



CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

For the three months and years ended December 31, 2023 and 2022

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of March 4, 2024, 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, 2023, and should be read in conjunction with the December 31, 2023, audited consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

This MD&A contains specified financial measures such as non-GAAP financial measures, non-GAAP ratios, capital management measures and 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" sections found at the end of this MD&A.

Financial Highlights (\$000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Financial Statement Highlights				
Natural gas and liquids sales	147,137	223,200	541,100	950,458
Net income and comprehensive income ⁽³⁾ per basic share ⁽²⁾	41,026 0.25	113,962 0.63	101,597 0.61	338,667 1.81
Basic weighted average shares (000)	163,939	180,248	166,553	187,022
Cash provided by operating activities	89,048	112,558	323,345	502,378
Cash used in financing activities	(52,120)	(49,718)	(70,263)	(209,091)
Cash used in investing activities	(58,846)	(69,060)	(282,761)	(269,585)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾ per boe ⁽¹⁾ per basic share ⁽¹⁾⁽²⁾	82,494 13.11 0.50	124,205 24.29 0.69	313,570 14.16 1.88	516,790 25.39 2.76
Net capital expenditures ⁽¹⁾	39,938	49,687	282,796	241,790
Free cash flow ⁽¹⁾	42,556	74,518	30,774	275,000
Working capital surplus ⁽¹⁾	18,651	71,564	18,651	71,564
Bank indebtedness	212,854	177,200	212,854	177,200
Net debt ⁽¹⁾	222,022	121,336	222,022	121,336

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

⁽²⁾ Based on basic weighted average shares outstanding.

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

Operating Highlights

	Three months ended		Year ended	
	December 31		December 31	
	2023	2022	2023	2022
Operating				
Production				
Crude oil (bbls/d)	3,254	1,854	2,710	1,972
Condensate (bbls/d)	1,264	1,092	1,166	1,082
NGLs (bbls/d)	3,345	2,680	3,021	3,039
Total liquids production (bbls/d)	7,863	5,626	6,897	6,093
Natural gas (Mcf/d)	363,124	299,684	322,687	298,053
Total production (boe/d)	68,384	55,573	60,678	55,769
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	2.84	5.65	3.24	5.55
Liquids (\$/bbl)	81.55	86.39	78.35	92.48
Operating Netback (\$/boe)				
Natural gas and liquids sales	23.39	43.66	24.43	46.69
Realized gains (losses) on derivatives	0.98	(4.76)	1.59	(7.08)
Processing and other income	0.39	0.60	0.34	0.45
Net sales of purchased natural gas	-	-	(0.01)	-
Royalty expense	(1.64)	(5.31)	(1.92)	(5.22)
Operating expense	(3.61)	(3.39)	(3.81)	(3.16)
Transportation expense	(4.08)	(4.43)	(4.09)	(4.43)
Operating netback ⁽¹⁾	15.43	26.37	16.53	27.25

⁽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

2024 Guidance

On November 30, 2023, the Corporation announced its 2024 budget (see News Release dated November 30, 2023).

Advantage's 2024 capital program continues our focus on growing adjusted funds flow per share via disciplined capital allocation between high rate-of-return development drilling and our share buyback program. To maximize shareholder value, Advantage remains focused on growing adjusted funds flow per share, while maintaining a net debt target of between \$200 million and \$250 million.

Thanks in part to exceptional well results, Advantage expects be able to deliver its 2024 program with reduced capital, which is anticipated to range from \$220 million to \$250 million.

The below table summarizes Advantage's 2024 guidance:

Forward Looking Information⁽¹⁾	Original Guidance⁽³⁾	Revised Guidance⁽³⁾
Cash Used in Investing Activities ⁽²⁾ (\$ millions)	260 to 290	220 to 250
Total Average Production (boe/d)	65,000 to 68,000	-
Liquids Production (% of total average production)	~10%	-
Royalty Rate (%)	7 to 9	-
Operating Expense (\$/boe)	3.85	-
Transportation Expense (\$/boe)	3.95	-
G&A/Finance Expense (\$/boe)	1.90	-
Net debt (\$ millions)	200 to 250	-

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

2023 Guidance Comparison

The below table summarizes Advantage's 2023 guidance compared to actual 2023 financial and operational results:

	Original 2023 Guidance⁽¹⁾⁽⁴⁾	Q2 2023 Revision⁽²⁾⁽⁴⁾	2023 Actual⁽⁴⁾
Net capital expenditures (\$ millions)	250 to 280	-	266.2
Total Average Production (boe/day)	59,000 to 62,500	-	60,678
Liquids Production (% of total average production)	~12%	-	11.4%
Royalty Rate (%)	9 to 12	7 to 9	7.8
Operating Expense (\$/boe)	3.25	3.65	3.78
Transportation Expense (\$/boe)	4.75	4.50	4.09
G&A/Finance Expense ⁽³⁾ (\$/boe)	1.40	2.00	2.04
Net debt (\$ millions)	170 to 230	-	195.9

Notes:

⁽¹⁾ See December 31, 2022 MD&A dated February 23, 2023.

⁽²⁾ See June 30, 2023 MD&A dated July 27, 2023.

⁽³⁾ Finance expense includes foreign exchange and excludes accretion of decommissioning liability.

⁽⁴⁾ Guidance and actual numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc.

Corporate Update (continued)

2023 Guidance Comparison (continued)

Net Capital Expenditures

Actual net capital expenditures for the year ended December 31, 2023 was within Advantage's guidance range including the Corporation's unbudgeted acquisition of 53 equivalent net sections in the Northeast British Columbia liquids rich Montney trend at Conroy. Excluding this acquisition, net capital expenditures was to the lower end of Advantage's 2023 guidance at \$256.0 million due to high capital efficiencies and stronger well results.

Production

As a result of strong operational execution, Advantage achieved annual total production within its 2023 guidance range. Advantage's liquids production was slightly below its guidance range at 11.4% of total production. The lower liquids production was due to third-party outages and unplanned downtime.

Royalty Rate

Given the decreased commodity price environment, the Corporation decreased its royalty rate guidance range in the second quarter of 2023 to between 7% and 9%. The Corporation's actual royalty rate was within its revised guidance range.

Operating Expense

As a result of increased third-party processing fees associated with higher volumes at Wembley, continued inflationary pressures, and higher maintenance costs at the Glacier Gas Plant, the Corporation increased its operating expense guidance in the second quarter of 2023 to \$3.65/boe, with actual operating expense per boe coming within 4% of such revised guidance.

Transportation Expense

As a result of lower transportation fuel costs and lower than expected transportation costs for liquids, the Corporation's actual transportation expense was below its 2023 guidance at \$4.09/boe.

G&A/Finance Expense

As a result of increases in interest rates throughout 2023, the Corporation increased its G&A/Finance expense guidance to \$2.00/boe. Advantage's G&A/Finance expense of \$2.04/boe was within 2% of our revised guidance.

Share Buyback Program

The Corporation has continued its share buyback program purchasing \$13.1 million shares in 2023 at an average price of \$8.96 per share. The Corporation plans to continue to dedicate 100% of free cash flow to the buyback program while current market conditions persist as part of its return of capital strategy.

Corporate Update (continued)

Entropy

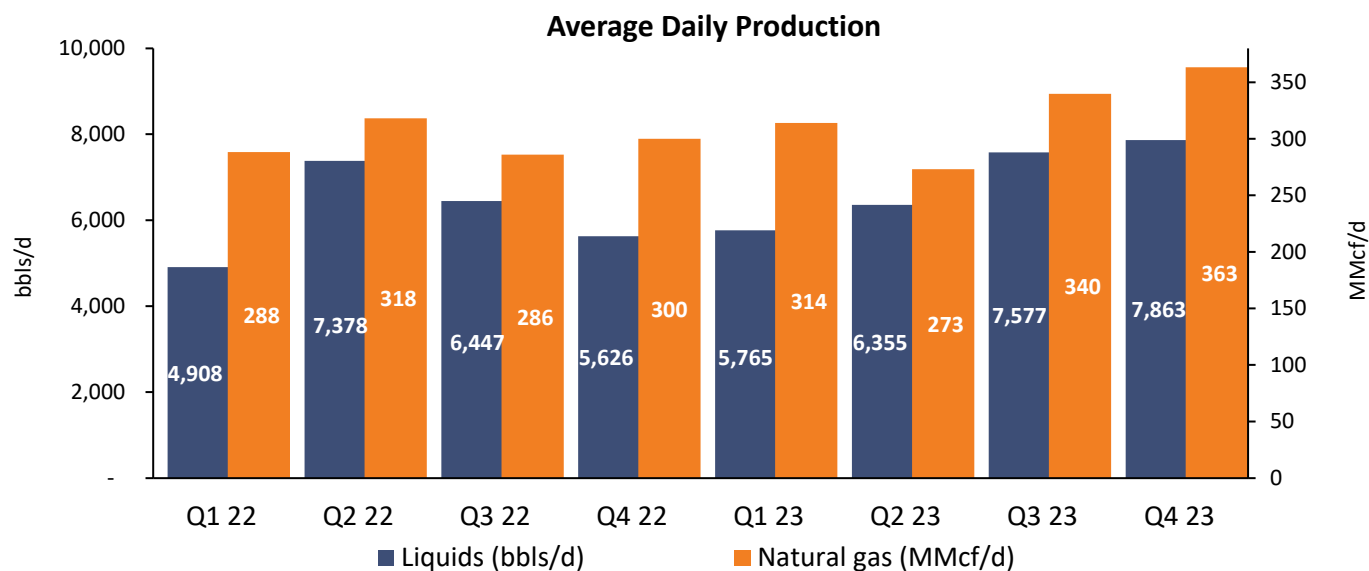
Entropy Inc. ("Entropy") is a private corporation founded by Advantage, engaged in providing carbon capture and storage ("CCS") solutions to emitters of carbon dioxide. While Advantage retains a majority ownership in Entropy, its governance and funding are independent of Advantage.

On December 20, 2023, Entropy announced a strategic investment agreement with Canada Growth Fund Inc. ("CGF"), whereby CGF has agreed to a \$200 million investment in Entropy coupled with a fixed-price carbon credit purchase agreement ("Carbon Credit Offtake Commitment" or "CCO") of up to one million tonnes per annum ("tpa") (see News Release dated December 20, 2023).

Under the terms of the CCO, CGF has committed to purchase up to 9 million tonnes (up to 600,000 tpa over a 15-year term, with the option of an additional 400,000 tpa at CGF's discretion) of TIER or equivalent carbon credits from Entropy projects. The initial project to benefit from the CCO is intended to be Advantage Glacier Phase 2, drawing up to 185,000 tpa at an initial price of \$86.50 per tonne, with annual escalation for a term of 15 years. The balance of the remaining CCO will be available for Entropy to underwrite third-party projects on terms that are expected to provide similar investment returns to Advantage Glacier Phase 2. Upon successful deployment of the initial 600,000 tpa of CCO, CGF may make available a further 400,000 tpa of CCOs for additional Entropy Canadian CCS projects.

Production

Average Daily Production	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Crude oil (bbls/d)	3,254	1,854	76	2,710	1,972	37
Condensate (bbls/d)	1,264	1,092	16	1,166	1,082	8
NGLs (bbls/d)	3,345	2,680	25	3,021	3,039	(1)
Total liquids production (bbls/d)	7,863	5,626	40	6,897	6,093	13
Natural gas (Mcf/d)	363,124	299,684	21	322,687	298,053	8
Total production (boe/d)	68,384	55,573	23	60,678	55,769	9
Liquids (% of total production)	11	10		11	11	
Natural gas (% of total production)	89	90		89	89	



For the three months and year ended December 31, 2023, Advantage recorded record total production averaging 68,384 boe/d and 60,678 boe/d, respectively, increases of 23% and 9% compared to the same periods of the prior year.

Natural gas production for the three months and year ended December 31, 2023 averaged 363 MMcf/d and 323 MMcf/d, respectively, increases of 21% and 8% compared to the same periods of the prior year. Advantage's natural gas production increased as a result of ongoing 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"). Throughout 2023 Advantage was able to successfully mitigate industry-wide interruptions from wildfires and severe temperatures, while managing "firm service" restrictions on TC Energy's NGTL system and completing the planned turnaround at the Glacier Gas Plant that took 17 days in May of 2023, achieving production within our 2023 production guidance range.

Liquids production for the three months and year ended December 31, 2023 averaged 7,863 bbls/d and 6,897 bbls/d, respectively, increases of 40% and 13% 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 2023 (see "Cash Used in Investing Activities and Net Capital Expenditures").

Advantage expects total annual production to increase to between 65,000 and 68,000 boe/d in 2024 based on the Corporation's planned 2024 capital program (see "Corporate Update").

Commodity Prices and Marketing

Average Realized Prices ⁽²⁾	Three months ended			Year ended		
	December 31 2023	December 31 2022	% Change	December 31 2023	December 31 2022	% Change
Natural gas						
Excluding derivatives (\$/Mcf)	2.64	6.49	(59)	2.92	6.82	(57)
Including derivatives (\$/Mcf)	2.84	5.65	(50)	3.24	5.55	(42)
Liquids						
Crude oil (\$/bbl)	97.89	99.70	(2)	94.35	113.84	(17)
Condensate (\$/bbl)	97.88	106.58	(8)	98.80	119.34	(17)
NGLs (\$/bbl)	59.49	67.05	(11)	56.10	71.26	(21)
Total liquids excluding derivatives (\$/bbl)	81.55	85.48	(5)	78.35	93.58	(16)
Total liquids including derivatives (\$/bbl)	81.55	86.39	(6)	78.35	92.48	(15)
Average Benchmark Prices						
Natural gas⁽¹⁾						
AECO daily (\$/Mcf)	2.30	5.10	(55)	2.64	5.24	(50)
AECO monthly (\$/Mcf)	2.66	5.68	(53)	2.93	5.57	(47)
Empress daily (\$/Mcf)	2.32	6.04	(62)	2.65	6.50	(59)
Henry Hub (\$US/MMbtu)	2.74	6.26	(56)	2.53	6.47	(61)
Emerson daily (\$US/MMbtu)	1.99	4.94	(60)	2.20	5.52	(60)
Dawn daily (\$US/MMbtu)	2.28	5.16	(56)	2.33	6.05	(61)
Chicago Citygate (\$US/MMbtu)	2.29	5.57	(59)	2.30	6.29	(63)
Ventura (\$US/MMbtu)	2.23	5.77	(61)	2.26	6.31	(64)
Liquids						
WTI (\$US/bbl)	78.26	82.63	(5)	77.57	94.23	(18)
MSW Edmonton (\$/bbl)	99.56	110.06	(10)	100.60	119.56	(16)
Average Exchange rate (\$US/\$CAD)	0.7346	0.7363	-	0.7409	0.7687	(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, 2023 was \$81.55/bbl and \$78.35/bbl, respectively, decreases of 5% and 16% compared to the same periods of the prior year. Realized crude oil, condensate and NGL prices excluding derivatives all decreased in 2023 when compared to 2022 largely due to increasing global supply and slowing demand growth. 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 73% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attracts higher market prices than other liquids.

Commodity Prices and Marketing (continued)

Natural gas

Advantage's realized natural gas price excluding derivatives for the three months and year ended December 31, 2023 was \$2.64/Mcf and \$2.92/Mcf, respectively, decreases of 59% and 57% compared to the same periods of the prior year. These decreases were attributed to lower natural gas benchmark prices in all markets where Advantage physically delivers natural gas and has market diversification exposure. North American natural gas benchmark prices have decreased from the extreme highs experienced in 2022 largely due to strong North American natural gas production accompanied by a mild 2023 winter resulting in gas inventories rising above historical averages.

Advantage's natural gas exposure consists of the AECO, Empress, Emerson, Dawn, Chicago and Ventura markets. Additionally, beginning in April 2023, the Corporation began deliveries of 25,000 MMBtu/d pursuant to a long-term natural gas supply agreement whereby Advantage receives a PJM electricity-based spark-spread price, less Alliance tolls. Advantage incurs additional transportation expense to deliver production beyond AECO to the Empress, Emerson and Dawn markets (see "Transportation Expense"). Our Chicago and Ventura contracts are netback arrangements where the Corporation incurs a fixed price differential with the net amount recorded to revenue.

The following table outlines the Corporation's 2024 forward-looking natural gas market exposure, and 2023 actual natural gas market exposure, excluding hedging.

Sales Markets	Forward-looking 2024 ⁽²⁾		2023	
	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)	Actual production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)
AECO	99.3	28%	88.3	27%
AECO Other ⁽⁴⁾	30.5	8%	28.7	9%
Empress	80.1	22%	71.0	22%
Emerson	43.1	12%	28.8	9%
Dawn	52.7	15%	51.5	16%
Chicago	15.9	4%	22.9	7%
Ventura	12.5	4%	13.8	4%
PJM electricity price ⁽⁵⁾	25.0	7%	17.7	6%
Total	359.1⁽³⁾	100%	322.7	100%

⁽¹⁾ All volumes contracted converted on the basis of 1 Mcf = 1.055056 GJ and 1 Mcf = 1 Mmbtu.

⁽²⁾ Natural gas market exposure based on contracts in-place at December 31, 2023.

⁽³⁾ Represents the midpoint of our 2024 guidance for natural gas production volumes (see News Release dated November 30, 2023).

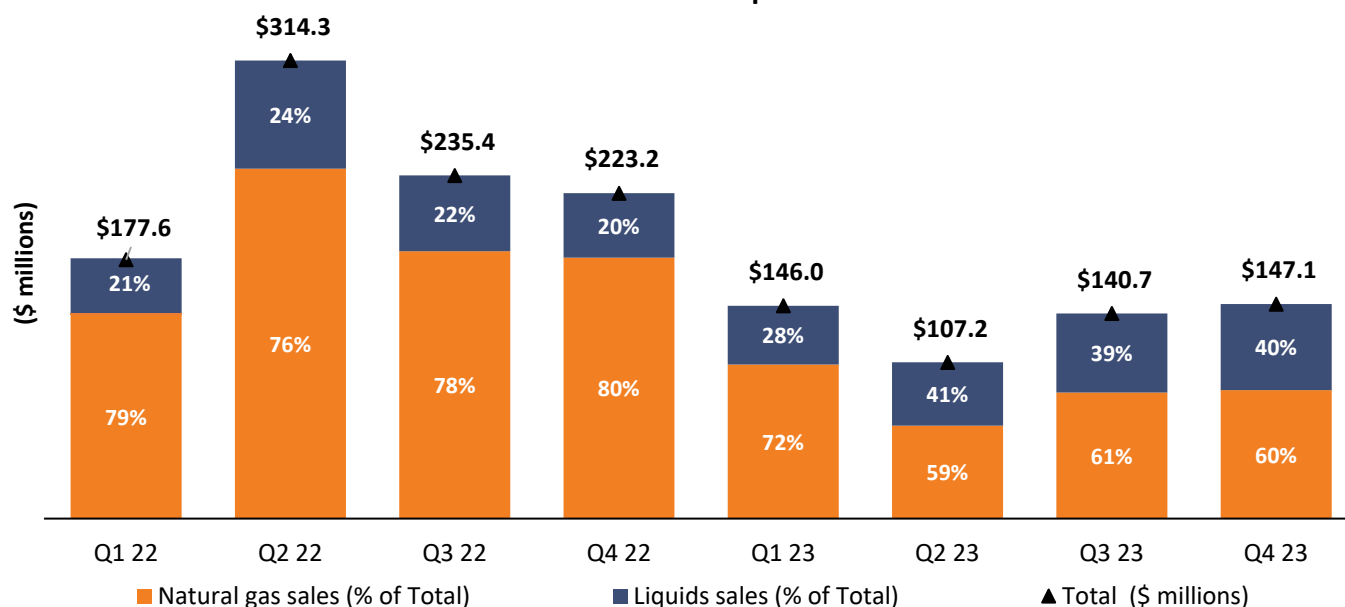
⁽⁴⁾ Transactions that are priced at AECO but may include either a premium or discount to AECO as negotiated with counterparties.

⁽⁵⁾ Sales are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity 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		%
	2023	2022	Change	2023	2022	Change
Crude oil	29,304	17,006	72	93,330	81,938	14
Condensate	11,382	10,707	6	42,047	47,129	(11)
NGLs	18,306	16,532	11	61,856	79,042	(22)
Liquids	58,992	44,245	33	197,233	208,109	(5)
Natural gas	88,145	178,955	(51)	343,867	742,349	(54)
Natural gas and liquids sales	147,137	223,200	(34)	541,100	950,458	(43)
per boe	23.39	43.66	(46)	24.43	46.69	(48)

Natural Gas and Liquids Sales



Natural gas and liquids sales for the three months and year ended December 31, 2023, decreased by \$76.1 million, or 34%, and \$409.4 million, or 43%, respectively, compared to the same corresponding periods of 2022.

For the year ended December 31, 2023, natural gas sales decreased by \$398.5 million or 54%, compared to 2022, due to a 57% decrease in realized gas prices (see "Commodity Prices and Marketing"), partially offset by an 8% increase in natural gas production volumes (see "Production"). Liquids sales decreased by \$10.9 million, or 5%, due to a 16% decrease in realized liquids prices (see "Commodity Prices and Marketing"), partially offset by a 13% increase in liquids production volumes (see "Production").

For the three months ended December 31, 2023, natural gas sales decreased by \$90.8 million or 51%, compared to the corresponding period in 2022, due to a 59% decrease in realized gas prices (see "Commodity Prices and Marketing"), partially offset by a 21% increase in natural gas production volumes (see "Production"). Fourth quarter liquids sales increased by \$14.7 million, or 33%, due to a 40% increase in liquids production volumes (see "Production"), partially offset by a 5% decrease in realized liquids prices (see "Commodity Prices and Marketing").

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, 2023, and 2022 are as follows:

(\$000)	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Realized gains (losses) on derivatives				
Natural gas	6,636	(23,114)	38,184	(138,871)
Crude oil	-	470	-	(2,430)
Foreign exchange	(27)	(1,700)	(2,033)	(2,729)
Interest rate	-	-	-	(104)
Natural gas embedded derivative	(469)	-	(908)	-
Total	6,140	(24,344)	35,243	(144,134)
Unrealized gains (losses) on derivatives				
Natural gas	17,264	69,436	6,233	29,647
Crude oil	-	(524)	-	(20)
Foreign exchange	682	2,329	3,090	(687)
Interest rate	-	-	-	136
Natural gas embedded derivative	12,777	(8,609)	(13,192)	42,176
Unsecured debenture derivative	365	(3,651)	(5,606)	(3,965)
Total	31,088	58,981	(9,475)	67,287
Gains (losses) on derivatives				
Natural gas	23,900	46,322	44,417	(109,224)
Crude oil	-	(54)	-	(2,450)
Foreign exchange	655	629	1,057	(3,416)
Interest rate	-	-	-	32
Natural gas embedded derivative	12,308	(8,609)	(14,100)	42,176
Unsecured debenture derivative	365	(3,651)	(5,606)	(3,965)
Total	37,228	34,637	25,768	(76,847)

Financial Risk Management (continued)

Natural gas

For the three months and year ended December 31, 2023, Advantage realized net gains on natural gas derivatives of \$6.6 million and \$38.2 million, respectively, due to the settlement of contracts with average derivative contract prices that were above average market prices.

For the three months and year ended December 31, 2023, Advantage recognized a net unrealized gain on natural gas derivatives of \$17.3 million and \$6.2 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, 2023, 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 weakening natural gas prices.

Foreign exchange

For the three months and year ended December 31, 2023, Advantage realized a loss on foreign exchange derivatives of nil and \$2.0 million, respectively, while recognizing an unrealized gain of \$0.7 million and \$3.1 million, respectively. The \$0.7 million unrealized gain for the three months ended December 31, 2023 is due to the strengthening of the forward strip rate of the Canadian dollar versus the US dollar. The \$3.1 million unrealized gain for the year ended December 31, 2023 is a result of the decreased liability valuation associated with the foreign exchange contracts that settled in the first six months of 2023 coupled with the new foreign exchange contracts entered into during 2023 that are in an asset position at December 31, 2023.

Natural gas embedded derivative

Advantage has a long-term natural gas supply agreement under which Advantage will supply 25,000 MMbtu/d of natural gas for a 10-year period, that commenced in April 2023. Commercial terms of the agreement are based upon a spark-spread price, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread price 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 realized gains (losses) on the embedded derivative when the realized settlement price differs from US\$2.50/MMbtu, resulting in a realized loss of \$0.9 million for the year ended December 31, 2023 (year ended December 31, 2022 – nil). The Corporation will have unrealized gains (losses) on the embedded derivative based on movements in the forward curve for PJM electricity prices. For the three months and year ended December 31, 2023 the Corporation recognized an unrealized gain on the natural gas embedded derivative of \$12.8 million and an unrealized loss of \$13.2 million, respectively. The unrealized gain for the three months ended is due to strengthening PJM electricity prices resulting in an increased asset position of the derivative compared to the third quarter of 2023. The unrealized loss for the year ended December 31, 2023 is due to weakening of PJM electricity prices compared with the year end of December 31, 2022 resulting in a lower asset position of the derivative.

Unsecured debentures derivative

The Corporation's subsidiary Entropy issued unsecured debentures that 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, 2023, the Entropy unsecured debentures derivative liability resulted in an unrealized loss of \$5.6 million due to the increased value of the conversion option which increased as a result of a higher estimated share price subsequent to CGF's investment agreement with Entropy announced in the fourth quarter of 2023.

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, 2024 and March 31, 2025, apart from the Corporation's natural gas embedded derivative which is expected to be settled between the years 2024 and 2033.

As at December 31, 2023 and March 4, 2024, the Corporation had the following commodity and foreign exchange derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - Henry Hub NYMEX			
Fixed price swap	January 2024 to December 2024	20,000 Mcf/d	US \$3.41/Mcf
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	January 2024 to December 2024	40,000 Mcf/d	Henry Hub less US \$1.19/Mcf
Natural gas - AECO			
Fixed price swap	January 2024 to March 2024	23,695 Mcf/d	\$3.34/Mcf
Fixed price swap	April 2024 to October 2024	56,869 Mcf/d	\$2.60/Mcf ⁽¹⁾
Fixed price swap	November 2024 to December 2024	37,913 Mcf/d	\$3.42/Mcf ⁽¹⁾
Fixed price swap	January 2025 to March 2025	33,174 Mcf/d	\$3.46/Mcf ⁽¹⁾
Fixed price swap	April 2025 to October 2025	23,695 Mcf/d	\$2.97/Mcf ⁽¹⁾
Fixed price swap	November 2025 to March 2026	28,435 Mcf/d	\$4.05/Mcf ⁽¹⁾
Natural gas - Chicago			
Fixed price swap	January 2024 to March 2024	15,000 Mcf/d	US \$3.88/Mcf
Natural gas - Dawn			
Fixed price swap	January 2024 to March 2024	10,000 Mcf/d	US \$3.07/Mcf

Description of Derivative	Term	Notional Amount	Rate
Forward rate - CAD/USD			
Average rate currency swap	January 2024 to August 2024	US \$ 2,000,000/month	1.3558
Average rate currency swap	January 2024 to September 2024	US \$ 1,000,000/month	1.3650

(1) Contains contracts entered into subsequent to December 31, 2023.

Processing and Other Income

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Processing and other income (\$000)	2,484	3,091	(20)	7,627	9,082	(16)
per boe	0.39	0.60	(35)	0.34	0.45	(24)

Advantage earns processing income from contracts whereby the Corporation charges third-parties to utilize excess capacity at its Glacier Gas Plant and Progress battery. For the three months and year ended December 31, 2023, the Corporation generated processing and other income of \$2.5 million and \$7.6 million, respectively, decreases of 20% and 16% compared to the same periods of the prior year. The decrease in processing income is due to lower volumes processed for third-parties compared to the prior year attributed to the planned turnaround at the Glacier Gas Plant in May and the prioritization of the Corporation's own production volumes over third-party volumes.

Net Sales of Purchased Natural Gas

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Sales of purchased natural gas (\$000)	-	-	nm	3,124	4,826	(35)
Natural gas purchases (\$000)	-	-	nm	(3,371)	(4,756)	(29)
Net sales of purchased natural gas (\$000)	-	-	nm	(247)	70	nm
per boe	-	-	nm	(0.01)	-	nm

During the year ended December 31, 2023, the Corporation purchased natural gas volumes to satisfy physical sales commitments during the planned turnaround at the Glacier Gas Plant in the second quarter of 2023.

Royalty Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Royalty expense (\$000)	10,302	27,154	(62)	42,432	106,257	(60)
per boe	1.64	5.31	(69)	1.92	5.22	(63)
Royalty rate (%) ⁽¹⁾	7.0	12.2	(5.2)	7.8	11.2	(3.4)

⁽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, 2023, decreased by \$16.9 million and \$63.8 million, respectively, compared to the same periods of the prior year. The decrease in royalty expense for each period was primarily due to lower natural gas and liquids prices when compared to 2022 resulting in a lower royalty rate paid on natural gas and liquids sales.

Advantage expects royalty rates to range from 7% to 9% in 2024.

Operating Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Operating expense (\$000)	22,724	17,344	31	84,453	64,269	31
per boe	3.61	3.39	6	3.81	3.16	21

Operating expense for the three months and year ended December 31, 2023, increased by \$5.4 million and \$20.2 million, increases of 31% and 31%, respectively, compared to the same periods of the prior year. The higher operating expense was attributed to additional third-party processing fees associated with higher liquids production at Wembley, inflationary impacts, and increased maintenance costs at the Glacier Gas Plant and Valhalla Liquids Hub related to hot weather experienced in the summer.

Operating expense per boe for the three months and year ended December 31, 2023 was \$3.61/boe and \$3.81/boe, respectively. The increase in operating expense per boe when compared to the same periods of the prior year is attributed to the higher costs primarily associated with increased liquids production. For the year ended December 31, 2023, operating expense per boe was inflated due to downtime in the second quarter associated with the planned 17-day turnaround at the Glacier Gas Plant, while operating costs are primarily fixed.

Advantage expects 2024 annual operating expense per boe to be comparable to 2023 at approximately \$3.85/boe (see "Corporate Update").

Transportation Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Natural gas (\$000)	21,337	20,651	3	77,364	81,313	(5)
Liquids (\$000)	4,327	1,986	118	13,239	8,780	51
Total transportation expense (\$000)	25,664	22,637	13	90,603	90,093	1
per boe	4.08	4.43	(8)	4.09	4.43	(8)

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 ended December 31, 2023 increased by \$3.0 million, or 13% compared to the same period of the prior year. The increase in transportation expenses is a result of the higher gas volumes and additional liquids transportation associated with the KAPS pipeline system and higher liquids production.

Transportation expense for the year ended December 31, 2023 increased by \$0.5 million or 1%. The increase in transportation expenses is due to additional liquids transportation associated with higher liquids production and tolls incurred on the KAPS pipeline system whereby the Corporation began shipping liquids production in the third quarter of 2023, partially offset by lower natural gas transportation costs due to lower fuel costs.

Transportation expense per boe fell for both the three months and year ended December 31, 2023 as a result of lower fuel costs when compared to 2022.

Advantage expects 2024 annual transportation expense per boe to average approximately \$3.95/boe (see "Corporate Update"), as a result of slightly higher gas production as a % of total production.

Operating Netback

	Three months ended December 31			
	2023		2022	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	147,137	23.39	223,200	43.66
Realized gains (losses) on derivatives	6,140	0.98	(24,344)	(4.76)
Processing and other income	2,484	0.39	3,091	0.60
Royalty expense	(10,302)	(1.64)	(27,154)	(5.31)
Operating expense	(22,724)	(3.61)	(17,344)	(3.39)
Transportation expense	(25,664)	(4.08)	(22,637)	(4.43)
Operating netback ⁽¹⁾	97,071	15.43	134,812	26.37

	Year ended December 31			
	2023		2022	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	541,100	24.43	950,458	46.69
Realized gains (losses) on derivatives	35,243	1.59	(144,134)	(7.08)
Processing and other income	7,627	0.34	9,082	0.45
Net sales of purchased natural gas	(247)	(0.01)	70	-
Royalty expense	(42,432)	(1.92)	(106,257)	(5.22)
Operating expense	(84,453)	(3.81)	(64,269)	(3.16)
Transportation expense	(90,603)	(4.09)	(90,093)	(4.43)
Operating netback ⁽¹⁾	366,235	16.53	554,857	27.25

⁽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, 2023, Advantage's operating netback decreased by 28% and 34%, respectively, or \$10.94/boe and \$10.72/boe. The decrease in the Corporation's operating netback per boe for both periods was primarily due to the decrease in natural gas and liquids sales as a result of lower natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This decrease was partially offset by realized gains on derivatives from lower natural gas benchmark prices (see "Financial Risk Management"), and lower royalty expenses (see "Royalty Expense").

General and Administrative Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
General and administrative (\$000)	8,687	7,402	17	29,962	29,091	3
Capitalized (\$000)	(1,486)	(2,013)	(26)	(5,325)	(6,808)	(22)
General and administrative expense (\$000)	7,201	5,389	34	24,637	22,283	11
per boe	1.14	1.05	9	1.11	1.09	2
Employees at December 31				61	52	17

General and administrative ("G&A") expense for the three months and year ended December 31, 2023, increased by \$1.8 million and \$2.4 million, respectively, increases of 34% and 11% compared to the same periods of the prior year. For the three months and year ended December 31, 2023, 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. Total G&A expense incurred by Entropy for the three months and year ended December 31, 2023 was \$2.1 million (three months ended December 31, 2022 - \$0.9 million) and \$6.0 million (year ended December 31, 2022 - \$3.3 million), respectively.

Share-based Compensation

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Share-based compensation (\$000)	2,281	1,843	24	8,788	7,766	13
Capitalized (\$000)	(573)	(560)	2	(2,242)	(2,242)	-
Share-based compensation expense (\$000)	1,708	1,283	33	6,546	5,524	19
per boe	0.27	0.25	8	0.30	0.27	11

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 \$1.7 million and \$6.5 million of share-based compensation expense during the three months and year ended December 31, 2023, respectively, and capitalized \$0.6 million and \$2.2 million. For the three months and year ended December 31, 2023, total share-based compensation increased by 33% and 19%, respectively, compared to the same periods of the prior year, 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		%
	2023	2022	Change	2023	2022	Change
Cash finance expense (\$000)	7,001	5,161	36	27,569	18,690	48
per boe	1.11	1.01	10	1.24	0.92	35
Paid-in-kind interest (\$000)	504	-	nm	504	-	nm
Accretion expense (\$000)	525	470	12	2,017	1,737	16
Total finance expense (\$000)	8,030	5,631	43	30,090	20,427	47
per boe	1.28	1.10	16	1.36	1.00	36

Advantage realized higher cash finance expense during the three months and year ended December 31, 2023, as a result of increased average outstanding bank indebtedness and higher interest rates when compared to the same periods in 2022 (see "Bank Indebtedness, Credit Facilities and Working Capital"). 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.

During 2023, the Corporation's subsidiary Entropy issued \$15 million of unsecured debentures (December 31, 2022 - \$25 million). As at December 31, 2023, Entropy's unsecured debentures have an outstanding aggregate principal amount of \$40.8 million (including paid-in-kind interest). The unsecured debentures bear 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. The unsecured debentures issued by Entropy are non-recourse to Advantage. For the three months and year ended December 31, 2023, Entropy incurred interest of \$0.8 million and \$2.5 million, respectively, of which \$0.8 million was paid-in-kind and added to the aggregate principal amount and \$1.7 million that was paid in cash (see "Unsecured Debentures").

Depreciation and Amortization Expense

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Depreciation and amortization expense (\$000)	43,741	32,349	35	148,897	133,917	11
per boe	6.95	6.33	10	6.72	6.58	2

The increase in depreciation and amortization expense during the three months and year ended December 31, 2023, was attributable to an increased net book value associated with the Corporation's property, plant and equipment accompanied with increased 2023 production (see "Production"). Depreciation and amortization expense per boe for the three months ended December 31, 2023, increased compared to prior year due to an increase in the Corporation's natural gas and liquids depletable base and additional depreciation expense associated with Entropy's CCUS equipment without an associated increase in production.

Income Taxes

	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Income tax expense (\$000)	16,124	35,621	(55)	35,635	105,138	(66)
Effective tax rate (%)	28.3	23.9	4.4	26.2	23.7	2.5

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, 2023, the Corporation recognized a deferred income tax expense of \$16.1 million and \$35.6 million, respectively. As at December 31, 2023, the Corporation had a deferred income tax liability of \$237.1 million. Advantage expects it will not be subject to cash taxes until calendar 2027 due to over \$1 billion in tax pools.

The estimated tax pools available at December 31, 2023 are as follows:

(\$ millions)

Canadian development expenses	246,411
Canadian exploration expenses	68,509
Canadian oil and gas property expenses	18,735
Non-capital losses	347,724
Undepreciated capital cost	264,480
Capital losses	135,369
Scientific research and experimental development expenditures	32,506
Other	6,421
	1,120,155

Net Income and Comprehensive Income attributable to Advantage shareholders

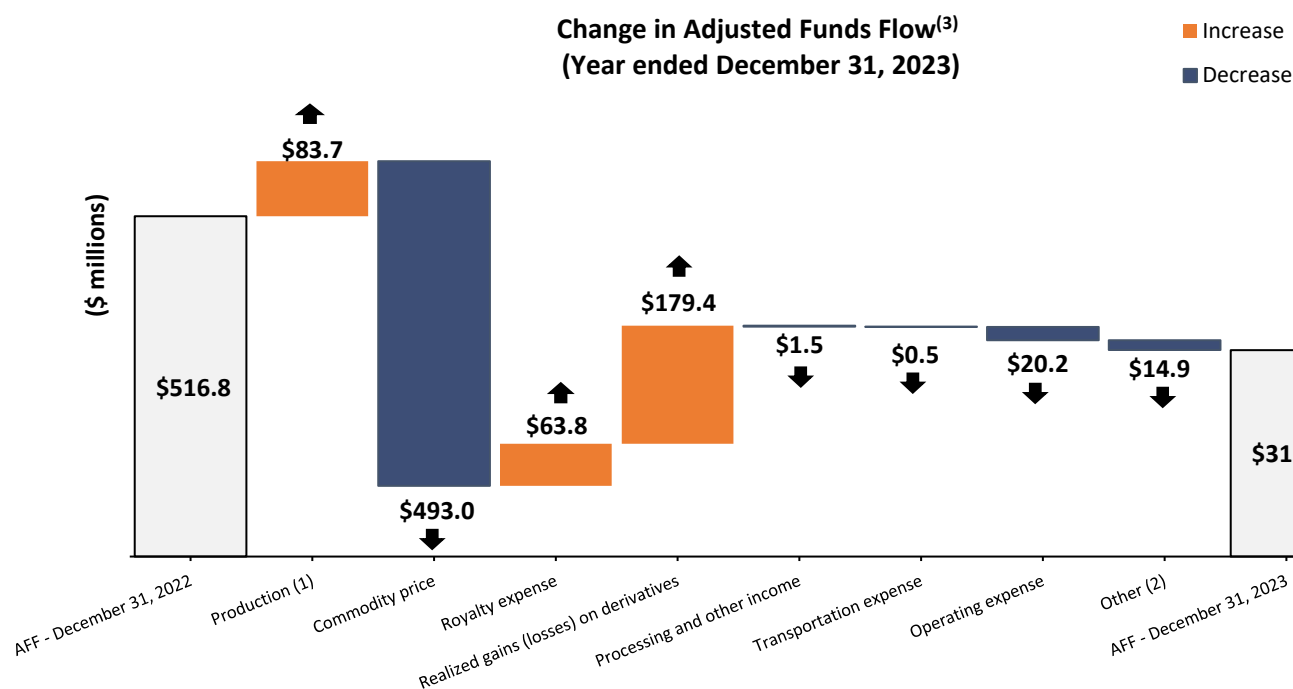
	Three months ended			Year ended		
	December 31		%	December 31		%
	2023	2022	Change	2023	2022	Change
Net income and comprehensive income attributable to Advantage shareholders (\$000)	41,026	113,962	(64)	101,597	338,667	(70)
per share - basic	0.25	0.63	(60)	0.61	1.81	(66)
per share - diluted	0.24	0.61	(60)	0.59	1.75	(66)

Advantage recognized net income attributable to Advantage shareholders of \$41.0 million and \$101.6 million for the three months and year ended December 31, 2023, respectively. For the year ended December 31, 2023, net income and comprehensive income attributable to Advantage shareholders was lower when compared to 2022 due to the lower natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This was partially offset by higher production, realized gains on derivatives, and decreased royalty expense (see "Production", "Financial Risk Management" and "Royalty Expense").

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

(\$000, except as otherwise indicated)	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Cash provided by operating activities	89,048	112,558	323,345	502,378
Expenditures on decommissioning liability	2,124	1,144	4,043	2,215
Changes in non-cash working capital	(8,678)	10,503	(13,818)	12,197
Adjusted funds flow ⁽¹⁾	82,494	124,205	313,570	516,790
Adjusted funds flow per boe ⁽¹⁾	13.11	24.29	14.16	25.39
Adjusted funds flow per share ⁽¹⁾	0.50	0.69	1.88	2.76

⁽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 paid-in-kind interest) 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, 2023, Advantage realized cash provided by operating activities of \$89.0 million and \$323.3 million, respectively, decreases of \$23.5 million and \$179.0 million when compared to the same periods of 2022. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of \$82.5 million and \$313.6 million, decreases of \$41.7 million and \$203.2 million when compared to the same periods of 2022. Adjusted funds flow of \$313.6 million for the year ended December 31, 2023 includes \$320.2 million attributable to Advantage and \$6.6 million of net expenses attributable to Entropy. The decrease in cash provided by operating activities and adjusted funds flow for the three months and year ended December 31, 2023 was largely due to the decrease in natural gas and liquids sales as a result of lower natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This decrease was partially offset by higher production, realized gains on derivatives, and decreased royalty expense (see "Production", "Financial Risk Management" and "Royalty Expense").

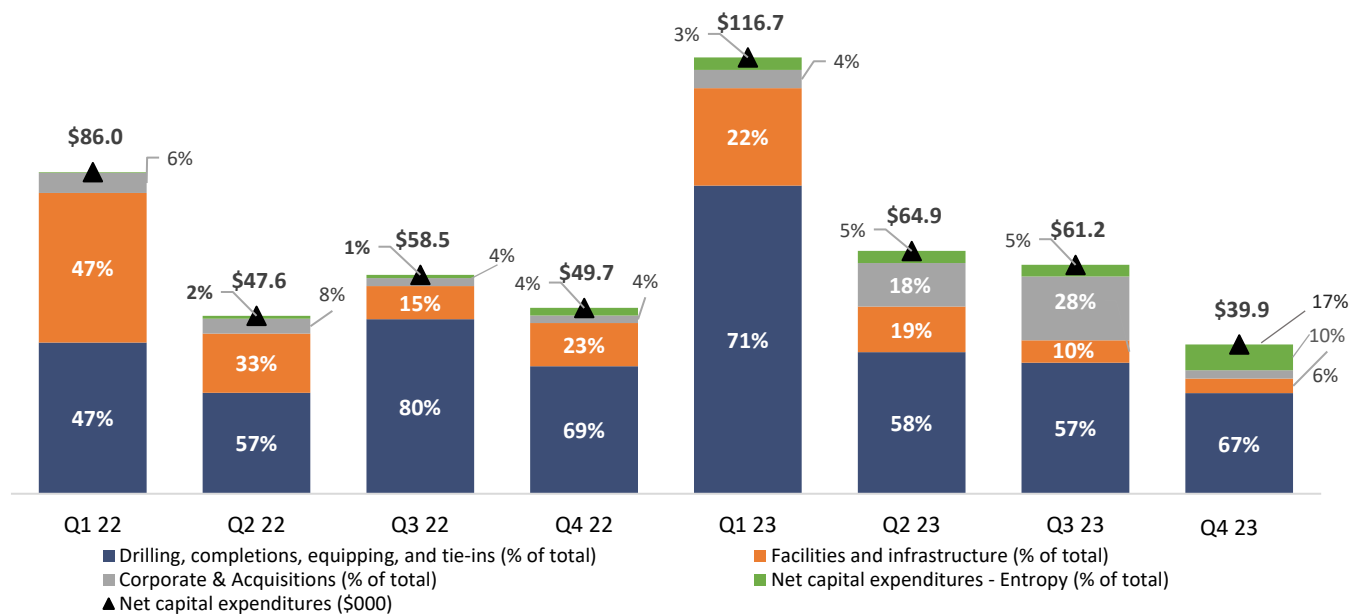
Cash Used in Investing Activities and Net Capital Expenditures

(\$000)	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Drilling, completions, equipping, and tie-ins	26,931	34,097	182,157	148,190
Facilities and infrastructure	3,882	11,534	48,175	76,206
Corporate ⁽²⁾	2,138	2,032	25,696	13,525
Acquisitions	124	-	10,159	-
Net capital expenditures – Advantage⁽¹⁾	33,075	47,663	266,187	237,921
Carbon capture and storage facilities	6,397	1,554	15,144	2,849
Intangible assets	466	470	1,465	1,020
Net capital expenditures - Entropy⁽¹⁾	6,863	2,024	16,609	3,869
Net capital expenditures⁽¹⁾	39,938	49,687	282,796	241,790
Changes in non-cash working capital	18,908	19,373	(35)	27,800
Project funding received	-	-	-	(5)
Cash used in investing activities	58,846	69,060	282,761	269,585

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

(2) Corporate includes workovers, turnaround cost, seismic, capitalized G&A, and office furniture and equipment.

Net Capital Expenditures



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

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

Advantage

Advantage invested \$33.1 million and \$266.2 million on net capital expenditures during the three months and year ended December 31, 2023, respectively. Advantage's net capital expenditures of \$266.2 million were within our guidance range of \$250 million and \$280 million, which includes the \$10 million unbudgeted Conroy acquisition and excludes net capital expenditures incurred by Entropy (see "Cash Used in Investing Activities and Net Capital Expenditures – Advantage – Conroy").

The following table summarizes wells drilled, completed and on production for the year ended December 31, 2023:

(# of wells)	Three months ended December 31, 2023			Year ended December 31, 2023		
	Drilled Gross (Net)	Completed Gross (Net)	On production Gross (Net)	Drilled Gross (Net)	Completed Gross (Net)	On production Gross (Net)
Glacier	5 (5.0)	5 (5.0)	8 (8.0)	18 (16.0)	13 (11.0)	15 (13.0)
Valhalla	-	-	-	2 (2.0)	2 (2.0)	2 (2.0)
Wembley	-	-	-	7 (7.0)	7 (7.0)	7 (7.0)
Progress	-	-	-	-	2 (2.0)	2 (2.0)
	5 (5.0)	5 (5.0)	8 (8.0)	27 (25.0)	24 (22.0)	26 (24.0)

Glacier

2023 was an active year at our Glacier property with 18 gross (16.0 net) wells drilled, 13 gross (11.0 net) completed, and 15 gross (13.0 net) placed on production. Raw gas handling capacity at the Glacier Gas Plant was expanded to a maximum of 425 MMcf/d with the installation of additional inlet compression, which drove production growth from Glacier as new wells were brought on production.

The last 18 wells drilled and placed on production have yielded exceptional performance driving average well IP30 rates to 14.0 MMcf/d raw natural gas, despite the wells being choked back to minimize erosional risks and impacts on existing nearby wells.

Operation of the Glacier Gas Plant Phase 1a CCS and waste heat recovery project designed to reduce emissions by 47,000 tonnes per annum of CO₂e, continued through 2023. Under the Government of Canada's proposed refundable investment tax credit ("ITC") for CCUS projects, Advantage expects it is entitled to recover up to \$15 million of its 2022 net capital expenditures related to the Phase 1a project. The ITC which is included in Bill C-59 has yet to receive royal assent in the House of Commons as at December 31, 2023, thus the Corporation is unable to recognize this potential benefit.

Valhalla

In 2023, Advantage drilled and completed 2 gross (2.0 net) wells at Valhalla. The new wells were placed on production in the third quarter, achieving significant average well IP30 production rates of 1,936 boe/d (7.5 MMcf/d natural gas, 499 bbls/d condensate and 180 bbls/d NGLs). The last six wells placed on production in Valhalla have averaged IP30 production rates of 1,431 boe/d (5.7 MMcf/d natural gas, 354 bbls/d condensate and 121 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 focused on drilling 7 gross (7.0 net) wells in 2023, including wells with 2-mile-long laterals. Completion activity on all seven wells was finished in the second quarter and the wells were placed on production throughout the last two quarters achieving record production from the property. Average IP30 production rates from the seven wells was 1,549 boe/d (3.7 MMcf/d natural gas, 605 bbls/d crude oil and 328 bbls/d NGLs). The Wembley asset is connected to two major third-party gas processing facilities and utilizes existing capacity in our 100% owned Wembley compressor site and liquids handling hub.

One of the wells drilled, targeted a new development layer that has been evaluated by Advantage for the first time at Wembley to further evaluate this multi-layer oil-weighted property. Advantage has now successfully drilled in three different layers within the Wembley asset.

Progress

Construction of Phase 2 of the existing Progress compressor and liquids handling hub which added emulsion handling and water disposal was completed in April 2023. Two wells previously drilled in the fourth quarter of 2022 were completed in the first quarter of 2023 and placed on production following commissioning of Phase 2 and the conclusion of the Glacier Gas Plant turnaround in May 2023.

Conroy

During the third quarter of 2023, Advantage acquired equivalent to 53 net sections of contiguous 100% working interest land in the Northeast British Columbia liquids-rich Montney trend for \$10 million. The acquired lands have a long tenure with no incremental drilling required until 2029, providing a possible development horizon post the commencement of LNG operations in Canada.

Entropy

Net capital expenditures incurred by Entropy are funded through the issuance of unsecured debentures to investors that have provided Entropy access to \$500 million in committed capital, of which \$40 million has been drawn as at December 31, 2023.

Entropy invested \$6.9 million and \$16.6 million in net capital expenditures during the three months and year ended December 31, 2023. Expenditures in Entropy were mainly incurred on Entropy's Glacier Phase 1b project, whereby Entropy has installed its patent-pending integrated carbon capture and storage equipment ("iCCS™") which was commissioned in the fourth quarter of 2023 in-line with its budget. For the three months and year ended December 31, 2023, Entropy also incurred expenditures on intangible assets associated with ongoing research and development projects and EntropyIQ™, a proprietary emissions tracking, processing and reporting software platform that is a complete solution for all carbon capture and storage measurement, monitoring and verification data.

Entropy expects it is entitled to recover up to \$6 million of its 2023 net capital expenditures related to the Phase 1b project once Bill C-59 receives royal assent in the House of Commons.

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, \$232 million is required for delivery of natural gas and liquids production to Alberta markets, while Advantage has proactively committed to \$266 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	2024	2025	2026	2027	2028	Beyond
Building operating cost ⁽¹⁾	1.5	0.4	0.4	0.4	0.3	0.0	0.0
Processing	45.7	10.0	9.5	7.0	7.0	7.0	5.2
Transportation	498.0	83.6	79.8	66.2	54.4	29.9	184.1
Total commitments	545.2	94.0	89.7	73.6	61.7	36.9	189.3
Performance Awards	9.6	5.9	1.7	2.0	-	-	-
Lease liability	2.5	0.6	0.6	0.5	0.4	0.2	0.2
Financing liability	150.2	13.1	13.1	13.1	13.1	13.1	84.7
Bank indebtedness ⁽²⁾							
- principal	215.0	-	215.0	-	-	-	-
- interest	27.0	18.0	9.0	-	-	-	-
Unsecured debentures ⁽³⁾	40.8	-	-	-	-	-	40.8
Total contractual obligations	445.1	37.6	239.4	15.6	13.5	13.3	125.7
Total future payments	990.3	131.6	329.1	89.2	75.2	50.2	315.0

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

⁽²⁾ As at December 31, 2023 the Corporation's bank indebtedness was governed by the Credit Facilities, which have a two-year term with a syndicate of financial institutions. The Credit Facilities are revolving and extendible for a further 364-day period upon an annual review and at the option of the syndicate. If not extended, the Credit Facilities will mature with any outstanding principal payable at the end of the two-year term (see "Bank Indebtedness, Credit Facilities and Working Capital").

⁽³⁾ The unsecured debentures are a liability of Entropy and are non-recourse to Advantage. The principal balance of unsecured 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, 2023	Year ended December 31, 2022
Bank indebtedness	212,854	177,200
Unsecured debentures	27,819	15,700
Working capital surplus ⁽¹⁾	(18,651)	(71,564)
Net debt⁽¹⁾	222,022	121,336
Shares outstanding	162,225,180	171,652,768
Shares closing market price (\$/share)	8.53	9.47
Market capitalization	1,383,781	1,625,552
Total capitalization	1,605,803	1,746,888
Net debt to adjusted funds flow ratio⁽¹⁾	0.7	0.2

⁽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, 2023, Advantage had a \$350 million Credit Facility of which \$122.1 million or 35% was available after deducting letters of credit of \$12.9 million outstanding (see "Bank Indebtedness, Credit Facilities and Working Capital"). The Credit Facilities and adjusted funds flow was utilized to fund Advantage's capital expenditure program of \$266.2 million and repurchase and cancel 13.1 million common shares for \$117.3 million (see "Shareholders' Equity"). The Corporation had net debt of \$222.0 million, consisting of \$195.9 million with Advantage and \$26.1 million with Entropy. Advantage's net debt of \$195.9 million was below our net debt target of \$200 million to \$250 million. 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 2024 towards the Corporation's share buyback program, while maintaining our net debt target.

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

Bank Indebtedness, Credit Facilities and Working Capital

As at December 31, 2023, Advantage had bank indebtedness outstanding of \$212.9 million, an increase of \$35.7 million since December 31, 2022. Advantage's credit facilities are governed by a credit facility agreement with a syndicate of financial institutions which provides for 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. In May 2023, the Credit Facilities were renewed with no changes to the borrowing base. The Credit Facilities have a tenor of two years with a maturity date in June 2025 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 2025 in the event of a reduction, or the Credit Facilities not being renewed. The Corporation had letters of credit of \$12.9 million outstanding at December 31, 2023 (December 31, 2022 - \$12.2 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, 2023 and December 31, 2022.

Advantage had a working capital surplus of \$18.7 million as at December 31, 2023, a decrease in the surplus of \$52.9 million compared to December 31, 2022 due to decreased receivables from lower 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

The Corporation's subsidiary Entropy has entered into two Investment Agreements with investors who provided capital commitments of \$300 million and \$200 million. In connection with the Investment Agreements, Entropy will issue unsecured debentures to fund carbon capture and storage projects that reach final investment decision as certain predetermined return thresholds are met. Under the terms of the agreements, Entropy and the investors have options that provide for the unsecured debentures to be exchanged for common shares at an exchange price of \$10.00 per share and \$12.75 per share, respectively, subject to adjustment in certain circumstances. The investors have the option to exchange the outstanding unsecured debentures for common shares at any time while Entropy may commence a mandatory exchange of unsecured debentures for common shares in advance of an Initial Public Offering ("IPO"). The unsecured debentures have a term of 10 years, if not exchanged for common shares, which are to be repaid at the end of the term in the amount greater of the principal amount and the investor's pro rata share of the fair market value of Entropy. 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. As at December 31, 2023, Entropy's unsecured debentures have an outstanding aggregate principal balance of \$40.8 million (including paid-in-kind interest) (December 31, 2022 - \$25.0 million).

Unsecured Debentures (continued)

During 2023, Entropy issued unsecured debentures for gross proceeds of \$15.0 million (December 31, 2022 - \$25.0 million) and incurred \$1.2 million of issuance costs (December 31, 2022 - \$3.8 million). For the year ended December 31, 2023, Entropy incurred interest of \$2.5 million (December 31, 2022 - \$1.5 million), of which \$1.7 million was paid in cash (December 31, 2022 - \$1.5 million), and \$0.8 million was paid-in-kind (December 31, 2022 - \$nil).

Other Liabilities

The Corporation has a 15-year take-or-pay volume commitment with a 12.5% working interest partner due to expire in 2035 for 53,125 Mcf/d capacity at a fee of \$0.673/Mcf. During the fourth quarter of 2023, as part of the 2023 planned capital expansion of the Glacier Gas Plant, the working interest partner chose to participate pursuant to the agreement and provided \$2.5 million in additional financing. The volume commitment agreement is treated as a financing transaction with an effective interest rate associated with the financing transaction of 9.1%. As at December 31, 2023, the financing liability was \$92.9 million (December 31, 2022- \$94.7 million) and for the year ended December 31, 2023, the Corporation made cash payments of \$12.8 million (December 31, 2022 - \$12.3 million) under the agreement.

As at December 31, 2023, Advantage had a decommissioning liability of \$62.2 million (December 31, 2022 – \$41.9 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 \$82.6 million (December 31, 2022 – \$62.8 million), with 62% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the year ended December 31, 2023, was \$4.0 million (year ended December 31, 2022 – \$2.2 million). Advantage continues to maintain an industry leading LMR of 27.7, demonstrating that the Corporation has no issues addressing its abandonment, remediation, and reclamation obligations.

Non-controlling interest ("NCI")

On July 1, 2023, Advantage transferred certain CCS equipment to Entropy in exchange for 6,002,516 common shares of Entropy, resulting in Advantage increasing its common share ownership in Entropy from 90% to 92%. Advantage consolidates 100% of Entropy and has recognized a non-controlling interest in shareholders' equity, representing the carrying value of the 8% common shares of Entropy held by outside interests.

For the year ended December 31, 2023, the net loss and comprehensive loss attributed to non-controlling interest was \$1.3 million (December 31, 2022 - \$0.9 million).

Shareholders' Equity

On April 6, 2023, the TSX approved the Corporation renewing its normal course issuer bid ("NCIB"). Pursuant to the NCIB, Advantage will purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 16,201,997 common shares of the Corporation. The NCIB commenced on April 13, 2023 and will terminate on April 12, 2024 or such earlier time as the NCIB is completed or terminated at the option of Advantage. Purchases pursuant to the NCIB will be made on the open market through the facilities of the TSX and/or Canadian alternative trading systems. The price that Advantage will pay for any common shares under the NCIB will be the prevailing market price on the TSX at the time of such purchase. Common shares acquired under the NCIB will be cancelled.

For the year ended December 31, 2023, the Corporation purchased 13.1 million common shares for cancellation at an average price of \$8.96 per common share for a total of \$117.3 million. Since initiating our buyback in April 2022, Advantage has repurchased 19.5% of its outstanding common shares.

As at December 31, 2023, a total of 2.8 million Performance Share Units were outstanding under the Corporation's Restricted and Performance Award Incentive Plan, which represents 1.7% of Advantage's total outstanding common shares. During 2023, 2,012,178 Performance Share Units matured and were settled with the issuance of 3,675,083 common shares.

As at March 4, 2024, Advantage had 159.8 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, 2023	Year ended December 31, 2022	Year ended December 31, 2021
Total revenues (\$000)	535,187	781,262	458,927
Net income attributable to Advantage shareholders (\$000)	101,597	338,667	411,523
Per share - basic	0.61	1.81	2.17
Per share - diluted	0.59	1.75	2.07
Total assets (\$000)	2,299,028	2,216,958	1,994,990
Total non-current liabilities (\$000)	646,195	539,891	444,258

Quarterly Performance

	2023				2022			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
(\$000, except as otherwise indicated)								
Financial Statement Highlights								
Natural gas and liquids sales	147,137	140,724	107,240	145,999	223,200	235,392	314,297	177,569
Net income and comprehensive income ⁽³⁾	41,026	28,314	2,538	29,719	113,962	40,792	164,334	19,579
per basic share ⁽²⁾	0.25	0.17	0.02	0.18	0.63	0.22	0.86	0.10
Basic weighted average shares (000)	163,939	167,702	167,268	167,311	180,248	186,717	190,415	190,829
Cash provided by operating activities	89,048	90,376	37,966	105,955	112,558	123,224	157,439	109,157
Cash provided by (used in) financing activities	(52,120)	(3,562)	43,778	(58,359)	(49,718)	(71,048)	(37,556)	(50,769)
Cash used in investing activities	(58,846)	(49,886)	(88,439)	(85,590)	(69,060)	(42,822)	(80,720)	(76,983)
Other Financial Highlights								
Adjusted funds flow ⁽¹⁾	82,494	81,862	52,381	96,833	124,205	96,651	187,056	108,878
per boe ⁽¹⁾	13.11	13.86	11.10	18.50	24.29	19.39	34.05	22.85
per basic share ⁽¹⁾⁽²⁾	0.50	0.49	0.31	0.58	0.69	0.52	0.98	0.57
Net capital expenditures ⁽¹⁾	39,938	61,234	64,924	116,700	49,687	58,519	47,570	86,014
Free cash flow ⁽¹⁾	42,556	20,628	(12,543)	(19,867)	74,518	38,132	139,486	22,864
Working capital surplus (deficit) ⁽¹⁾	18,651	29,816	12,949	(12,449)	71,564	46,960	77,858	(19,115)
Bank indebtedness	212,854	226,127	226,442	167,260	177,200	113,804	106,776	117,558
Net debt ⁽¹⁾	222,022	217,064	229,426	195,523	121,336	82,432	44,301	136,673
Operating Highlights								
Production								
Crude oil (bbls/d)	3,254	3,035	2,801	1,731	1,854	2,168	2,858	997
Condensate (bbls/d)	1,264	1,368	871	1,157	1,092	1,049	1,128	1,057
NGLs (bbls/d)	3,345	3,174	2,683	2,877	2,680	3,230	3,392	2,854
Total liquids production (bbls/d)	7,863	7,577	6,355	5,765	5,626	6,447	7,378	4,908
Natural gas (mcf/d)	363,124	339,709	272,919	314,273	299,684	286,328	317,976	288,226
Total production (boe/d)	68,384	64,195	51,842	58,144	55,573	54,168	60,374	52,946
Average prices (including realized derivatives)								
Natural gas (\$/mcf)	2.84	2.95	2.81	4.42	5.65	4.61	6.75	5.04
Liquids (\$/bbl)	81.55	77.91	75.36	77.77	86.39	87.89	107.83	82.48
Operating Netback (\$/boe)								
Natural gas and liquids sales	23.39	23.83	22.73	27.90	43.66	47.23	57.21	37.26
Realized gains (losses) on derivatives	0.98	1.02	1.07	3.44	(4.76)	(12.58)	(8.50)	(2.19)
Processing and other income	0.39	0.39	0.22	0.35	0.60	0.46	0.41	0.30
Net sales of purchased natural gas	-	-	(0.05)	-	-	-	-	0.01
Royalty expense	(1.64)	(1.55)	(1.33)	(3.19)	(5.31)	(5.80)	(6.17)	(3.42)
Operating expense	(3.61)	(3.85)	(4.44)	(3.44)	(3.39)	(3.72)	(2.75)	(2.79)
Transportation expense	(4.08)	(3.70)	(4.34)	(4.33)	(4.43)	(4.48)	(4.44)	(4.36)
Operating netback ⁽¹⁾	15.43	16.14	13.86	20.73	26.37	21.11	35.76	24.81

(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.

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

The table above highlights the Corporation's performance for the fourth quarter of 2023 and for the preceding seven quarters. In 2022 the Corporation saw a large increase in both natural gas and liquids sales and adjusted funds flow due to higher natural gas and liquids benchmark prices and higher production due to the Corporation's drilling program. Adjusted funds flow was the highest in the second quarter of 2022 coinciding with high natural gas and liquids benchmark prices. Adjusted funds flow declined in the third and fourth quarter of 2022 due to lower natural gas and liquids benchmark prices. Natural gas and liquids sales and adjusted funds flow decreased again in the first and second quarter of 2023 due to lower natural gas and liquids benchmark prices as well as the planned turnaround at the Glacier Gas Plant in the second quarter.

Quarterly Performance (continued)

Natural gas and liquids sales and adjusted funds flow increased in the third and fourth quarter of 2023 due to higher production due to the Corporation's drilling program. 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. Overall, the Corporation achieved strong net income, cash flow, and operating netbacks throughout 2023 despite difficult operating conditions and weaker commodity prices.

Climate change-related risk and opportunities

Advantage is committed to positive action on emissions reduction. Advantage's Scope 1 and 2 emissions are expected to be reduced by approximately 20% with the full implementation of Phase 1a and 1b Entropy CCS equipment at the Glacier Gas Plant. Advantage's subsidiary Entropy Inc. is actively engaged in a carbon capture and storage business that helps emitters reduce their emissions. 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

Since 2021, Advantage through its subsidiary Entropy has completed construction on Glacier Phase 1a and Phase 1b which will allow the Corporation to reduce its greenhouse gas emissions ("GHG"). Commissioning of Phase 1a was completed in the third quarter of 2022 with "first carbon" injected into permanent geological storage. During the fourth quarter of 2023, Entropy commissioned its patent-pending Integrated Carbon Capture and Storage™ ("iCCS™") equipment for Glacier Phase 1b, with "first carbon" injected into permanent geological storage.

Glacier Phase 2 is expected to begin construction in 2024 pending final investment decision. 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".

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 for nearly a decade.

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 property, plant and equipment. 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.

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, share price volatility, timing and probability of an IPO, credit spread, 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.

Changes in Accounting Policies

The Corporation has adopted the following accounting policies during the year ended December 31, 2023.

Amendments to IAS 12 *Income Taxes*

On January 1, 2023, the Corporation adopted the amendments to IAS 12 *Income Taxes* requiring entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. There was not a material impact to the Corporation's consolidated financial statements.

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, 2023, if applicable.

Environmental Reporting

Environmental regulations impacting climate-related matters continue to evolve and may have additional disclosure requirements in the future. The International Sustainability Standards Board published the new IFRS sustainability disclosure standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, with the aim to develop an environment sustainability disclosure framework that is accepted globally. In addition, the Canadian Securities Administrators have proposed National Instrument 51-107 – Disclosure of *Climate-related Matters*, with additional climate-related disclosure requirements for certain reporting issuers in Canada. If the Corporation is unable to meet future sustainability reporting requirements of regulators or current and future expectations of stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals and authorizations from various government authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolved over time, has not yet been quantified.

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, 2023. 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, 2023. 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, 2023 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	
	2023	2022	2023	2022
Cash provided by operating activities	89,048	112,558	323,345	502,378
Expenditures on decommissioning liability	2,124	1,144	4,043	2,215
Changes in non-cash working capital	(8,678)	10,503	(13,818)	12,197
Adjusted funds flow	82,494	124,205	313,570	516,790

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	
	2023	2022	2023	2022
Cash used in investing activities	58,846	69,060	282,761	269,585
Changes in non-cash working capital	(18,908)	(19,373)	35	(27,800)
Project funding received	-	-	-	5
Net capital expenditures	39,938	49,687	282,796	241,790

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	
	2023	2022	2023	2022
Cash provided by operating activities	89,048	112,558	323,345	502,378
Cash used in investing activities	(58,846)	(69,060)	(282,761)	(269,585)
Changes in non-cash working capital	10,230	29,876	(13,853)	39,997
Expenditures on decommissioning liability	2,124	1,144	4,043	2,215
Project funding received	-	-	-	(5)
Free cash flow	42,556	74,518	30,774	275,000

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	
	2023	2022	2023	2022
Natural gas and liquids sales	147,137	223,200	541,100	950,458
Realized gains (losses) on derivatives	6,140	(24,344)	35,243	(144,134)
Processing and other income	2,484	3,091	7,627	9,082
Net sales of purchased natural gas	-	-	(247)	70
Royalty expense	(10,302)	(27,154)	(42,432)	(106,257)
Operating expense	(22,724)	(17,344)	(84,453)	(64,269)
Transportation expense	(25,664)	(22,637)	(90,603)	(90,093)
Operating netback	97,071	134,812	366,235	554,857

Specified Financial Measures (continued)

Non-GAAP Ratios

Adjusted Funds Flow per Share

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

(\$000, except as otherwise indicated)	Three months ended		Year ended	
	December 31		December 31	
	2023	2022	2023	2022
Adjusted funds flow	82,494	124,205	313,570	516,790
Weighted average shares outstanding (000)	163,939	180,248	166,553	187,022
Adjusted funds flow per share (\$/share)	0.50	0.69	1.88	2.76

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	
	2023	2022	2023	2022
Adjusted funds flow	82,494	124,205	313,570	516,790
Total production (boe/d)	68,384	55,573	60,678	55,769
Days in period	92	92	365	365
Total production (boe)	6,291,328	5,112,716	22,147,470	20,355,685
Adjusted funds flow per BOE (\$/boe)	13.11	24.29	14.16	25.39

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	
	2023	2022	2023	2022
Operating netback	97,071	134,812	366,235	554,857
Total production (boe/d)	68,384	55,573	60,678	55,769
Days in period	92	92	365	365
Total production (boe)	6,291,328	5,112,716	22,147,470	20,355,685
Operating netback per BOE (\$/boe)	15.43	26.37	16.53	27.25

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	
	2023	2022	2023	2022
Net capital expenditures	39,938	49,687	282,796	241,790
Adjusted funds flow	82,494	124,205	313,570	516,790
Payout ratio	0.5	0.4	0.9	0.5

Net Debt to Adjusted Funds Flow Ratio

Net debt to adjusted funds flow is calculated by dividing net debt by adjusted fund flow for the previous four quarters. Net debt to adjusted funds flow is a coverage ratio that provides Management and users the ability to determine how long it would take the Corporation to repay its bank indebtedness if it devoted all its adjusted funds flow to debt repayment.

(\$000, except as otherwise indicated)	Year ended December 31	
	2023	2022
Net Debt	222,022	121,336
Adjusted funds flow (prior four quarters)	313,570	516,790
Net debt to adjusted funds flow ratio	0.7	0.2

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, 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, 2023 and December 31, 2022 is as follows:

	December 31 2023	December 31 2022
Cash and cash equivalents	19,261	48,940
Trade and other receivables	53,378	92,816
Prepaid expenses and deposits	16,618	14,613
Trade and other accrued liabilities	(70,606)	(84,805)
Working capital surplus	18,651	71,564

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, 2023 and December 31, 2022 is as follows:

	December 31 2023	December 31 2022
Bank indebtedness	212,854	177,200
Unsecured debentures	27,819	15,700
Working capital surplus	(18,651)	(71,564)
Net debt	222,022	121,336

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 and amortization 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 gains (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 acquisitions and dispositions, and net capital expenditures incurred by Entropy 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 and Development Costs ("F&D")

FD&A cost is calculated based on adding net capital expenditures excluding acquisitions and dispositions, and the net change in future development capital ("FDC"), divided by reserve additions for the year from the Sproule 2023 and 2022 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.

Recycle Ratio

Recycle ratio is calculated by dividing Advantage's fourth quarter operating netback by the calculated F&D cost or FD&A cost of the applicable year and expressed as a ratio. Management uses recycle ratio to relate the cost of adding reserves to a recent operating netback.

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 "Mcfe" 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.

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 2024 Advantage considered historical drilling, completion and production results for prior years and took into account the estimated impact on production of the Corporation's 2024 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:

bbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 Mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
GJ	- gigajoules
Mcf	- thousand cubic feet
Mcf/d	- thousand cubic feet per day
Mcfe	- thousand cubic feet equivalent (1 bbl = 6 Mcf)
Mcfe/d	- thousand cubic feet equivalent per day
MMbtu	- million British thermal units
MMbtu/d	- million British thermal units per day
MMcf	- million cubic feet
MMcf/d	- million cubic feet per day
Crude oil	- Light Crude Oil and Medium Crude Oil as defined in 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
CCUS	- carbon capture utilization 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 2024 capital program; the Corporation's anticipated top-line production growth and its expectations that all free cash flow will be allocated to its share buyback program; Advantage's focus on growing adjusted funds flow per share; the Corporation's 2024 capital guidance including its anticipated cash used in investing activities, total average production, liquids production (% of total average production), royalty rate, operating expense per boe, transportation expense per boe, G&A/finance expense per boe and net debt; Advantage's expectations that it will be able to deliver its 2024 capital program with reduced capital; the anticipated benefits to be derived from CGF's investment structure in Entropy; 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 anticipated benefits to be derived from Entropy's strategic investment agreement with CGF, including the CCO; that Advantage will continue to invest in additional transportation commitments and the anticipated benefits to be derived therefrom; the Corporation's forecasted 2024 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; the Corporation's estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2027; the anticipated capture rate of the Glacier Gas Plant Phase 1a CCS and waste heat recovery project; that Entropy's modular technology will lower corporate emissions; the Corporation's anticipated reductions in Scope 1 and 2 emissions and its expectations that it will achieve "net zero" Scope 1 and 2 emissions by 2026; the anticipated timing of when construction will begin on Glacier Phase 2 and the anticipated benefits to be derived therefrom; the Corporation's expectations that its Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan; 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 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 anticipated timing that such costs will be incurred; Entropy's business plan and the anticipated benefits 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 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

Forward-Looking Information and Other Advisories (continued)

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 risk that the Credit Facilities may not be renewed at each annual review; competition from other producers; the risk that the Corporation's actual 2024 results may not be consistent with its 2024 guidance; the risk that the Corporation's 2024 annual average production may be less than anticipated; the risk that the Corporation may not deliver its 2024 capital program with reduced capital; 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 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 agreements with Brookfield Renewables and CGF may not lead to the results anticipated; 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 may be subject to cash taxes prior to calendar 2027; 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 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 2024 towards the Corporation's share buyback program; 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; 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

Forward-Looking Information and Other Advisories (continued)

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

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 expectations that all free cash flow will be allocated to its share buyback program; the Corporation's 2024 capital guidance including its anticipated cash used in investing activities, royalty rate, operating expense per boe, transportation expense per boe, G&A/finance expense per boe and net debt; 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 estimated tax pools and its expectations that it will not be subject to cash taxes until calendar 2027; the Corporation's commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; 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

Forward-Looking Information and Other Advisories (continued)

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.sedarplus.ca 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.

March 4, 2024