieving the maximum number of common shares that could be purchased under the Corporation's current NCIB. Advantage plans to apply for renewal of the NCIB in April 2023.

Entropy

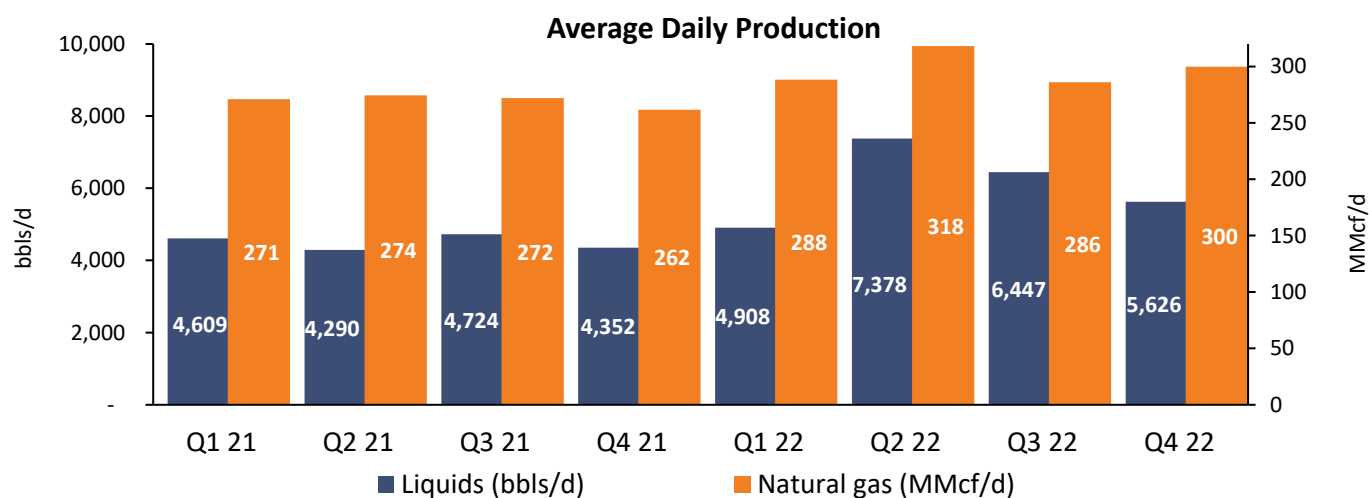
On March 25, 2022, Entropy Inc. ("Entropy") announced a strategic \$300 million investment agreement with Brookfield Global Transition Fund ("Brookfield") to scale up deployment of Entropy's CCS technology. In connection with the investment agreement, on April 5, 2022, Entropy issued an unsecured debenture for \$25.0 million, which is non-recourse to Advantage.

In the third quarter of 2022, Entropy completed commissioning on its first post combustion CCS project at the Glacier Gas Plant. Commissioning of Phase 1 (47,000 tonnes per annum of CO₂e ("TPA")) was completed as expected with "first carbon" injected into permanent geological storage during August, with process optimization and testing ongoing. Entropy believes this is the world's first commercial project to capture and sequester carbon dioxide from the combustion of natural gas.

Now that Entropy's advanced technology has been proven at Glacier, Entropy has begun expanding its team with a focus on commercial growth in the United States and Canada. Entropy's near-term projects include approximately 1.5 mmtpa of post-combustion projects, including Glacier (200,000 tpa), Athabasca Leismer (440,000 tpa), the CRC project (400,000 tpa) and an additional Alberta project on turbines and boilers (450,000 tpa). All of these projects have the potential to advance to procurement and construction during 2023 and represent first-in-kind deployment of CCS technology. Mid-term and long-term projects remain well in excess of 10 mmtpa.

Production

Average Daily Production	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Crude oil (bbls/d)	1,854	816	127	1,972	1,101	79
Condensate (bbls/d)	1,092	1,012	8	1,082	844	28
NGLs (bbls/d)	2,680	2,524	6	3,039	2,548	19
Total liquids production (bbls/d)	5,626	4,352	29	6,093	4,493	36
Natural gas (Mcf/d)	299,684	261,530	15	298,053	269,710	11
Total production (boe/d)	55,573	47,940	16	55,769	49,445	13
Liquids (% of total production)	10	9		11	9	
Natural gas (% of total production)	90	91		89	91	



For the three months ended December 31, 2022, Advantage recorded total production averaging 55,573 boe/d, while achieving record total production of 55,769 boe/d for the year ended December 31, 2022, increasing 16% and 13%, respectively, compared to the same periods of the prior year.

Natural gas production for the three months and year ended December 31, 2022 averaged 300 MMcf/d and 298 MMcf/d, respectively, increases of 15% and 11% compared to the same periods of the prior year. Advantage's natural gas production increased as a result of continued development at Glacier and Valhalla, where the Corporation continues to drill among the top producing natural gas wells in the Alberta Montney (see "Cash Used in Investing Activities and Net Capital Expenditures"). Advantage was able to successfully maintain natural gas production at the Glacier Gas Plant through periods of severe cold weather experienced during the fourth quarter, while "firm service" restrictions on TC Energy's NGTL system impacted the industry and our ability to produce an additional 5 MMcf/d of natural gas during the quarter.

Liquids production for the three months and year ended December 31, 2022 averaged 5,626 bbls/d and 6,093 bbls/d, respectively, increases of 29% and 36% compared to the same periods of the prior year, as a result of our liquids development focus whereby additional Wembley wells were brought onstream in 2022 (see "Cash Used in Investing Activities and Net Capital Expenditures").

Advantage expects total annual production to increase to between 59,000 and 62,500 boe/d in 2023 based on the Corporation's planned 2023 capital program (see "Corporate Update").

Commodity Prices and Marketing

Average Realized Prices ⁽²⁾	Three months ended			Year ended		
	December 31 2022	December 31 2021	% Change	December 31 2022	December 31 2021	% Change
Natural gas						
Excluding derivatives (\$/Mcf)	6.49	5.44	19	6.82	3.97	72
Including derivatives (\$/Mcf)	5.65	4.17	35	5.55	3.38	64
Liquids						
Crude oil (\$/bbl)	99.70	90.89	10	113.84	77.66	47
Condensate (\$/bbl)	106.58	96.02	11	119.34	81.89	46
NGLs (\$/bbl)	67.05	54.39	23	71.26	47.77	49
Total liquids excluding derivatives (\$/bbl)	85.48	70.91	21	93.58	61.50	52
Total liquids including derivatives (\$/bbl)	86.39	54.70	58	92.48	50.92	82
Average Benchmark Prices						
Natural gas⁽¹⁾						
AECO daily (\$/Mcf)	5.10	4.66	9	5.24	3.62	45
AECO monthly (\$/Mcf)	5.68	4.93	15	5.57	3.57	56
Empress daily (\$/Mcf)	6.04	5.02	20	6.50	3.88	68
Henry Hub (\$US/MMbtu)	6.26	5.32	18	6.47	3.97	63
Emerson 2 daily (\$US/MMbtu)	4.94	4.30	15	5.52	3.41	62
Dawn daily (\$US/MMbtu)	5.16	4.65	11	6.05	3.61	68
Chicago Citygate (\$US/MMbtu)	5.57	5.86	(5)	6.29	3.78	66
Ventura (\$US/MMbtu)	5.77	5.63	2	6.31	3.66	72
Liquids						
WTI (\$US/bbl)	82.63	77.17	7	94.23	67.96	39
MSW Edmonton (\$/bbl)	110.06	93.26	18	119.56	80.33	49
Average Exchange rate (\$US/\$CDN)	0.7363	0.7937	(7)	0.7687	0.7976	(4)

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

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

Liquids

Advantage's realized liquids price excluding derivatives for the three months and year ended December 31, 2022 was \$85.48/bbl and \$93.58/bbl, respectively, increases of 21% and 52% compared to the same periods of the prior year. Realized crude oil, condensate and NGL prices excluding derivatives all increased in 2022 when compared to 2021 largely due to the Ukrainian-Russian war. Liquids prices in the fourth quarter of 2022 declined 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 largely driven by global supply and demand and the Edmonton light sweet oil and condensate price differentials. Approximately 64% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attracts higher market prices than other NGLs.

Natural gas

Advantage's realized natural gas price excluding derivatives for the three months and year ended December 31, 2022 was \$6.49/Mcf and \$6.82/Mcf, respectively, increases of 19% and 72% 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 and has market diversification exposure. Advantage has realized natural gas prices higher than AECO as we currently have significant 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.

Beginning in November 2022, Advantage began pre-commissioning deliveries of 12,500 MMBtu/d on the Alliance pipeline in connection with its agreement with Competitive Power Ventures ("CPV"), whereby Advantage receives a Chicago Citygate price, less Alliance tolls. Upon commissioning of the CPV Three Rivers plant in 2023, Advantage will deliver 25,000 MMBtu/d, receiving a PJM based spark-spread pricing formula.

Advantage has certain marketing transactions whereby the price received for downstream market exposure is exchanged for AECO plus a premium that well 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 during that quarter.

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

Sales Markets	Forward-looking 2023 ⁽²⁾		2022	
	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)
AECO	90.9	28	128.8	43
AECO premium ⁽³⁾	10.9	3	47.9	16
Empress	89.2	28	32.1	11
Emerson	24.3	8	4.5	1
Dawn	51.5	16	52.7	18
Chicago	20.3	6	17.1	6
Ventura	15.0	5	15.0	5
PJM power price ⁽⁴⁾	18.8	6	-	-
Total	320.8⁽²⁾	100	298.1	100

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

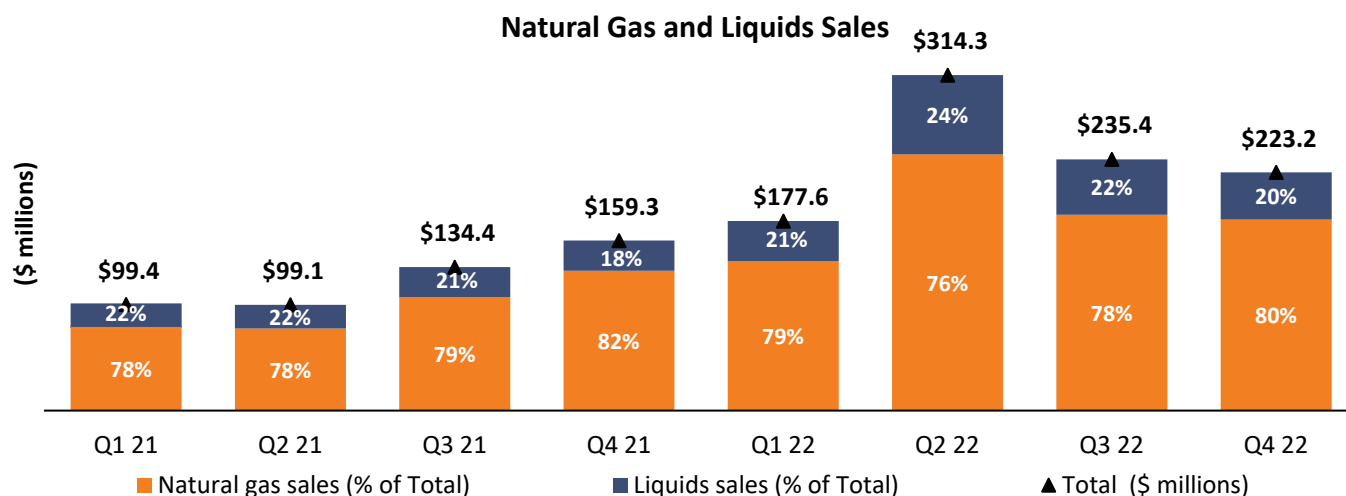
⁽²⁾ Represents the midpoint of our 2023 guidance for natural gas production volumes (see News Release dated December 1, 2022).

⁽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			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Crude oil	17,006	6,823	149	81,938	31,209	163
Condensate	10,707	8,940	20	47,129	25,226	87
NGLs	16,532	12,629	31	79,042	44,423	78
Liquids	44,245	28,392	56	208,109	100,858	106
Natural gas	178,955	130,863	37	742,349	391,177	90
Natural gas and liquids sales	223,200	159,255	40	950,458	492,035	93
per boe	43.66	36.11	21	46.69	27.26	71



Natural gas and liquids sales for the three months and year ended December 31, 2022, increased by \$63.9 million or 40% and \$458.4 million or 93%, respectively, compared to the same corresponding periods of 2021.

For the year ended December 31, 2022, natural gas sales increased by \$351.2 million or 90%, compared to 2021, due to a 72% increase in realized gas prices (see "Commodity Prices and Marketing"), accompanied with an 11% increase in natural gas production volumes (see "Production"). Liquids sales increased by \$107.3 million, or 106%, due to a 52% increase in realized liquids prices (see "Commodity Prices and Marketing"), accompanied with a 36% increase in liquids production volumes (see "Production").

For the three months ended December 31, 2022, natural gas sales increased by \$48.1 million or 37%, compared to the corresponding period in 2021, due to a 19% increase in realized gas prices (see "Commodity Prices and Marketing"), accompanied with a 15% increase in natural gas production volumes (see "Production"). Fourth quarter liquids sales increased by \$15.9 million, or 56%, due to a 21% increase in realized liquids prices (see "Commodity Prices and Marketing"), accompanied with a 29% 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 to reduce the volatility of cash provided by operating activities supporting our Montney development by diversifying sales to different physical markets and entering into financial commodity and foreign exchange derivative contracts. Advantage's Credit Facilities (as defined herein) allow us to enter 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 into 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 months and year ended December 31, 2022, and 2021 are as follows:

	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Realized gains (losses) on derivatives				
Natural gas	(23,114)	(30,646)	(138,871)	(58,909)
Crude oil	470	(6,489)	(2,430)	(17,353)
Foreign exchange	(1,700)	218	(2,729)	2,368
Interest rate	-	(171)	(104)	(684)
Total	(24,344)	(37,088)	(144,134)	(74,578)
Unrealized gains (losses) on derivatives				
Natural gas	69,436	49,607	29,647	16,480
Crude oil	(524)	5,831	(20)	2,074
Foreign exchange	2,329	(67)	(687)	(4,525)
Interest rate	-	171	136	666
Natural gas embedded derivative	(8,609)	28,957	42,176	54,305
Unsecured debentures	(3,651)	-	(3,965)	-
Total	58,981	84,499	67,287	69,000
Gains (losses) on derivatives				
Natural gas	46,322	18,961	(109,224)	(42,429)
Crude oil	(54)	(658)	(2,450)	(15,279)
Foreign exchange	629	151	(3,416)	(2,157)
Interest rate	-	-	32	(18)
Natural gas embedded derivative	(8,609)	28,957	42,176	54,305
Unsecured debentures	(3,651)	-	(3,965)	-
Total	34,637	47,411	(76,847)	(5,578)

Financial Risk Management (continued)

Natural gas

For the three months and year ended December 31, 2022, Advantage realized net losses on natural gas derivatives of \$23.1 million and \$138.9 million, respectively, due to the settlement of contracts with average derivative contract prices that were below average market prices.

For the three months and year ended December 31, 2022, Advantage recognized a net unrealized gain on natural gas derivatives of \$69.4 million and \$29.6 million, respectively. Unrealized gains are a result of changes in the fair value of the Corporation's outstanding natural gas derivative contracts accompanied with the settlement of contracts. For the three months and year ended December 31, 2022, the change in the fair value of our outstanding natural gas derivative contracts was impacted by the increased asset valuation of our natural gas derivative contracts due to the expiration of contracts at lower fixed prices, weakening Henry Hub prices, and narrowing of the AECO/Henry Hub basis.

Crude oil

For the three months and year ended December 31, 2022, Advantage realized a net gain on crude oil derivatives of \$0.5 million and a net loss of \$2.4 million, respectively. The gain in the three months ended December 31, 2022, is due to the settlement of contracts with average derivative contract prices that were above average market prices as a result of the decline in WTI prices during the quarter. The loss for the year ended December 31, 2022, is due to the settlement of contracts with average derivative contract prices that were below average market prices as a result of the increase in WTI prices in 2022. For the three months ended December 31, 2022, Advantage recognized a net unrealized loss on crude oil derivatives of \$0.5 million. The valuation of our crude oil derivative contracts is due to timing of 2022 contracts concluding, while not entering any further crude oil futures contracts at this time.

Foreign exchange

For the three months and year ended December 31, 2022, Advantage realized a loss on foreign exchange derivatives of \$1.7 million and \$2.7 million, respectively, while recognizing an unrealized gain of \$2.3 million and an unrealized loss of \$0.7 million, respectively. The \$2.3 million unrealized gain for the three months ended December 31, 2022 is due to the realization of losses throughout the period resulting in a lower liability at December 31, 2022.

Interest rate

Advantage has no outstanding interest rate derivative contracts as at December 31, 2022.

Financial Risk Management (continued)

Natural gas embedded derivative

Advantage entered into 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 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 in 2023. For the year ended December 31, 2022, the Corporation's embedded derivative resulted in an unrealized gain on the natural gas embedded derivative of \$42.2 million as a result of strengthening PJM power prices relative to the host contract.

Unsecured debentures derivative

The Entropy unsecured debentures have exchange features that meet the definition of a derivative liability, as the exchange features allow the unsecured debentures to be potentially exchanged for a variable number of Entropy common shares (see "Unsecured Debentures"). The Corporation will record unrealized gains (losses) as the valuation of the conversion option changes. For the year ended December 31, 2022, the Entropy unsecured debentures derivative liability resulted in an unrealized loss of \$4.0 million due to the increased value of the conversion option.

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 January 1, 2023 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 December 31, 2022 and February 23, 2023, 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	18,956 Mcf/d	Cdn \$4.35/Mcf
Natural gas - Henry Hub NYMEX			
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
Basis swap	January 2023 to March 2023	5,000 Mcf/d	Henry Hub less US \$0.98/Mcf
Natural gas - Dawn			
Fixed price swap	April 2023 to October 2023	15,000 Mcf/d	US \$2.92/Mcf ⁽¹⁾

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

(1) Contract entered into subsequent to December 31, 2022

Processing and Other Income

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Processing and other income (\$000)	3,091	-	nm	9,082	-	nm
per boe	0.60	-	nm	0.45	-	nm

Advantage earned 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			Year ended		
	December 31		%	December 31		%
	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

The Corporation purchased natural gas volumes to satisfy physical sales commitments during the second quarter planned downtime at the Glacier Gas Plant. 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			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Royalty expense (\$000)	27,154	8,928	204	106,257	27,530	286
per boe	5.31	2.02	163	5.22	1.53	241
Royalty rate (%) ⁽¹⁾	12.2	5.6	6.6	11.2	5.6	5.6

⁽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 months and year ended December 31, 2022, increased by \$18.2 million and \$78.7 million, respectively, compared to the same periods of the prior year. 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 thereby resulting in higher royalty rates than historically experienced. Advantage expects royalty rates to range from 9% to 12% in 2023.

Operating Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Operating expense (\$000)	17,344	12,870	35	64,269	44,893	43
per boe	3.39	2.92	16	3.16	2.49	27

Operating expense for the three months and year ended December 31, 2022, increased by \$4.5 million and \$19.4 million, increases of 35% and 43%, respectively. The higher operating expense was attributed to the increases in total production, additional third-party processing fees associated with higher production at Wembley, inflation impacts, and higher insurance premiums and property taxes tied to generating increased natural gas and liquids sales. Operating expense per boe increased by 16% and 27%, respectively, largely due to higher liquids production from our Wembley area.

Advantage expects 2023 annual operating expense per boe to remain consistent at approximately \$3.25/boe (see "Corporate Update").

Transportation Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Natural gas (\$000)	20,651	18,019	15	81,313	64,876	25
Liquids (\$000)	1,986	1,749	14	8,780	5,564	58
Total transportation expense (\$000)	22,637	19,768	15	90,093	70,440	28
per boe	4.43	4.48	(1)	4.43	3.90	14

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 months and year ended December 31, 2022 increased by \$2.9 million and \$19.6 million, respectively, increases of 15% and 28%. The increase in transportation expenses are a result of the 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.

Advantage expects 2023 annual transportation expense per boe to average approximately \$4.75/boe (see "Corporate Update"), slightly higher than 2022 as a result of increased liquids production and expected tolls increases.

Operating Netback

	Three months ended December 31			
	2022		2021	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	223,200	43.66	159,255	36.11
Realized losses on derivatives	(24,344)	(4.76)	(37,088)	(8.41)
Processing and other income	3,091	0.60	-	-
Royalty expense	(27,154)	(5.31)	(8,928)	(2.02)
Operating expense	(17,344)	(3.39)	(12,870)	(2.92)
Transportation expense	(22,637)	(4.43)	(19,768)	(4.48)
Operating netback ⁽¹⁾	134,812	26.37	80,601	18.28

	Year ended December 31			
	2022		2021	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	950,458	46.69	492,035	27.26
Realized losses on derivatives	(144,134)	(7.08)	(74,578)	(4.13)
Processing and other income	9,082	0.45	-	-
Net sales of purchased natural gas	70	-	-	-
Royalty expense	(106,257)	(5.22)	(27,530)	(1.53)
Operating expense	(64,269)	(3.16)	(44,893)	(2.49)
Transportation expense	(90,093)	(4.43)	(70,440)	(3.90)
Operating netback ⁽¹⁾	554,857	27.25	274,594	15.21

⁽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 months and year ended December 31, 2022, Advantage's operating netback increased by 67% and 102%, respectively, or \$8.09/boe and \$12.04/boe. The increase in the Corporation's operating netback per boe for both periods 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 similarly due to significantly increased natural gas and crude oil benchmark prices (see "Financial Risk Management"), as well as higher royalty expense due to the increased natural gas and liquids sales (see "Royalty Expense").

General and Administrative Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
General and administrative expense (\$000)	5,389	4,940	9	22,283	19,860	12
per boe	1.05	1.12	(6)	1.09	1.10	(1)
Employees at December 31				52	42	24

General and administrative ("G&A") expense for the three months and year ended December 31, 2022, increased by \$0.4 million and \$2.4 million, respectively, increases of 9% and 12%. For the three months and year ended December 31, 2022, the Corporation's G&A expense increased largely due to an increase in employees including hires to properly resource the Entropy business, and other incremental G&A expense incurred by Entropy.

Share-based Compensation

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Share-based compensation (\$000)	1,843	1,761	5	7,766	6,786	14
Capitalized (\$000)	(560)	(561)	-	(2,242)	(2,051)	9
Cash settled awards (\$000)	-	-	nm	-	(682)	nm
Share-based compensation expense (\$000)	1,283	1,200	7	5,524	4,053	36
per boe	0.25	0.27	(7)	0.27	0.22	23

The Corporation'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 the Corporation'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.

The Corporation recognized \$1.3 million and \$5.5 million of share-based compensation expense during the three months and year ended December 31, 2022, respectively, and capitalized \$0.6 million and \$2.2 million. For the year ended December 31, 2022, total share-based compensation increased by 36%, as a result of an increase in grants from a higher head count, accompanied with increased weighting of performance awards issued versus cash-based awards, compared to prior years.

Finance Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Cash finance expense (\$000)	5,161	4,565	13	18,690	20,081	(7)
per boe	1.01	1.04	(3)	0.92	1.11	(17)
Accretion expense (\$000)	470	251	87	1,737	1,108	57
Total finance expense (\$000)	5,631	4,816	17	20,427	21,189	(4)
per boe	1.10	1.09	1	1.00	1.17	(15)

Advantage realized higher cash finance expense during the three months ended December 31, 2022, as a result of increasing interest rates on bank indebtedness, partially offset by a lower average outstanding bank indebtedness when compared to the same period in 2021.

Advantage realized lower cash finance expense for the year ended December 31, 2022, as a result of decreased average outstanding bank indebtedness when compared to the same periods in 2021, partially offset by an increase in interest rates on bank indebtedness, and interest on unsecured debentures. 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 three months and year ended December 31, 2022, Entropy incurred interest of \$0.5 million and \$1.5 million, respectively, that was paid in cash (see "Unsecured Debentures").

Depreciation Expense and Impairment Recovery

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Depreciation expense (\$000)	32,349	25,998	24	133,917	106,786	25
per boe	6.33	5.89	7	6.58	5.92	11
Impairment recovery (\$000)	-	(340,653)	nm	-	(340,653)	nm

The increase in depreciation expense during the three months and year ended December 31, 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").

Income Taxes

	Three months ended			Year ended		
	December 31		%	December 31		%
	2022	2021	Change	2022	2021	Change
Income tax expense (\$000)	35,621	108,890	(67)	105,138	121,092	(13)
Effective tax rate (%)	23.9	23.2	3	23.7	22.7	4

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three months and year ended December 31, 2022, the Corporation recognized a deferred income tax expense of \$35.6 million and \$105.1 million, respectively. As at December 31, 2022, the Corporation had a deferred income tax liability of \$201.4 million. Advantage expects it will not be subject to cash taxes until calendar 2025 due to over \$1 billion in tax pools.

The estimated tax pools available at December 31, 2022 are as follows:

(\$ millions)

Canadian development expenses	218.3
Canadian exploration expenses	68.5
Canadian oil and gas property expenses	12.2
Non-capital losses	411.8
Undepreciated capital cost	240.5
Capital losses	135.1
Scientific research and experimental development expenditures	32.5
Other	6.4
	1,125.3

Net Income and Comprehensive Income attributable to Advantage shareholders

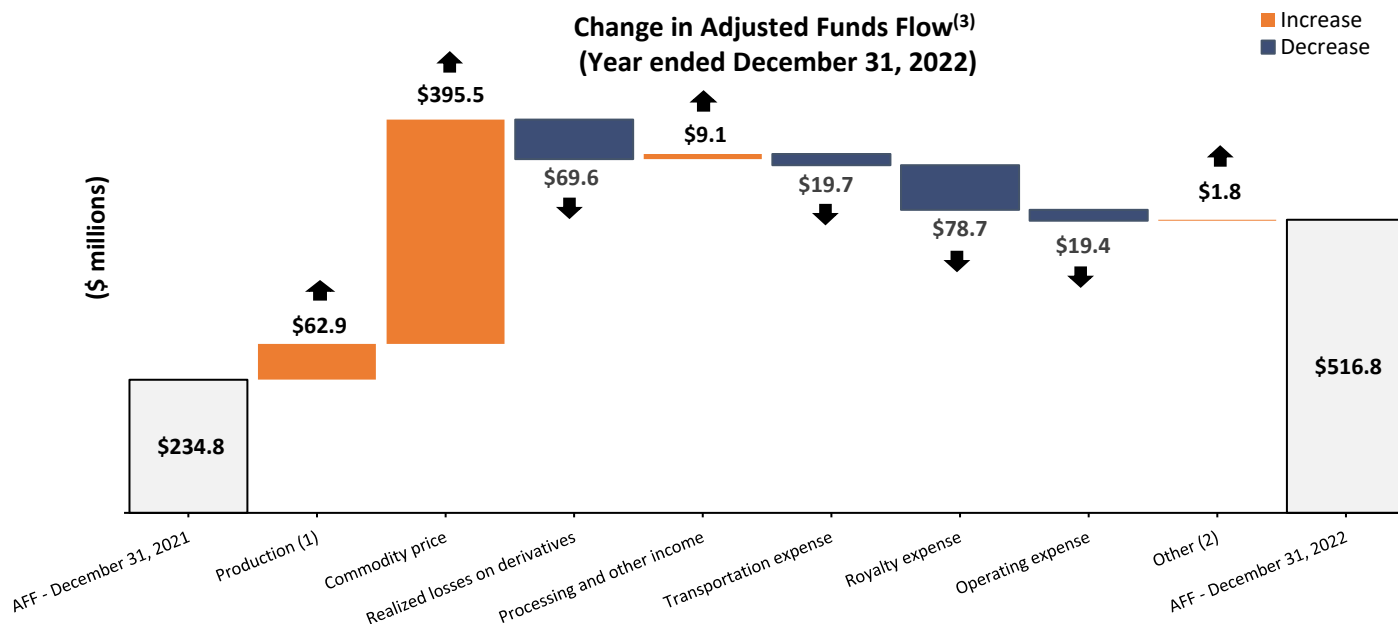
	Three months ended			Year ended		
	December 31 2022	2021	% Change	December 31 2022	2021	% Change
Net income and comprehensive income attributable to Advantage shareholders (\$000)	113,962	360,035	(68)	338,667	411,523	(18)
per share - basic	0.63	1.90	(67)	1.81	2.17	(16)
per share - diluted	0.61	1.81	(66)	1.75	2.07	(16)

Advantage recognized net income attributable to Advantage shareholders of \$114.0 million and \$338.7 million for the three months and year ended December 31, 2022, respectively. For the year ended December 31, 2022, net income and comprehensive income attributable to Advantage shareholders was lower when compared to 2021 due to the non-cash impairment recovery of \$340.7 million offset by a deferred tax expense of \$121.1 million, recognized in the fourth quarter of 2021. This is significantly offset by the much higher operating netback in 2022 driven by higher realized pricing (see "Operating Netback").

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

(\$000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Cash provided by operating activities	112,558	67,464	502,378	223,152
Expenditures on decommissioning liability	1,144	253	2,215	1,033
Changes in non-cash working capital	10,503	3,510	12,197	10,639
Adjusted funds flow ⁽¹⁾	124,205	71,227	516,790	234,824
Adjusted funds flow per boe ⁽¹⁾	24.29	16.15	25.39	13.01
Adjusted funds flow per share ⁽¹⁾	0.69	0.37	2.76	1.24

⁽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, G&A expense, finance expense (excluding accretion of decommissioning liability and unsecured debentures) and foreign exchange gain.

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

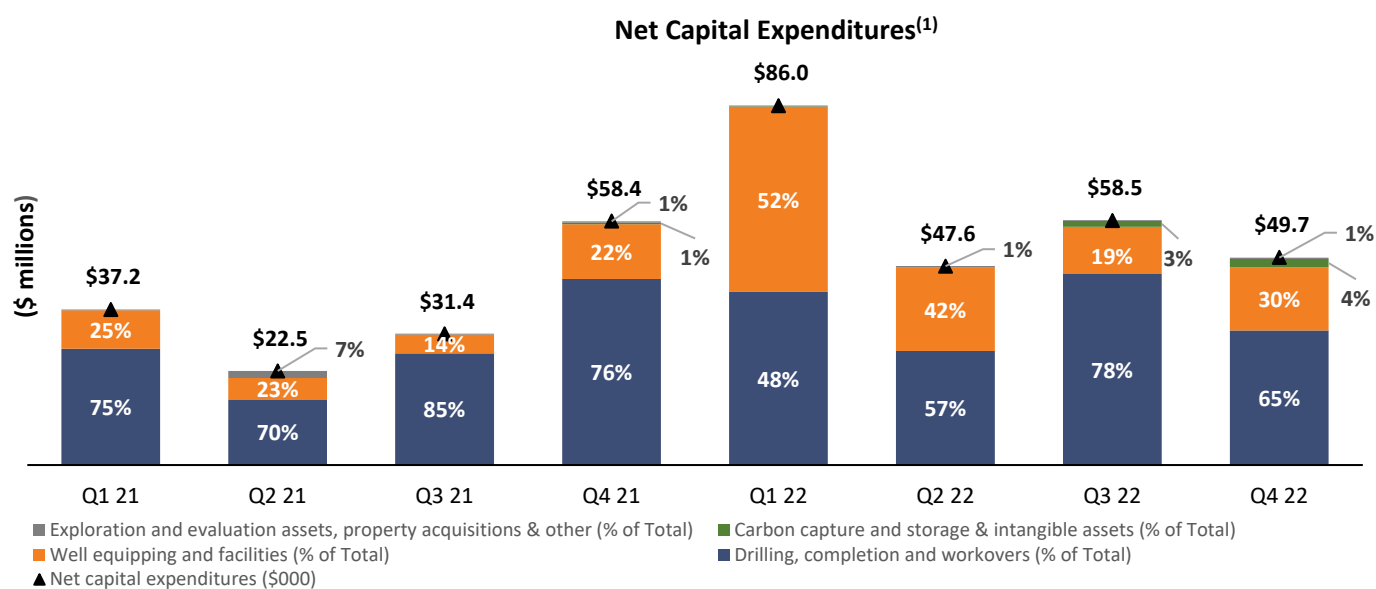
For the three months and year ended December 31, 2022, Advantage realized cash provided by operating activities of \$112.6 million and \$502.4 million, respectively, increases of \$45.1 million and \$279.2 million when compared to the same periods of 2021. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of \$124.2 million and \$516.8 million, increases of \$53.0 million and \$282.0 million when compared to the same periods of 2021. Adjusted funds flow of \$516.8 million for the year ended December 31, 2022 includes \$521.3 million attributable to Advantage and \$4.5 million of net expenses attributable to Entropy. The increase in cash provided by operating activities and adjusted funds flow for the three months and year ended December 31, 2022 was largely due to the increase in natural gas and liquids sales as a result of both significantly higher natural gas and crude oil benchmark prices and increased total production (see "Commodity Prices and Marketing" and "Production"). This increase was partially offset by higher realized losses on derivatives, and increased royalty expense (see "Financial Risk Management" and "Royalty Expense").

Cash Used in Investing Activities and Net Capital Expenditures

(\$000)	Three months ended December 31		Year ended December 31	
	2022	2021	2022	2021
Drilling, completion and workovers	32,178	44,509	146,539	114,697
Well equipping and facilities	15,143	13,132	90,555	31,912
Property, plant and equipment Entropy ⁽¹⁾	1,554	-	2,849	-
Property acquisitions	-	72	-	1,545
Other	342	22	827	81
Expenditures on property, plant and equipment	49,217	57,735	240,770	148,235
Expenditures on exploration and evaluation assets	-	323	-	677
Expenditures on intangible assets ⁽¹⁾	470	326	1,020	491
Net capital expenditures ⁽²⁾	49,687	58,384	241,790	149,403
Changes in non-cash working capital	19,373	(13,431)	27,800	(11,564)
Project funding received	-	(14)	(5)	(20,057)
Cash used in investing activities	69,060	44,939	269,585	117,782

(1) Cost incurred by the Corporation's subsidiary, Entropy.

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



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

Advantage and Entropy invested \$49.7 million and \$241.8 million on property, plant, and equipment, exploration and evaluation assets and intangible assets during the three months and year ended December 31, 2022.

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

The following table summarizes wells drilled, completed and on production for the year ended December 31, 2022:

(# of wells)	Year ended December 31, 2022		
	Drilled Gross (Net)	Completed Gross (Net)	On production Gross (Net)
Glacier	12 (12.0)	10 (10.0)	15 (13.0)
Valhalla	4 (4.0)	4 (4.0)	4 (4.0)
Wembley	6 (4.5)	9 (7.5)	9 (7.5)
Progress	2 (2.0)	-	-
	24 (22.5)	23 (21.5)	28 (24.5)

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, 5.0 gross (3.0 net) wells were brought on production. Drilling resumed during the second half of 2022 with 12 wells rig released and 10 wells completed. All 10 of these wells were placed on production later in the fourth quarter with production climbing and surpassing 2022 levels in January 2023. Production is expected to continue to grow into the second quarter of 2023 when raw gas capacity of the Glacier Gas Plant will be expanded to 425 MMcf/d and wells drilled during the first quarter of 2023 are brought on production.

During 2022, a total of 15 gross wells (13.0 net) were brought on production with exceptional well performance driving average peak IP30 rate of the wells to 12.4 MMcf/d raw natural gas, despite wells being choked back to minimize erosional risks and impacts on existing nearby wells.

Construction and commissioning of the Glacier Gas Plant Phase 1 CCS and waste heat recovery project designed to reduce emissions by 47,000 TPA of CO₂e, was completed as expected with "first carbon" injected into permanent geological storage during August. This milestone is an important step for Advantage and Entropy in developing modular CCS technology and continuing to lower corporate emissions to achieve the Corporation's net zero 2025 target. Under the Government of Canada's proposed refundable ITC for CCUS projects, the Corporation expects it is entitled to recover approximately \$15 million to \$20 million of its incurred net capital expenditures. As the ITC has yet to receive royal ascent in the House of Commons, the Corporation is unable to recognize this benefit as at December 31, 2022.

Valhalla

Advantage drilled 4.0 gross (4.0 net) wells at Valhalla during 2022. 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) 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.

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

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 group of wells in the second quarter 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, completed and placed on production later in the fourth quarter. 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 to further evaluate this multi-layer oil-weighted property. Following up on the success of 2022, seven additional wells are scheduled to be drilled during the first half of 2023 and will utilize existing capacity in our 100% owned Wembley compressor site and liquids handling hub.

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. Construction of Phase 2, which will add water handling and disposal is taking place in the first quarter of 2023 and will accommodate additional production from two wells drilled during the fourth quarter. These wells will be placed on production during the second quarter of 2023 following the commissioning of the expanded site.

Entropy

Entropy incurred \$3.9 million of net capital expenditures during the year ended December 31, 2022, including \$1.0 million related to the technology development and testing of Entropy's proprietary carbon capture solvents and processes (intangible assets), and \$2.9 million related to initial engineering and design work for the Athabasca Leismer CCS project, and optimization costs for the Glacier Gas Plant Phase 1 CCS project.

Commitments and Contractual Obligations

The Corporation has commitments and contractual obligations in the normal course of operations. Such 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 (crude oil, condensate and NGLs) production 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, \$238 million is required for delivery of natural gas and liquids production to Alberta markets, while Advantage has proactively committed to \$212 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	2023	2024	2025	2026	2027	Beyond
Building operating cost ⁽¹⁾	1.9	0.4	0.4	0.4	0.4	0.3	-
Processing	53.7	7.9	10.0	9.5	7.0	7.0	12.3
Transportation	450.0	74.5	74.5	72.3	60.1	48.2	120.4
Total commitments	505.6	82.8	84.9	82.2	67.5	55.5	132.7
Performance Awards	13.6	6.0	5.9	1.7	-	-	-
Lease liability	2.3	0.5	0.5	0.5	0.4	0.3	0.1
Financing liability	158.8	12.7	12.7	12.7	12.7	12.7	95.3
Bank indebtedness ⁽²⁾							
- principal	180.0	-	180.0	-	-	-	-
- interest	20.3	13.5	6.8	-	-	-	-
Unsecured debentures ⁽³⁾	25.0	-	-	-	-	-	25.0
Total contractual obligations	400.0	32.7	205.9	14.9	13.1	13.0	120.4
Total future payments	905.6	115.5	290.8	97.1	80.6	68.5	253.1

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

⁽²⁾ As at December 31, 2022 the Corporation's bank indebtedness was governed by a credit facility agreement with 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 and semi-annually on or before November. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time. 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. Management fully expects that the facilities will be extended at each annual review.

⁽³⁾ The unsecured debentures are a liability of Entropy and are non-recourse to Advantage. The principal balance of unsecured debenture 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)	Year ended December 31, 2022	Year ended December 31, 2021
Bank indebtedness (non-current)	177,200	167,345
Unsecured debentures	15,700	-
Working capital surplus ⁽¹⁾	(71,564)	(6,865)
Net debt ⁽¹⁾	121,336	160,480
Shares outstanding	171,652,768	190,828,976
Shares closing market price (\$/share)	9.47	7.41
Market capitalization	1,625,552	1,414,043
Total capitalization	1,746,888	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 December 31, 2022, Advantage had a \$350 million Credit Facility of which \$157.8 million or 45% was available after deducting letters of credit of US\$9 million outstanding (see "Bank Indebtedness and Credit Facilities"). The Corporation's adjusted funds flow was utilized to fund our capital expenditure program of \$241.8 million and repurchase and cancel 22.2 million common shares for \$241.0 million (see "Corporate Update – Share Buyback Program"). The Corporation had net debt of \$121.3 million as at December 31, 2022, below our net debt target of \$200 million, with a net debt to adjusted funds flow ratio of 0.2 times. Advantage continues to be focused on preserving a strong balance sheet, maintaining a disciplined commodity risk management program, and successfully executing its multi-year development plan. Advantage intends to allocate all free cash flow in 2023 towards the Corporation's share buyback program, while maintaining our net debt target of \$200 million.

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, 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 and Credit Facilities

As at December 31, 2022, Advantage had bank indebtedness outstanding of \$177.2 million, an increase of \$9.9 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 Alberta Energy Regulator ("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 December 31, 2022 (December 31, 2021 - US\$9 million). Subsequent to December 31, 2022 the Corporation issued additional letters of credit of \$2.8 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 December 31, 2022 and December 31, 2021.

Advantage had a working capital surplus of \$71.6 million as at December 31, 2022, an increase in the surplus of \$64.7 million compared to December 31, 2021 due to increased receivables from higher commodity prices and differences in the timing of capital expenditures and related payments. 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, who provided a capital commitment of \$300 million. Entropy will issue unsecured debentures to fund CCS projects that reach final investment decision as certain predetermined return thresholds are met. Under the terms of the unsecured debentures, Entropy and the respective investor have options that provide for the unsecured debentures to be exchanged for Entropy 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 to Entropy for Entropy common shares at any time while Entropy may commence a mandatory exchange of unsecured debentures for Entropy common shares in advance of an initial public offering. The unsecured debentures have a term of 10 years, if not exchanged prior thereto, which are to be repaid at the end of the term in an amount equal to or 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 year ended December 31, 2022, Entropy incurred interest of \$1.5 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 are treated as a financing transaction with an effective interest rate of 9.1%. During the third quarter of 2022, as part of the planned capital expansion of the Glacier Gas Plant, the working interest partner participated and provided \$5.0 million in additional financing, with the volume commitment fee being revised to \$0.696/Mcf for the remainder of the term. For the year ended December 31, 2022, the Corporation made cash payments of \$12.3 million (December 31, 2020 - \$12.0 million) under the take-or-pay volume commitment agreement.

As at December 31, 2022, Advantage had a decommissioning liability of \$41.9 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 \$62.8 million (December 31, 2021 – \$57.6 million), with 69% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the year ended December 31, 2022 was \$2.2 million (December 31, 2021 – \$1.0 million). Advantage continues to maintain an industry leading LMR of 28.4, demonstrating that the Corporation has no issues addressing its abandonment, remediation, and reclamation obligations.

Non-controlling interest ("NCI")

At December 31, 2020, Advantage owned 100% of Entropy, a private corporation engaged in commercializing energy-transition technologies.

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 recognition of an intangible asset of \$2.5 million.

For the year ended December 31, 2022, the net loss and comprehensive loss attributed to non-controlling interest was \$0.9 million (December 31, 2021 - \$0.2 million).

Shareholders' Equity

On April 7, 2022, the TSX approved the Corporation commencing a NCIB. Pursuant to the NCIB, Advantage was permitted to purchase for cancellation, from time-to-time, as it considered advisable, up to a maximum of 18,704,019 common shares of the Corporation. The NCIB commenced on April 13, 2022 and is scheduled to 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 were made on the open market through the facilities of the TSX or alternative trading systems. The price that Advantage paid for its common shares under the NCIB was the prevailing market price on the TSX at the time of such purchase. All common shares acquired under the NCIB were cancelled. For the year ended December 31, 2022, the Corporation purchased 13.3 million common shares for cancellation at an average price of \$10.52 per common share for a total of \$140.1 million under the NCIB. As at February 23, 2023, having purchased and cancelled the maximum number of common shares that could be purchased under the Corporation's current NCIB, Advantage concluded its NCIB.

On November 10, 2022, the Corporation commenced a SIB pursuant to which it offered to purchase for cancellation up to \$100 million of its common shares through a modified Dutch auction. The SIB was completed on December 20, 2022, with the Corporation taking up 8,928,571 common shares at a price of \$11.20 per common share, representing an aggregate purchase of \$100 million and 4.9% of the total number of Advantage's issued and outstanding common shares as at the time the SIB was commenced. The Corporation incurred \$0.9 million in transaction costs in connection with the SIB which were included in the cost of acquiring the common shares.

As at December 31, 2022, a total of 4.0 million Performance Share Units were outstanding under the Restricted and Performance Award Incentive Plan, which represents 2.3% of Advantage's total outstanding common shares. During April 2022, 1,585,888 Performance Share Units matured and, subject to a performance payout multiplier, were settled with the issuance of 3,056,992 common shares.

As at February 23, 2023, Advantage had 166.3 million common shares outstanding.

Annual Financial Information

The following is a summary of select financial information of the Corporation for the years indicated.

	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020
Total revenues (\$000)	803,901	458,927	236,156
Net income (loss) attributable to Advantage shareholders (\$000)	338,667	411,523	(284,045)
Per share - basic	1.81	2.17	(1.51)
Per share - diluted	1.75	2.07	(1.51)
Total assets (\$000)	2,216,958	1,994,990	1,533,709
Total non-current liabilities (\$000)	544,478	444,258	436,531

Quarterly Performance

	2022				2021			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(\$000, except as otherwise indicated)								
Financial Statement Highlights								
Natural gas and liquids sales	223,200	235,392	314,297	177,569	159,255	134,354	99,053	99,373
Net income (loss) and comprehensive income (loss)	113,463	40,568	164,234	19,496	359,956	43,098	8,725	(425)
per basic share ⁽²⁾	0.63	0.22	0.86	0.10	1.90	0.23	0.04	0.00
Basic weighted average shares (000)	180,248	186,717	190,415	190,829	190,829	190,829	190,501	188,113
Cash provided by operating activities	112,558	123,224	157,439	109,157	67,464	46,988	57,134	51,566
Cash provided by (used in) financing activities	(49,718)	(71,048)	(37,556)	(50,769)	(27,423)	(26,960)	(21,480)	(7,548)
Cash used in investing activities	(69,060)	(42,822)	(80,720)	(76,983)	(44,939)	(36,940)	(20,834)	(15,069)
Other Financial Highlights								
Adjusted funds flow ⁽¹⁾	124,205	96,651	187,056	108,878	71,227	63,353	46,266	53,978
per boe ⁽¹⁾	24.29	19.39	34.05	22.85	16.15	13.77	10.17	12.04
per basic share ⁽¹⁾⁽²⁾	0.69	0.52	0.98	0.57	0.37	0.33	0.24	0.29
Net capital expenditures ⁽¹⁾	46,838	58,519	47,570	86,014	58,384	31,352	22,482	37,185
Free cash flow ⁽¹⁾	77,367	38,132	139,486	22,864	12,843	32,001	23,784	16,793
Working capital surplus (deficit) ⁽¹⁾	71,564	46,960	77,858	(19,115)	6,865	29,914	27,595	27,516
Bank indebtedness	177,200	113,804	106,776	117,558	167,345	193,828	219,856	240,428
Net debt ⁽¹⁾	121,336	82,432	44,301	136,673	160,480	163,914	192,261	212,912
Operating Highlights								
Production								
Crude oil (bbls/d)	1,854	2,168	2,858	997	816	1,038	1,163	1,395
Condensate (bbls/d)	1,092	1,049	1,128	1,057	1,012	1,002	637	721
NGLs (bbls/d)	2,680	3,230	3,392	2,854	2,524	2,684	2,490	2,493
Total liquids production (bbls/d)	5,626	6,447	7,378	4,908	4,352	4,724	4,290	4,609
Natural gas (mcf/d)	299,684	286,328	317,976	288,226	261,530	271,804	274,328	271,262
Total production (boe/d)	55,573	54,168	60,374	52,946	47,940	50,025	50,011	49,819
Average prices (including realized derivatives)								
Natural gas (\$/mcf)	5.65	4.61	6.75	5.04	4.17	3.48	2.81	3.07
Liquids (\$/bbl)	86.39	87.89	107.83	82.48	50.92	49.68	47.21	48.11
Operating Netback (\$/boe)								
Natural gas and liquids sales	43.66	47.23	57.21	37.26	36.11	29.19	21.76	22.16
Realized losses on derivatives	(4.76)	(12.58)	(8.50)	(2.19)	(8.41)	(5.21)	(2.12)	(0.87)
Processing and other income	0.60	0.46	0.41	0.30	-	-	-	-
Net sales of purchased natural gas	-	-	-	0.01	-	-	-	-
Royalty expense	(5.31)	(5.80)	(6.17)	(3.42)	(2.02)	(1.75)	(1.20)	(1.13)
Operating expense	(3.39)	(3.72)	(2.75)	(2.79)	(2.92)	(2.38)	(2.21)	(2.45)
Transportation expense	(4.43)	(4.48)	(4.44)	(4.36)	(4.48)	(3.86)	(3.72)	(3.57)
Operating netback ⁽¹⁾	26.37	21.11	35.76	24.81	18.28	15.99	12.51	14.14

⁽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 fourth quarter of 2022 and for the preceding seven quarters. Production was steady in 2021 before decreasing in the fourth quarter 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 increased significantly in the first quarter of 2022 through the fourth quarter of 2022 due to increased production accompanied with strong natural gas and liquids benchmark prices. Natural gas and liquids sales were highest in the second quarter of 2022 due to an exceptionally strong pricing and production environment. 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, cash provided by operating activities, and free cash flow in 2022.

Climate change-related risk and opportunities

Advantage is committed to positive action on emissions reduction. Advantage's expects Scope 1 and 2 emissions to be reduced by approximately 20% with the completion of the Glacier Gas Plant Phase 1 CCS project. Advantage expects a further 40% reduction once Phase 2 is complete. Advantage intends to achieve "net zero" Scope 1 and 2 emissions as early as 2025. In order to accomplish this, Advantage's subsidiary Entropy Inc. is pursuing a carbon capture and storage business plan that will result in negative carbon emissions in excess of Advantage's emissions, assuming that Advantage retains a significant ownership of Entropy. For further information on the Corporation's sustainability results and targets, please view our sustainability reports and information available on the Corporation's website: <https://www.advantageog.com/sustainability>.

Glacier Gas Plant CCS Project

Advantage has multiple capital projects planned at the Glacier Gas Plant to be constructed through its subsidiary Entropy, that once completed, will lead to the Corporation progressing with its greenhouse gas ("GHG") reduction targets. Commissioning of Phase 1 (47,000 TPA CO₂e) was completed in the third quarter of 2022 with "first carbon" injected into permanent geological storage during August (see "Net Capital Expenditures"). Analysis of final project capital for Glacier CCS Phase 1 indicates that future projects are on-track to achieve a capital cost of \$475/tonne/annum (capture only, including inflation) for high-quality mid-sized projects, and lower for large projects.

Entropy is preparing to install its patent-pending Integrated Carbon Capture and Storage™ ("iCCS™") equipment at Glacier (Phase 1b), that is expected to be completed in 2023. Phase 1b is designed to capture and store an additional 16,000 TPA CO₂e and will be the first deployment of Entropy's iCCS™ product, whereby a new 5,000 horsepower gas compressor package will come directly from the fabricator with Entropy's built-in carbon capture process equipment, reducing energy intensity and total installed cost significantly below the cost of a retrofit installation.

Phase 2 is expected to begin construction in 2024 and will reduce the Corporation's emissions by 136,000 TPA CO₂e. Upon completion of Phase 2, Advantage will have achieved a new class of low emissions energy which the Corporation plans to market as "blue natural gas".

Climate change-related risk and opportunities (continued)

Carbon Emissions Reporting and Taxes

All of Advantage's production is in Alberta and governed by legislation regulating carbon emissions targets, reporting and taxes. Facilities that exceed 100,000 tonnes of GHG emissions annually are subject to various emission regulations under the Technology Innovation and Emissions Reduction Regulation ("TIER") for large industrial emitters. The Glacier Gas Plant has been subject to TIER or predecessor regulations since 2015. Due to our Glacier Gas Plant's emission efficiency relative to other Alberta plants and including its carbon capture and sequestration program, we have generated carbon credits every year through 2020 and have incurred minimal payment obligations.

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). 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 fair value of unsecured debentures, judgments are required related to the choice of a pricing model, the estimation of share price, volatility, the interest rates, and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Corporation's future operating results.

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

There have been no changes in accounting policies during the year ended December 31, 2022.

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 year ended December 31, 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, has evaluated the effectiveness of the Corporation's DC&P as at December 31, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the DC&P are effective as of the end of the year, in all material respects.

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, has evaluated the effectiveness of the Corporation's ICFR as at December 31, 2022. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the ICFR are effective as of the end of the year, in all material respects.

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 quarter ended December 31, 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		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Cash provided by operating activities	112,558	67,464	502,378	223,152
Expenditures on decommissioning liability	1,144	253	2,215	1,033
Changes in non-cash working capital	10,503	3,510	12,197	10,639
Adjusted funds flow	124,205	71,227	516,790	234,824

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		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Cash used in investing activities	69,060	44,939	269,585	117,782
Changes in non-cash working capital	(19,373)	13,431	(27,800)	11,564
Project funding received	-	14	5	20,057
Net capital expenditures	49,687	58,384	241,790	149,403

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		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Cash provided by operating activities	112,558	67,464	502,378	223,152
Cash used in investing activities	(69,060)	(44,939)	(269,585)	(117,782)
Changes in non-cash working capital	29,876	(9,921)	39,997	(925)
Expenditures on decommissioning liability	1,144	253	2,215	1,033
Project funding received	-	(14)	(5)	(20,057)
Free cash flow	74,518	12,843	275,000	85,421

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		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Natural gas and liquids sales	223,200	159,255	950,458	492,035
Realized losses on derivatives	(24,344)	(37,088)	(144,134)	(74,578)
Processing and other income	3,091	-	9,082	-
Net sales of purchased natural gas	-	-	70	-
Royalty expense	(27,154)	(8,928)	(106,257)	(27,530)
Operating expense	(17,344)	(12,870)	(64,269)	(44,893)
Transportation expense	(22,637)	(19,768)	(90,093)	(70,440)
Operating netback	134,812	80,601	554,857	274,594

Specified Financial Measures (continued)

Non-GAAP Ratios (continued)

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		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Adjusted funds flow	124,205	71,227	516,790	234,824
Weighted average shares outstanding (000)	180,248	190,829	187,022	190,077
Adjusted funds flow per share (\$/share)	0.69	0.37	2.76	1.24

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		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Adjusted funds flow	124,205	71,227	516,790	234,824
Total production (boe/d)	55,573	47,940	55,769	49,445
Days in period	92	92	365	365
Total production (boe)	5,112,716	4,410,480	20,355,685	18,047,425
Adjusted funds flow per BOE (\$/boe)	24.29	16.15	25.39	13.01

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		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Operating netback	134,812	80,601	554,857	274,594
Total production (boe/d)	55,573	47,940	55,769	49,445
Days in period	92	92	365	365
Total production (boe)	5,112,716	4,410,480	20,355,685	18,047,425
Operating netback per BOE (\$/boe)	26.37	18.28	27.25	15.21

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 December 31		Year ended December 31	
	2022	2021	2022	2021
Net capital expenditures	49,687	58,384	241,790	149,403
Adjusted funds flow	124,205	71,227	516,790	234,824
Payout ratio	0.4	0.8	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 bank indebtedness if it devoted all its adjusted funds flow to debt repayment.

(\$000, except as otherwise indicated)	Year ended December 31	
	2022	2021
Net Debt	121,336	160,480
Adjusted funds flow (prior four quarters)	516,790	234,824
Net debt to adjusted funds flow ratio	0.2	0.7

Capital Management Measures

Working capital

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

A summary of working capital as at December 31, 2022 and December 31, 2021 is as follows:

	December 31 2022	December 31 2021
Cash and cash equivalents	48,940	25,238
Trade and other receivables	92,816	54,769
Prepaid expenses and deposits	14,613	3,483
Trade and other accrued liabilities	(84,805)	(76,625)
Working capital surplus	71,564	6,865

Specified Financial Measures (continued)

Capital Management 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.

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

	December 31 2022	December 31 2021
Bank indebtedness (non-current)	177,200	167,345
Unsecured debentures	15,700	-
Working capital surplus	(71,564)	(6,865)
Net debt	121,336	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)

Supplementary 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:

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

Capital Efficiency

Capital efficiency is calculated by dividing net capital expenditures by the average production additions of the applicable year to replace the corporate decline rate and deliver production growth, expressed in \$/boe/d. Net capital expenditures used in the calculation excludes expenditures related to carbon capture and storage assets which Entropy has agreed to acquire (\$19.0 million), and Entropy capital spending as these expenditures are not related to production additions. Capital efficiency is considered by Management to be a useful performance measure as a common metric used to evaluate the efficiency with which capital activity is allocated to achieve production additions.

Finding, Development and Acquisition Costs ("FD&A")

FD&A cost is calculated based on adding net capital expenditures and the net change in future development capital ("FDC"), divided by reserve additions for the year from the Sproule 2022 and 2021 Reserves Report.

Payout

The point at which all costs associated with a well are recovered from the operating netback of the well. Payout is considered by management to be a useful performance measure as a common metric used to evaluate capital allocation decisions.

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.

Oil and Gas information

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.

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.

Production estimates contained herein are expressed as anticipated average production over the calendar year. In determining anticipated production for the year 2023 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2023 expected drilling and completion activities.

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 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

Abbreviations

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

bbbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 Mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
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 NI 51-101
"NGLs" & "condensate"	- Natural Gas Liquids as defined in NI 51-101
Natural gas	- Conventional Natural Gas as defined in NI 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
TPA	- tonnes per annum
nm	- not meaningful information

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 focus of the Corporation's 2023 capital program; the Corporation's 2023 capital guidance including its anticipated cash used in investing activities, total average production, liquids production (% of total average production), royalty rate, operating expense, transportation expense and G&A/finance expense; the incurred net capital expenditures that the Corporation estimates that it will recover under the ITC for CCUS projects on the Glacier Gas Plant Phase 1 CCS project; the Corporation's expectations that it will apply to renew its NCIB in April 2023; the anticipated benefits to be derived from Entropy's strategic investment agreement with Brookfield; Entropy's focus on commercial growth in the United States and Canada; the anticipated timing of the procurement and construction of Entropy's near-term projects and their anticipated capture rates; Entropy's expectations that its mid-term and long-term projects remain well in excess of 10 mmtpa; the Corporation's 2023 production guidance; that Advantage will continue to invest in additional transportation commitments and the anticipated benefits to be derived therefrom; the anticipated timing of when the CPV Three Rivers plant will be commissioned and the average capacity that Advantage expects to deliver in connection therewith; the Corporation's forecasted 2023 natural gas market exposure including the anticipated effective production rate; the Corporation's commodity risk management program and financial risk management program and the anticipated benefits to be derived therefrom; 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; that royalties paid on new wells drilled in Alberta are typically low until the initial capital investment is recovered; the Corporation's anticipated 2023 annual operating expense per boe and transportation expense per boe; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2025; the Corporation's expectations that the raw gas capacity of the Glacier Gas Plant will be expanded and that wells drilled in the first quarter of 2023 will be brought onto production and the anticipated benefits to be derived therefrom; the anticipated capture rate of the Glacier Gas Plant Phase 1 CCS and waste heat recovery project; that Entropy's modular technology will lower corporate emissions; the Corporation's expectations that it will achieve "net zero" Scope 1 and 2 emissions by 2025; the Corporation's expectations that its Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan; that the Corporation's Wembley asset will provide sufficient gas processing capacity for future growth; the number of wells that the Corporation expects to be drilled at Wembley in the first half of 2023; the anticipated timing of the construction of the Corporation's Progress compressor site and liquids handling hub and the anticipated benefits to be derived therefrom; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; Advantage's ability to actively manage its portfolio in conjunction with its future development plans and its ability to ensure that the Corporation is properly diversified into multiple markets; that the Corporation will allocate all free cash flow in 2023 towards the Corporation's share buyback program, while maintaining its net debt target of \$200 million; that the Corporation will monitor its capital structure and make adjustments according to market conditions; the Corporation's strategy for managing its capital structure, including 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 terms of the Corporation's Credit Facilities, including the timing of the next review of the Credit Facilities and the Corporation's expectations regarding the extension of the Credit Facilities at each annual review; 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 terms of Entropy's unsecured debentures; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the

Forward-Looking Information and Other Advisories (continued)

anticipated timing that such costs will be incurred; the Corporation's anticipated reductions in Scope 1 and 2 emissions and the anticipated timing thereof; Entropy's business plan and the anticipated benefits to be derived therefrom; Entropy's expectations that its future projects are on-track to achieve a capital cost of C\$475/tonne/annum (capture only, including inflation) for high-quality mid-sized projects, and lower for large projects; the anticipated timing of Glacier Phase 1b and the anticipated results to be derived therefrom; the statements under "critical accounting estimates" in this MD&A; 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; delays in timing of facility installation; 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; performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information; the failure to extend the credit facilities at each annual review; competition from other producers; the risk that the Corporation may not apply to renew its NCIB when anticipated, or at all; the risk that the Corporation may not have sufficient financial resources to acquire its common shares pursuant to an NCIB in the future; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; that Advantage will not be able to achieve "net zero" emissions by 2025; that Entropy's existing planned capital projects may not result in completed CCS projects; the price of and market for carbon credits and offsets; current and future carbon prices and royalty regimes; the risk that Entropy's strategic investment agreement with Brookfield may not lead to the results anticipated; the risk that the procurement and construction of Entropy's near-term projects may not occur when anticipated, or at all; the risk that the CPV Three Rivers plant may not be commissioned when anticipated, or at all; the risk that the Corporation's commodity risk management program and financial risk management program may not achieve the results anticipated; the risk that the Corporation's annual operating expense per boe and transportation expense per boe may be greater than anticipated; the risk that the Corporation may be subject to cash taxes prior to calendar 2025; the risk that the raw gas capacity of the Glacier Gas Plant may not be expanded and that the wells drilled in the first quarter of 2023 may not be brought onto production when anticipated, or at all; the risk that Entropy's modular technology may not lower corporate emissions and that the Corporation may not achieve "net zero" Scope 1 and 2 emissions when anticipated, or at all; the risk that the Corporation's Valhalla asset may not play a pivotal role in the Corporation's liquids-rich gas development plan; the risk that the Corporation's Wembley asset may not provide sufficient gas processing capacity for future growth; the risk that the Corporation may drill less wells at Wembley in the first half of 2023 than anticipated; the risk that the construction of the Corporation's Progress compressor site

Forward-Looking Information and Other Advisories (continued)

and liquids handling hub may not be completed when anticipated, or at all; the risk that Advantage may not actively manage its portfolio in conjunction with its future development plans or ensure that the Corporation is properly diversified into multiple markets; the risk that the Corporation may not allocate all of its free cash flow in 2023 towards the Corporation's share buyback program or maintain its net debt target of \$200 million; the risk that the Corporation may not satisfy all of its liabilities and commitments and meet its 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 anticipated; the risk that Entropy's future projects may have a greater capital cost than anticipated; 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.

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 Entropy's planned capital projects will lead to completed CCS projects; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop its 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 Corporation will have sufficient financial resources to purchase its shares under NCIBs in the future; 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.

The future acquisition by the Corporation of the Corporation's common shares pursuant to its share buyback program (including through an NCIB or an SIB), if any, and the level thereof is uncertain. Any decision to acquire common shares of the Corporation pursuant to the share buyback program will be subject to the discretion of the board of directors of the Corporation and may depend on a variety of factors, including, without limitation, the Corporation's business performance, financial condition, financial requirements, growth plans, expected capital requirements and

Forward-Looking Information and Other Advisories (continued)

other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Corporation under applicable corporate law. There can be no assurance of the number of common shares of the Corporation that the Corporation will acquire pursuant to its share buyback program, if any, in the future.

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 2023 capital guidance including its anticipated cash used in investing activities, royalty rate, operating expense, transportation expense and G&A/finance expense; the incurred net capital expenditures that the Corporation estimates that it will recover under the ITC for CCUS projects on the Glacier Gas Plant Phase 1 CCS project; 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; the Corporation's anticipated 2023 annual operating expense per boe and transportation expense per boe; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2025; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; that the Corporation will allocate all free cash flow in 2023 towards the Corporation's share buyback program, while maintaining its net debt target of \$200 million; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; and Entropy's expectations that future projects are on-track to achieve a capital cost of C\$475/tonne/annum (capture only, including inflation) for high-quality mid-sized projects, and lower for large projects; 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.

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.

February 23, 2023