



Q1

2025 First Quarter Report

For the three months ended March 31, 2025 and 2024



MESSAGE TO SHAREHOLDERS

Advantage Announces First Quarter 2025 Financial and Operating Results

Advantage Energy Ltd. (“Advantage” or the “Corporation”) is pleased to report 2025 first quarter financial and operating results.

2025 First Quarter Financial Highlights

- Cash provided by operating activities of \$122.9 million.
- Adjusted funds flow (“AFF”)^(a) of \$121.1 million or \$0.73 per share for Advantage^(b), exceeding expectations largely due to the outperformance of recently acquired assets and successful reductions in their cost structure.
- Cash used in investing activities of \$107.9 million.
- Net capital expenditures^(a) were \$94.2 million for Advantage^(b).
- Net debt^(a) of \$603.3 million for Advantage^(b), a reduction of \$22.3 million during the quarter and ahead of schedule to achieve our 2025 net debt target of \$450 million.

2025 First Quarter Operating Highlights

- Record average production of 83,773 boe/d (423.0 mmcf/d natural gas, 13,273 bbls/d liquids), an increase of 27% versus first quarter of 2024 as a result of the acquisition and moderate organic growth.
- Record liquids production of 13,273 bbls/d (8,487 bbls/d crude oil, 1,023 bbls/d condensate, and 3,763 bbls/d NGLs), an increase of 106% over the first quarter of 2024.
- Drilled 13 (10.1 net) liquids-weighted wells in Wembley, Valhalla, Progress and Gordondale, with 9 (8.8 net) wells recently brought on production. Results from both the Montney and Charlie Lake programs continue to exceed expectations.
- Operating costs in the first quarter dropped to \$4.76/boe^(a), an incremental 8% decline from the fourth quarter of 2024, due to the ongoing, successful integration of the acquired assets.

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

b) “Advantage” refers to Advantage Energy Ltd. only and excludes its subsidiary Entropy Inc.

Marketing Update

Advantage has hedged approximately 43% of its forecasted natural gas production for the balance of 2025, as well as 26% in 2026 and 7% in 2027. Advantage has also hedged approximately 43% of its forecasted crude oil and condensate production for the balance of 2025.

Looking Forward

Advantage's corporate strategy continues to focus on maximizing AFF per share without compromising our balance sheet. At current futures pricing, our optimized development drilling program maximizes AFF per share with all free cash flow directed to deleveraging and share buybacks.

Although Q1 production exceeded expectations and operating costs have trended lower, Advantage is maintaining its annual guidance. Unpredictable NGTL system reliability may affect production this summer and operating costs are expected to settle in the bottom half of our guidance range as new third-party processing commitments come online.

With the most capital-intensive quarter of our 2025 budget now behind us, we expect accelerated free cash flow ("FCF")^(a) through the balance of this year, driving us towards our net debt target while increasing our rate of share buybacks. Once our net debt target is achieved, we will establish a new, conservative debt range and return to aggressive share buybacks.

At futures pricing, Advantage expects to generate more than \$500 million of FCF over our three-year plan, while continuing to grow production at 5-10% annually. This would not be possible without our exceptional assets and peer-leading execution.

High-quality Montney assets have become increasingly scarce. Recognizing this trend, our special committee of independent directors will continue to monitor the markets to identify opportunities that are in the best interest of Advantage and our shareholders.

Advantage is strongly positioned to benefit from the Canadian political outlook by virtue of our low carbon natural gas and 62% ownership of Entropy Inc. Our strategy remains centered on disciplined capital allocation, high-return investments, and measured, sustainable AFF per share growth. This strategy presents shareholders with a rare and transformative opportunity for long-term value creation.

Advantage wishes to thank our employees, board of directors and shareholders for their ongoing support.



CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS
For the three months ended March 31, 2025 and 2024

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of May 1, 2025, 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 ended March 31, 2025 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three months ended March 31, 2025 and the audited consolidated financial statements for the year ended December 31, 2024 (together, the "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. All dollar per boe figures herein forth only include the results of Advantage's natural gas and liquids operations and exclude the results of its subsidiary, Entropy Inc. ("Entropy").

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

Financial Highlights	Three months ended March 31	
(\$000, except as otherwise indicated)	2025	2024
Financial Statement Highlights		
Natural gas and liquids sales	221,790	135,897
Net income (loss) and comprehensive income (loss) ⁽³⁾	(29,024)	23,163
per basic share ⁽²⁾⁽³⁾	(0.17)	0.14
per diluted share ⁽²⁾⁽³⁾	(0.17)	0.14
Basic weighted average shares (000)	166,821	160,444
Diluted weighted average shares (000)	166,821	164,129
Cash provided by operating activities	122,949	67,374
Cash provided by financing activities	11,670	11,883
Cash used in investing activities	(107,919)	(79,427)
Other Financial Highlights		
Adjusted funds flow ⁽¹⁾	118,642	65,393
per basic share ⁽¹⁾⁽²⁾	0.71	0.41
per diluted share ⁽¹⁾⁽²⁾	0.71	0.40
Net capital expenditures ⁽¹⁾	113,987	80,134
Free cash flow – surplus (deficit) ⁽¹⁾	655	(14,741)
Bank indebtedness	446,333	238,578
Net debt ⁽¹⁾⁽⁴⁾	723,247	279,963

⁽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 and diluted weighted average shares outstanding.

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

⁽⁴⁾ As at March 31, 2025, net debt was \$723.2 million, consisting of \$603.3 million with Advantage and \$119.9 million with Entropy. Entropy funds its projects by issuing unsecured debentures to third-party investors with committed capital. The unsecured debentures are non-recourse to Advantage, which does not provide any financing to Entropy.

Operating Highlights ⁽¹⁾Three months ended
March 31

2025 2024

	2025	2024
Operating		
Production		
Crude oil (bbls/d)	8,487	2,630
Condensate (bbls/d)	1,023	1,231
NGLs (bbls/d)	3,763	2,591
Total liquids (bbls/d)	13,273	6,452
Natural gas (Mcf/d)	422,998	357,410
Total production (boe/d)	83,773	66,020
Average realized prices (including realized derivatives)		
Natural gas (\$/Mcf)	3.29	2.86
Liquids (\$/bbl)	86.53	80.21
Operating Netback (\$/boe) ⁽²⁾		
Natural gas and liquids sales	29.42	22.62
Realized gains on derivatives	0.87	0.70
Processing and other income	0.13	0.30
Royalty expense	(2.80)	(1.52)
Operating expense	(4.76)	(4.08)
Transportation expense	(4.06)	(4.23)
Operating netback	18.80	13.79

⁽¹⁾ Operating highlights are for Advantage's natural gas and liquids operations.

⁽²⁾ 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.

2025 Guidance

In the first quarter of 2025, the Canadian oil and gas sector, along with other industries, faced uncertainty in respect of the constantly evolving tariff measures introduced by the United States. Although a 10% tariff on Canadian energy imports was initially announced, the U.S. government fully exempted these commodities from tariffs as of April 2, 2025. However, these exemptions are potentially subject to change, and the Corporation will continue to monitor developments in U.S. trade policy and assess any potential impacts on its operations and financial performance. While such trade policy volatility could influence Canadian commodity price differentials, the Corporation's current production and cost estimates remain unchanged.

The table below summarizes Advantage's 2025 guidance as at March 31, 2025:

Forward Looking Information⁽¹⁾	Guidance⁽³⁾
Cash Used in Investing Activities (\$ millions) ⁽²⁾	270 to 300
Production	
Total Production (boe/d)	80,000 to 83,000
Natural Gas (%)	84 to 85
Crude Oil and Condensate (%)	11 to 12
NGLs (%)	~4
Expenses	
Royalty Rate (%)	8 to 10
Operating Expense (\$/boe) ⁽⁴⁾	5.20 to 5.90
Transportation Expense (\$/boe) ⁽⁴⁾	3.95 to 4.25
G&A Expense (\$/boe) ⁽⁴⁾	0.75 to 0.85
Finance Expense (\$/boe) ⁽⁴⁾	1.50 to 1.95

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

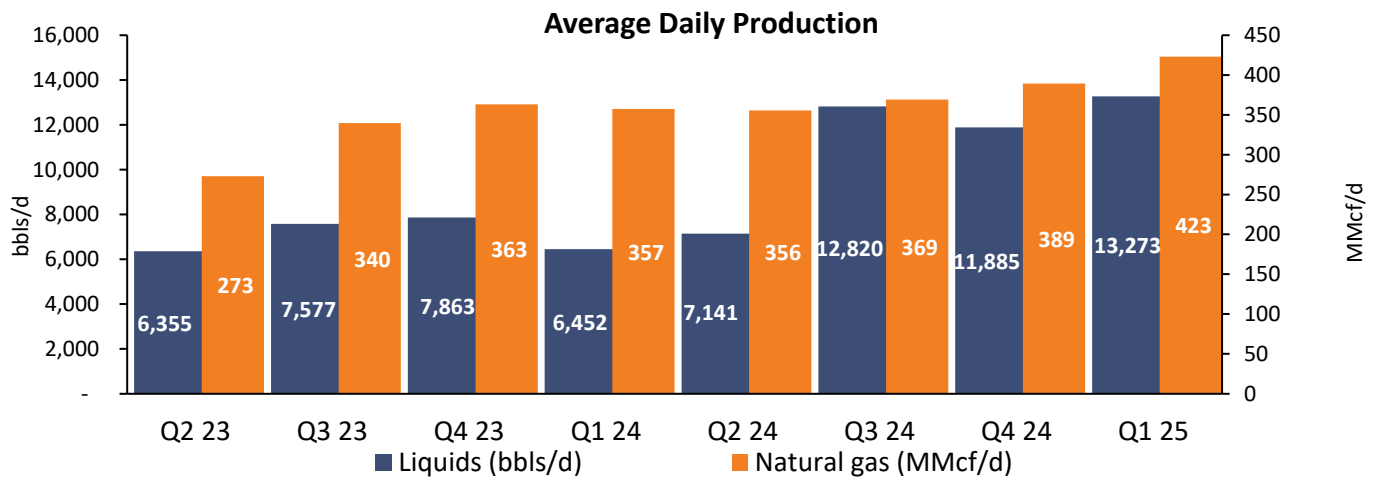
⁽²⁾ Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed between years and other differences are immaterial.

⁽³⁾ Guidance numbers are for Advantage Energy Ltd. only and exclude its subsidiary, Entropy Inc.

⁽⁴⁾ \$/boe are specified financial measures which may not be comparable to similar specified financial measures used by other entities. Please see "Specified Financial Measures".

Production

Average Daily Production	Three months ended		% Change
	2025	2024	
Crude oil (bbls/d)	8,487	2,630	223
Condensate (bbls/d)	1,023	1,231	(17)
NGLs (bbls/d)	3,763	2,591	45
Total liquids (bbls/d)	13,273	6,452	106
Natural gas (Mcf/d)	422,998	357,410	18
Total production (boe/d)	83,773	66,020	27
Liquids (% of total production)	16	10	
Natural gas (% of total production)	84	90	



For the three months ended March 31, 2025, Advantage delivered record total production averaging 83,773 boe/d, increasing 27% compared to the same period of the prior year. Production increased significantly in the first quarter of 2025 compared to the same period in 2024, primarily due to the acquisition of high-quality Charlie Lake and Montney assets in June 2024 (the "Acquired Assets"). The Acquired Assets were successfully integrated into Advantage's operations and contributed meaningfully to both natural gas and liquids volumes and growth.

Natural gas production for the three months ended March 31, 2025, averaged 423.0 MMcf/d, an increase of 18% compared to the same period of the prior year. Advantage's natural gas production increased as a result of the Acquired Assets and continued development at Glacier, with 2.0 net Montney wells brought on production in the quarter (see "Cash Used in Investing Activities and Net Capital Expenditures").

Liquids production for the three months ended March 31, 2025, averaged 13,273 bbls/d, an increase of 106% compared to the same period of the prior year largely due to the Acquired Assets, accompanied with the Corporation bringing 5.8 net Charlie Lake wells on production, which delivered production rates exceeding historical type curves (see "Cash Used in Investing Activities and Net Capital Expenditures").

Advantage expects total annual production to be between 80,000 and 83,000 boe/d in 2025 based on the Corporation's planned 2025 capital program (see "2025 Guidance").

Commodity Prices and Marketing

	Three months ended		% Change
	March 31		
Average Realized Prices ⁽²⁾	2025	2024	
Natural gas			
Excluding derivatives (\$/Mcf)	3.16	2.73	16
Including derivatives (\$/Mcf)	3.29	2.86	15
Liquids			
Crude oil (\$/bbl)	94.64	91.89	3
Condensate (\$/bbl)	97.72	94.30	4
NGLs (\$/bbl)	59.48	61.65	(4)
Total liquids excluding derivatives (\$/bbl)	84.91	80.21	6
Total liquids including derivatives (\$/bbl)	86.53	80.21	8
Average Benchmark Prices			
Natural gas ⁽¹⁾			
AECO daily (\$/Mcf)	2.16	2.51	(14)
Empress daily (\$/Mcf)	2.46	2.59	(5)
Henry Hub (\$US/MMbtu)	3.66	2.24	63
Emerson daily (\$US/MMbtu)	2.92	2.30	27
Dawn daily (\$US/MMbtu)	3.86	2.26	71
Chicago Citygate (\$US/MMbtu)	3.95	2.85	39
Liquids			
WTI (\$US/bbl)	71.42	76.95	(7)
MSW Edmonton (\$/bbl)	95.36	92.15	3
Average Exchange rate (\$US/\$CAD)	0.6968	0.7414	(6)

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

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

Natural gas

Advantage's realized natural gas price excluding derivatives for the three months ended March 31, 2025, was \$3.16/Mcf, a 16% increase compared to the same period of the prior year. This increase was attributed to higher natural gas benchmark prices in markets outside of Alberta where Advantage has market diversification exposure and physically delivers natural gas. Most North American natural gas benchmark prices have increased in the first quarter of 2025 compared to 2024 largely due to strong North American natural gas demand, liquified natural gas demand, and a colder winter than the prior year. However, AECO and Empress prices remained low in the first quarter of 2025 due to robust supply as compared to demand, and limited export capacity to other markets.

Advantage's natural gas exposure consists of the AECO, Empress, Emerson, Dawn, and Chicago markets. Additionally, the Corporation delivers 25,000 MMbtu/d under a long-term natural gas supply agreement and 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, Dawn and Chicago markets (see "Transportation Expense").

Commodity Prices and Marketing (continued)

The following table outlines the Corporation's 2025 forward-looking natural gas market exposure, and three months ended March 31, 2025, actual natural gas market exposure, excluding hedging.

Sales Markets	Three months ended March 31, 2025		Forward-looking 2025 ⁽²⁾	
	Production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)
AECO	145.0	35%	170.7	42%
AECO Other ⁽⁴⁾	56.9	13%	28.4	7%
Empress	80.1	19%	88.4	21%
Emerson	43.1	10%	30.9	7%
Dawn	52.7	12%	52.7	13%
Chicago	20.2	5%	17.1	4%
PJM power price ⁽⁵⁾	25.0	6%	25.0	6%
Total	423.0	100%	413.2⁽³⁾	100%

⁽¹⁾ All volumes contracted converted to Mcf 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 March 31, 2025.

⁽³⁾ Represents the midpoint of our 2025 guidance for natural gas production volumes (see News Release dated November 30, 2024).

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

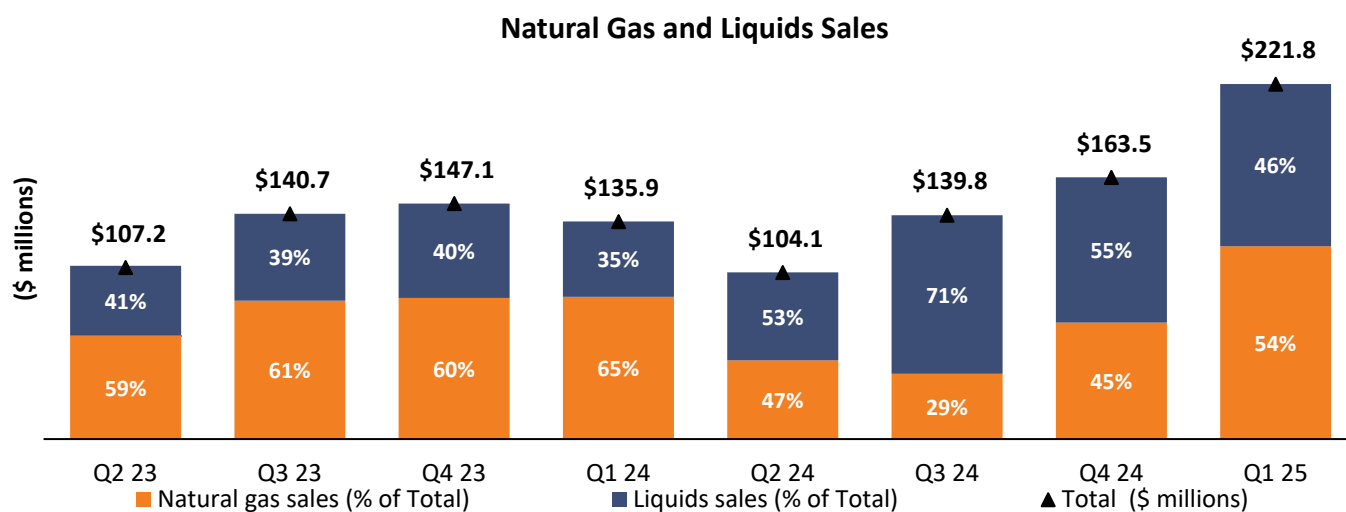
⁽⁵⁾ Sales are based upon a spark-spread price, providing Advantage exposure to PJM power prices, back-stopped with a natural gas price collar.

Liquids

Advantage's realized liquids price excluding derivatives for the three months ended March 31, 2025, was \$84.91/bbl, an increase of 6% compared to the same period of the prior year due to a higher proportion of Advantage's liquids production being comprised of crude oil, condensate, and pentanes from the Acquired Assets, accompanied by the positive impact of a weaker Canadian dollar that partially offset the lower WTI price. 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 83% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attract higher market prices than other liquids. The quality of our liquids production has increased significantly from the prior year due to the Acquired Assets.

Natural Gas and Liquids Sales

(\$000, except as otherwise indicated)	Three months ended		% Change
	2025	2024	
Crude oil	72,287	21,992	229
Condensate	8,997	10,564	(15)
NGLs	20,143	14,536	39
Liquids	101,427	47,092	115
Natural gas	120,363	88,805	36
Natural gas and liquids sales	221,790	135,897	63
per boe	29.42	22.62	30



Natural gas and liquids sales for the three months ended March 31, 2025, increased by \$85.9 million or 63% compared to the same period of 2024.

For the three months ended March 31, 2025, natural gas sales increased by \$31.6 million or 36%, compared to the corresponding period in 2024, due to an 18% increase in natural gas production and a 16% increase in realized natural gas prices (see "Production" and "Commodity Prices and Marketing"). The Corporation's strategy of curtailing natural gas production during periods of depressed AECO prices in 2024 enabled it to realize significantly higher realized prices for the deferred natural gas production in 2025.

First quarter liquids sales increased by \$54.3 million or 115%, due to a 106% increase in liquids production (see "Production"), and a 6% increase 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 organic 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 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 ended March 31, 2025, and 2024 are as follows:

	Three months ended	
	March 31	
	2025	2024
Realized gains (losses) on derivatives		
Natural gas	3,480	4,663
Crude oil	1,942	-
Foreign exchange	(420)	90
Natural gas embedded derivative	1,523	(547)
Total	6,525	4,206
Unrealized gains (losses) on derivatives		
Natural gas	(58,048)	(9,161)
Crude oil	(1,996)	-
Foreign exchange	346	(847)
Natural gas embedded derivative	(31,423)	16,414
Unsecured debenture – derivative liability	1,211	(182)
Total	(89,910)	6,224
Gains (losses) on derivatives		
Natural gas	(54,568)	(4,498)
Crude oil	(54)	-
Foreign exchange	(74)	(757)
Natural gas embedded derivative	(29,900)	15,867
Unsecured debenture – derivative liability	1,211	(182)
Total	(83,385)	10,430

Financial Risk Management (continued)

Natural gas

For the three months ended March 31, 2025, Advantage realized gains on natural gas derivatives of \$3.5 million due to the settlement of contracts with average derivative contract prices that were above average market prices.

For the three months ended March 31, 2025, Advantage recognized an unrealized loss on natural gas derivatives of \$58.0 million resulting from changes in the fair value of outstanding natural gas derivative contracts and the settlement of contracts. The change in the fair value of our outstanding natural gas derivative contracts was significantly impacted by an increase in forward strip prices at both AECO and Dawn resulting in a liability position as at March 31, 2025.

Crude oil

In conjunction with acquiring liquids assets in the second quarter of 2024, Advantage initiated a disciplined crude oil hedging program by entering into an increased volume of crude oil derivative contracts. For the three months ended March 31, 2025, Advantage realized gains on crude oil derivatives of \$1.9 million due to the settlement of contracts with average derivative contract prices that were above average market prices.

Advantage recognized an unrealized loss on crude oil derivatives of \$2.0 million. The unrealized loss is due to realizing gains on outstanding contracts during the first quarter of 2025 with no significant change in the fair value of outstanding crude oil derivative contracts.

Foreign exchange

For the three months ended March 31, 2025, Advantage realized a loss on foreign exchange derivatives of \$0.4 million while recognizing an unrealized gain of \$0.3 million. The realized loss is due to settlement of contracts at a weaker Canadian dollar versus the US dollar than the contract price. The unrealized gain is due to realizing losses on outstanding contracts during the first quarter of 2025.

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. 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 gain of \$1.5 million for the three months ended March 31, 2025 (three months ended March 31, 2024 – realized loss of \$0.5 million). 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 ended March 31, 2025 the Corporation recognized an unrealized loss on the natural gas embedded derivative of \$31.4 million due to weakening future PJM electricity prices resulting in a lower asset position of the derivative compared to the fourth quarter of 2024.

Unsecured debentures derivative

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 three months ended March 31, 2025, the Entropy unsecured debentures derivative liability valuation was reduced due to decreasing interest rates compared to the fourth quarter of 2024, resulting in an unrealized gain of \$1.2 million.

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 April 1, 2025 and March 31, 2028, apart from the natural gas embedded derivative which will not be settled until 2033.

As at March 31, 2025 and May 1, 2025, the Corporation had the following commodity and foreign exchange derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - AECO			
Fixed price swap	April 2025 to October 2025	120,847 Mcf/d	\$2.66/Mcf
Fixed price swap	November 2025 to March 2026	123,216 Mcf/d	\$3.58/Mcf
Fixed price swap	April 2026 to October 2026	66,347 Mcf/d	\$3.17/Mcf
Fixed price swap	November 2026 to March 2027	71,086 Mcf/d	\$3.27/Mcf
Fixed price swap	April 2027 to March 2028	14,217 Mcf/d	\$3.23/Mcf
Natural gas - Chicago			
Fixed price swap	April 2025 to October 2025	4,739 Mcf/d	\$5.10/Mcf
Natural gas - Dawn			
Fixed price swap	April 2025 to October 2025	47,391 Mcf/d	\$4.04/Mcf
Fixed price swap	November 2025 to March 2026	28,435 Mcf/d	\$4.65/Mcf
Fixed price swap	April 2026 to October 2026	28,435 Mcf/d	\$4.52/Mcf
Fixed price swap	November 2026 to March 2027	9,478 Mcf/d	\$4.25/Mcf
Crude oil - WTI NYMEX			
Fixed price swap	April 2025 to June 2025	5,000 bbls/d	US \$74.43/bbl
Fixed price swap	July 2025 to December 2025	4,000 bbls/d	US \$71.24/bbl

Description of Derivative	Term	Notional Amount	Rate
Forward rate - CAD/USD			
Average rate currency swap	April 2025 to June 2025	US \$ 4,000,000/month	1.4048
Average rate currency swap	July 2025	US \$ 3,000,000/month	1.3969
Average rate currency swap	August 2025 to December 2025	US \$ 1,000,000/month	1.4320

Processing and other income

(\$000, except as otherwise indicated)	Three months ended		% Change
	March 31		
	2025	2024	
Advantage processing and other income	978	1,809	(46)
per boe	0.13	0.30	(57)
Entropy engineering services	1,313	375	250
Total processing and othe income	2,291	2,184	5

Advantage earns processing income from contracts whereby the Corporation charges third-parties to utilize excess capacity at its facilities.

For the three months ended March 31, 2025, Advantage generated processing and other income of \$1.0 million, a decrease of 46% compared to the same period of the prior year. The decrease is a result of less third-party throughput at the Glacier Gas Plant as Advantage acquired production in 2024 that was previously being charged natural gas processing fees.

For the three months ended March 31, 2025, Entropy generated \$1.3 million in other income for front-end engineering and design studies for third-parties, an increase of \$0.9 million, or 250%.

Royalty Expense

(\$000, except as otherwise indicated)	Three months ended		% Change
	March 31		
	2025	2024	
Royalty expense	21,079	9,135	131
per boe	2.80	1.52	84
Royalty rate (%) ⁽¹⁾	9.5	6.7	2.8

⁽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 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.

The increase in royalty expense was due to significantly higher production, particularly from liquids (see "Production"). The average royalty rate was similarly higher than the comparative period due to a higher proportion of sales being liquids, which generally attract higher royalty rates (see "Natural gas and liquids sales") but also result in higher operating netbacks.

Advantage expects royalty rates to range from 8% to 10% in 2025 (see "2025 Guidance").

Operating Expense

(\$000, except as otherwise indicated)	Three months ended		% Change
	March 31		
	2025	2024	
Advantage operating expense	35,858	24,497	46
per boe	4.76	4.08	17
Entropy operating expense	623	585	6
Operating expense	36,481	25,082	45

Operating expense for Advantage's natural gas and liquids operations for the three months ended March 31, 2025, increased by \$11.4 million, or 46%, compared to the same period of the prior year, while operating expense per boe was \$4.76/boe. The increase was primarily due to higher production volumes associated with the Acquired Assets, which are more liquids-weighted and therefore carry higher operating costs per boe, but also generate stronger operating netbacks. Compared to the fourth quarter of 2024, operating expense per boe declined by 8%, reflecting the continued operational integration and realization of synergies from the Acquired Assets.

Advantage expects 2025 annual operating expense per boe to be approximately \$5.20 to \$5.90 (see "2025 Guidance"). Advantage realized lower operating expense per boe in the first quarter of 2025; however, the Corporation expects to be within guidance as additional natural gas processing at third-party plants is scheduled to begin during the second half of 2025.

Operating expense for Entropy for the three months ended March 31, 2025, was comparable to the prior year.

Transportation Expense

(\$000, except as otherwise indicated)	Three months ended		% Change
	March 31		
	2025	2024	
Natural gas	25,083	22,032	14
Liquids	5,490	3,365	63
Total transportation expense	30,573	25,397	20
per boe	4.06	4.23	(4)

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 March 31, 2025, increased by \$5.2 million or 20%. The increase in transportation expense is a result of additional production from the Acquired Assets and additional physical natural gas transportation to Chicago (see "Production"), while transportation cost per boe was comparable to the prior year.

Advantage expects 2025 annual transportation expense per boe to be approximately \$3.95 to \$4.25/boe (see "2025 Guidance").

Operating Income and Operating Netback

	Three months ended			
	March 31			
	2025		2024	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	221,790	29.42	135,897	22.62
Realized gains on derivatives	6,525	0.87	4,206	0.70
Processing and other income	978	0.13	1,809	0.30
Royalty expense	(21,079)	(2.80)	(9,135)	(1.52)
Operating expense	(35,858)	(4.76)	(24,497)	(4.08)
Transportation expense	(30,573)	(4.06)	(25,397)	(4.23)
Operating income and operating netback ⁽¹⁾	141,783	18.80	82,883	13.79

⁽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 ended March 31, 2025, Advantage's operating netback was \$18.80/boe, an increase of \$5.01/boe or 36%. The increase in operating netback per boe was primarily due to the increase in natural gas and liquids sales, particularly from higher liquids production from the Acquired Assets (see "Production").

General and Administrative Expense

(\$000, except as otherwise indicated)	Three months ended		
	March 31		%
	2025	2024	Change
Advantage G&A	8,851	9,120	(3)
Capitalized	(1,546)	(2,067)	(25)
Advantage G&A expense	7,305	7,053	4
per boe	0.97	1.17	(17)
Entropy G&A expense	4,318	2,301	88
General and administrative expense	11,623	9,354	24
Employees at March 31	85	66	29

Advantage general and administrative ("G&A") expense for the three months ended March 31, 2025, was consistent with the same period of the prior year and reflects typical higher first quarter costs. Entropy G&A expense increased primarily due to higher staff levels required to support the continued business growth.

Share-based Compensation

(\$000, except as otherwise indicated)	Three months ended		% Change
	March 31		
	2025	2024	
Share-based compensation	2,035	95	nm
Capitalized	(353)	-	nm
Share-based compensation expense	1,682	95	nm
per boe	0.22	0.02	nm

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 vest over 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 \$2.0 million of share-based compensation during the three months ended March 31, 2025, and capitalized \$0.4 million. Share-based compensation expense in the prior year was lower due to realizing a lower performance multiplier for the settlement of Performance Share Units, accompanied by revising performance multiplier estimates for outstanding Performance Share Units.

Finance Expense

(\$000, except as otherwise indicated)	Three months ended		% Change
	March 31		
	2025	2024	
Advantage interest expense	12,542	7,172	75
per boe	1.66	1.19	39
Advantage accretion expense	1,290	511	152
Advantage finance expense	13,832	7,683	80
Entropy finance expense	1,354	774	75
Finance expense	15,186	8,457	80

Advantage incurred higher finance expense during the three months ended March 31, 2025, primarily due to the financing of the Acquired Assets through a combination of bank indebtedness and convertible debentures. Interest on bank indebtedness is based on short-term loans plus fees 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 (see "Bank Indebtedness, Credit Facilities and Working Capital"). Advantage recognized \$1.8 million of interest expense related to the convertible debentures and incurred incremental associated accretion expense for the three months ended March 31, 2025 (see "Convertible Debentures").

Entropy finance expense increased during the three months ended March 31, 2025, due to an increased average outstanding aggregate principal amount of unsecured debentures associated with investors financing of the Glacier Phase 2 project. Entropy funds its projects by issuing unsecured debentures to third-party investors with committed capital. The unsecured debentures are non-recourse to Advantage, which does not provide any financing to Entropy (see "Unsecured Debentures").

Depreciation and Amortization Expense

(\$000, except as otherwise indicated)	Three months ended		% Change
	March 31		
	2025	2024	
Advantage depreciation	59,283	40,917	45
per boe	7.86	6.81	15
Entropy depreciation and amortization	958	212	352
Depreciation and amortization expense	60,241	41,129	46

The increase in depreciation expense during the three months ended March 31, 2025 is attributable to an increased netbook value associated with the Corporation's property, plant, and equipment accompanied by increased production (see "Production"). Depreciation and amortization expense per boe for the three months ended March 31, 2025, increased compared to the prior year due to an increase in the Corporation's natural gas and liquids depletable base.

Taxes

(\$000, except as otherwise indicated)	Three months ended		% Change
	March 31		
	2025	2024	
Income tax expense (recovery)	(7,012)	7,747	nm
Effective tax rate (%)	19.3	25.3	nm

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three months ended March 31, 2025, the Corporation recognized a deferred income tax recovery of \$7.0 million. The recovery for the three months ended March 31, 2025, is a result of a loss before taxes and non-controlling interest of \$36.4 million combined with non-deductible share-based compensation expense, and valuation allowances applied against Entropy's non-capital losses. As at March 31, 2025, the Corporation had a deferred income tax liability of \$246.2 million.

Net Income (Loss) and Comprehensive Income (Loss) Attributable to Advantage Shareholders

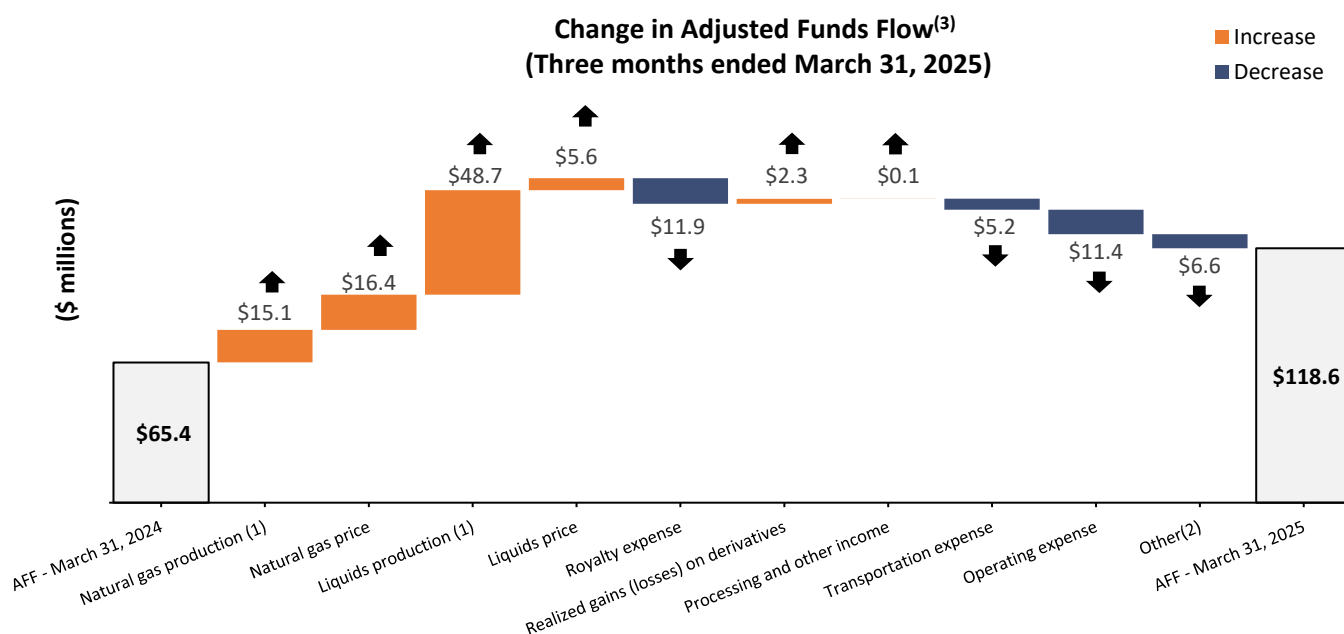
(\$000, except as otherwise indicated)	Three months ended		% Change
	March 31		
	2025	2024	
Net income (loss) and comprehensive income (loss) attributable to Advantage shareholders	(29,024)	23,163	(225)
per basic share	(0.17)	0.14	(221)
per diluted share	(0.17)	0.14	(221)

Advantage recognized a net loss attributable to Advantage shareholders of \$29.0 million for the three months ended March 31, 2025. The net loss and comprehensive loss attributable to Advantage shareholders was due to a \$89.9 million unrealized loss attributable to changes in the fair value of outstanding derivative contracts (see "Financial Risk Management"), partially offset by a significant increase in natural gas and liquids sales due to higher production (see "Production") and improved commodity prices (see "Commodity Prices and Marketing").

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

(\$000, except as otherwise indicated)	Three months ended March 31	
	2025	2024
Cash provided by operating activities	122,949	67,374
Expenditures on decommissioning liability	1,393	67
Changes in non-cash working capital	(5,700)	(2,048)
Adjusted funds flow⁽¹⁾	118,642	65,393
per basic share ⁽¹⁾	0.71	0.41
per diluted share ⁽¹⁾	0.71	0.40
Advantage adjusted funds flow ⁽¹⁾	121,127	67,031
per boe ⁽¹⁾	16.07	11.16
Entropy adjusted funds flow ⁽¹⁾	(2,485)	(1,638)

(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 G&A, finance expense (excluding accretion of decommissioning liability and unsecured debentures), foreign exchange gain and settlement of Performance Share Units in cash.

(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 ended March 31, 2025, The Corporation realized cash provided by operating activities of \$122.9 million, an increase of \$55.6 million when compared to the same period of 2024. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of \$118.6 million, an increase of \$53.2 million when compared to the same period of 2024. The increase in cash provided by operating activities and adjusted funds flow were largely due to the increase in natural gas and liquids sales as a result of higher total production and higher natural gas and liquids prices (see "Production" and "Commodity Prices and Marketing"), partially offset by higher costs associated with the increased commodity prices and liquids-weighted production.

Cash Used in Investing Activities and Net Capital Expenditures

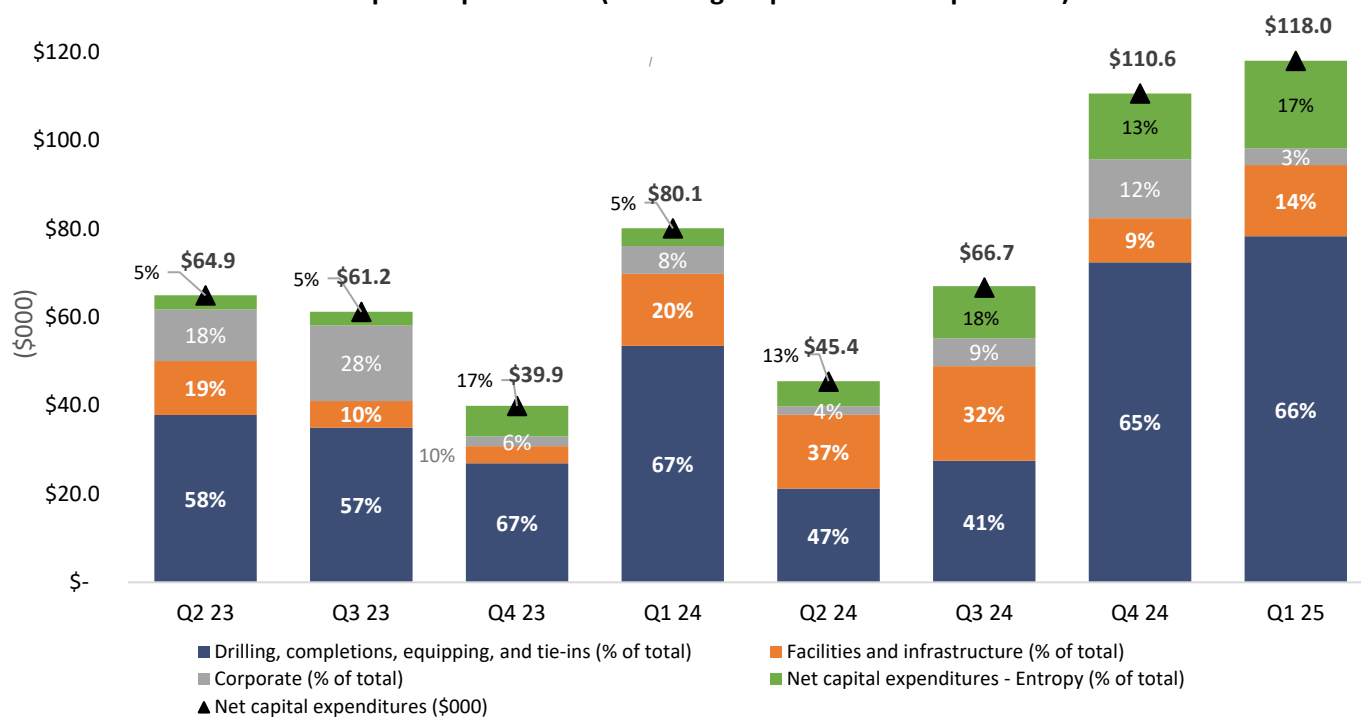
Three months ended
March 31

(\$000)	2025	2024
Drilling, completions, equipping, and tie-ins	78,272	53,546
Facilities and infrastructure	16,144	16,296
Corporate ⁽²⁾	3,755	6,334
Exploration and development expenditures	98,171	76,176
Asset dispositions	(4,000)	-
Net capital expenditures – Advantage⁽¹⁾	94,171	76,176
Carbon capture and storage facilities	19,714	3,418
Intangible assets	102	540
Net capital expenditures – Entropy⁽¹⁾	19,816	3,958
Net capital expenditures ⁽¹⁾	113,987	80,134
Changes in non-cash working capital	(6,068)	(707)
Cash used in investing activities	107,919	79,427

(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 (Excluding Acquisitions & Dispositions)⁽¹⁾



(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 incurred \$98.2 million of exploration and development expenditures for the three months ended March 31, 2025.

The following table summarizes wells drilled, completed and on production for the three months ended March 31, 2025:

(# of wells)	Three months ended March 31, 2025		
	Drilled Gross (Net)	Completed Gross (Net)	On production Gross (Net)
Glacier	2 (2.0)	5 (5.0)	2 (2.0)
Progress	3 (1.5)	-	-
Valhalla	5 (3.6)	6 (4.5)	4 (3.8)
Wembley	3 (3.0)	-	-
Gordondale	2 (2.0)	2 (2.0)	2 (2.0)
	15 (12.1)	13 (11.5)	8 (7.8)

Charlie Lake Assets

Valhalla/Progress/Gordondale

Activity on our Charlie Lake properties continued to accelerate following the closing of the acquisition on June 24, 2024. Activity in the first quarter of 2025 consisted of 10 gross (7.1 net) wells drilled, 6 gross (4.5 net) wells completed, and 6 gross (5.8 net) wells placed on production. Our first four operated Charlie Lake wells placed on production have had liquid rates exceeding historical type curves by over 65%. Average IP30 rates for these wells were 1,004 boe/d (1.4 MMcf/d natural gas, 737 bbls/d crude oil and 29 bbls/d NGLs) confirming the high quality and production potential of the acquired Charlie Lake properties.

During the quarter, Advantage physically connected our main 16-29 Valhalla Battery to both the North River Midstream Gordondale East plant and the CSV Albright plant gas gathering systems. The plants are undergoing expansion or new construction respectively and, along with our own extensive gas processing and liquid handling infrastructure, will be available in 2025 to facilitate continued development of our Charlie Lake properties.

Montney Assets

Glacier

The first quarter of 2025 was active at our Glacier property with 2 gross (2.0 net) wells drilled, 5 gross (5 net) wells completed, and 2 gross (2.0 net) wells placed on production.

Well performance from the property continues to be strong. Of all Alberta Montney gas wells placed on production in 2024, Advantage had 7 of the top 10 gas producing wells, based on IP90 rates. The two wells placed on production in the first quarter of 2025 similarly had strong performance achieving average IP30 rates of 15.1MMcf/d raw natural gas despite being choked back to minimize erosional risks and impacts on nearby wells.

A new water disposal well was also drilled and completed during the quarter and will help maintain our low-cost structure at Glacier.

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

Wembley

At Wembley, drilling activity resumed on a three-well pad during the first quarter of 2025 with completion operations taking place during the second quarter of 2025. 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. The property remains a key contributor to our liquid rich portfolio of Montney assets.

Progress

At Progress, as outlined in our 2025 capital budget, construction on the Phase 1 75 MMcf/d Progress 4-21 gas plant is deferred to early 2026, with no impact on forecasted 2025 production. Instead, excess processing capacity strategically acquired in 2024 will be utilized, reducing 2025 capital expenditures and increasing free cash flow by approximately \$35 million.

The completion and commissioning of this facility in the second quarter of 2026 will unlock significant synergies and growth from our assets through regional infrastructure and production optimization, resulting in lower operating costs and stronger operating netbacks. The Progress gas plant will also provide incremental processing capacity for our next phase of low-cost production growth at Glacier.

Valhalla

Two new Montney wells were completed at Valhalla during the first quarter of 2025. These wells will be brought on production through the Glacier Gas Plant coinciding with the start-up of processing capacity at the CSV Albright plant. No new wells were brought on production in 2024 due to the raw gas transportation line to the Glacier Gas Plant being utilized at capacity. However, the wells drilled in 2023, achieved 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. Strong well results support Management's view that our Valhalla Montney asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan.

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 \$137 million has been drawn as at March 31, 2025. Advantage does not provide any financing to Entropy.

Entropy invested \$19.8 million in net capital expenditures during the three months ended March 31, 2025. Entropy's expenditures were mainly attributable to front-end engineering and design cost and procurement of equipment required for construction of the Glacier Phase 2 project.

On June 21, 2024, the CCUS ITC which was included in Bill C-59 received royal assent. Advantage and Entropy have incurred carbon capture expenditures dating back to January 1, 2022, which once approved by the federal government, should be eligible expenditures under the CCUS ITC program. The Corporation is working with Natural Resources Canada and the Canada Revenue Agency to finalize approval for our existing carbon capture projects at Glacier.

Commitments and Contractual Obligations

The Corporation has commitments and contractual obligations in the normal course of operations. Such commitments include operating costs for office leases, 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, \$347 million or 47% is required for delivery of natural gas and liquids production to Alberta markets, while Advantage has proactively committed to \$385 million in additional transportation to diversify natural gas production to the Dawn, Empress, Emerson, and Chicago 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	2025 (9 months)	2026	2027	2028	2029	Beyond
Building operating cost ⁽¹⁾	1.9	0.5	0.8	0.6	-	-	-
Processing	184.6	20.9	28.1	28.1	28.2	26.4	52.9
Transportation	732.3	85.5	93.8	88.2	64.4	60.4	340.0
Total commitments	918.8	106.9	122.7	116.9	92.6	86.8	392.9
Performance Awards	7.0	0.8	2.2	3.2	0.8	-	-
Lease liability	2.9	0.9	1.1	0.7	0.1	0.1	-
Financing liability	133.8	9.8	13.0	13.0	13.1	13.0	71.9
Bank indebtedness ⁽²⁾							
- principal	450.0	-	450.0	-	-	-	-
- interest	34.0	20.4	13.6	-	-	-	-
Unsecured debentures ⁽³⁾							
- principal	145.7	-	-	-	-	-	145.7
- interest	116.2	8.8	11.7	11.7	11.7	11.7	60.6
Convertible debentures ⁽⁴⁾							
- principal	143.8	-	-	-	-	143.8	-
- interest	32.4	7.2	7.2	7.2	7.2	3.6	-
Total contractual obligations	1,065.8	47.9	498.8	35.8	32.9	172.2	278.2
Total future payments	1,984.6	154.8	621.5	152.7	125.5	259.0	671.1

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

⁽²⁾ As at March 31, 2025 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⁾ Entropy funds its projects by issuing unsecured debentures to third-party investors with committed capital. The unsecured debentures are non-recourse to Advantage, which does not provide any financing to Entropy. The principal balance of unsecured debenture bears an interest rate of 8%, which can be paid-in-kind (subject to certain limitations) or cash, at the discretion of Entropy (see "Unsecured Debentures").

⁽⁴⁾ The convertible debentures have a maturity date of June 30, 2029 and a coupon rate of 5% payable semi-annually.

Liquidity and Capital Resources

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

(\$000, except as otherwise indicated)	March 31 2025	December 31 2024
Bank indebtedness	446,333	470,424
Aggregate principal balance of convertible debentures ⁽¹⁾	143,750	143,750
Aggregate principal balance of unsecured debentures ⁽²⁾	145,732	101,000
Working capital (surplus) deficit ⁽³⁾	(12,568)	3,275
Net debt ⁽³⁾	723,247	718,449
Shares outstanding	166,628,640	166,931,440
Shares closing market price (\$/share)	10.84	9.86
Market capitalization	1,806,254	1,645,944
Total capitalization	2,529,501	2,364,393

⁽¹⁾ The convertible debentures have a maturity date of June 30, 2029 and a coupon rate of 5% payable semi-annually.

⁽²⁾ Entropy funds its projects by issuing unsecured debentures to third-party investors with committed capital. The unsecured debentures are non-recourse to Advantage, which does not provide any financing to Entropy. The aggregate principal balance of unsecured debenture bears an annual interest rate of 8%, which can be paid-in-kind (subject to certain limitations) or cash, at the discretion of Entropy (see "Unsecured Debentures").

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

As at March 31, 2025, net debt for Advantage was \$603.3 million and Entropy was \$119.9 million. Advantage generated \$23.0 million of free cash flow during the three months ended March 31, 2025, allowing Advantage to reduce net debt by \$22.3 million, when compared to December 31, 2024. Advantage has a \$650 million Credit Facility of which \$191.4 million or 29% was available after deducting outstanding letters of credit of \$8.6 million (see "Bank Indebtedness, Credit Facilities and Working Capital"). Debt to adjusted funds flow ratio excluding Entropy was 2.0, and if the Corporation included \$36.7 million of cash flows from the Acquired Assets for the three months preceding the acquisition, the ratio would have been 1.8. Advantage has set a net debt target of \$450 million by the end of 2025, which would represent a debt to adjusted funds flow ratio of approximately 1.0, and the Corporation remains well-positioned to achieve this objective given the strength of its business outlook, current commodity price environment, and the magnitude of its hedging program.

Entropy net debt increased \$27.1 million from December 31, 2024, due to drawing \$42.0 million of unsecured debentures (see "Unsecured Debentures"), which were used to fund \$19.8 million of net capital expenditures in the quarter (see "Cash Used in Investing Activities and Net Capital Expenditures"). Debentures issued by Entropy are funded by investors that have provided Entropy access to an aggregate of up to \$500 million in committed capital, of which \$137.0 million has been drawn as at March 31, 2025. Entropy funds its projects by issuing unsecured debentures that are non-recourse to Advantage, which does not provide any financing to Entropy.

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, convertible debentures, unsecured debentures issued by Entropy, and share capital. Advantage may manage its capital structure by issuing new common shares in the capital of Advantage ("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 March 31, 2025, Advantage had bank indebtedness outstanding of \$446.3 million, a decrease of \$24.1 million since December 31, 2024 due to adjusted funds flow in excess of net capital expenditures. Advantage's Credit Facilities are collateralized by a \$2 billion floating charge demand debenture covering all assets of the Corporation and has no financial covenants (the "Credit Facilities"). The borrowing base for the Credit Facilities is determined by the banking syndicate through an evaluation of our reserve estimates based on 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. The Credit Facilities comprise a \$60 million extendible revolving operating loan facility from one financial institution and a \$590 million extendible revolving loan facility from a syndicate of financial institutions. The Credit Facility has a term of two years with a maturity date in June 2026 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term, no principal payments are required until the revolving period matures in June 2026 in the event of a reduction, or the Credit Facility not being renewed. The Corporation had letters of credit of \$8.6 million outstanding at March 31, 2025 (December 31, 2024 - \$5.5 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 March 31, 2025, and December 31, 2024.

The Corporation had a working capital surplus of \$12.6 million as at March 31, 2025, as compared to a working capital deficit at December 31, 2024 of \$3.3 million, largely due to an increase in cash and cash equivalents from cash held by Entropy, which was partially offset by an increase in trade and other accrued liabilities connected to the timing of net capital expenditures and related payments. Our working capital includes cash and cash equivalents, trade and other receivables, prepaid expenses and deposits, and 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.

Convertible Debentures

The Corporation has \$143.8 million principal amount of convertible unsecured subordinated debentures outstanding (the "Debentures") at a price of \$1,000 per debenture as at March 31, 2025. The Debentures will mature and be repayable on June 30, 2029 and will accrue interest at the rate of 5% per annum payable semi-annually in arrears on June 30 and December 31 of each year. The fair value of the Debentures at March 31, 2025, was \$153.1 million, using quoted market prices on the Toronto Stock Exchange ("TSX").

At the Debenture holder's option, the Debentures may be convertible into Common Shares at any time prior to the close of business on the earlier of the business day immediately preceding (i) the maturity date, or (ii) if called for redemption, the date fixed for redemption by the Corporation, (iii) if called for repurchase in the event of a change of control, the payment date, at a conversion price of \$14.58 per Common Share, subject to adjustment in certain events. This represents a conversion rate of approximately 68.5871 Common Shares for each \$1,000 principal amount of the Debentures, subject to the operation of certain antidilution provisions. In the event of a change of control of the Corporation or the redemption of the Debentures by Advantage, subject to certain terms and conditions, holders of the Debentures will be entitled to convert their Debentures and, subject to certain limitations, receive, in addition to the number of Common Shares they would otherwise be entitled to receive, an additional number of Common Shares per \$1,000 principal amount of the Debentures.

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 (the "Investment Agreements"). 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. The unsecured debentures are non-recourse to Advantage, which does not provide any financing to Entropy. Under the terms of the Investment 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 unsecured 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 March 31, 2025, Entropy's unsecured debentures have an outstanding aggregate principal balance of \$145.7 million (December 31, 2024 - \$101.0 million).

During the three months ended March 31, 2025, Entropy issued unsecured debentures for gross proceeds of \$42.0 million (March 31, 2024 - \$10 million) and incurred \$1.9 million of issuance costs (March 31, 2024 - \$1.2 million).

For the three months ended March 31, 2025, Entropy incurred interest of \$2.7 million which was paid-in-kind (March 31, 2024 - \$1.0 million).

Other Liabilities

The Corporation has a 15-year take-or-pay volume commitment with a 12.5% working interest partner in the Corporation's Glacier Gas Plant, with a term due to expire in 2035. The volume commitment agreement is treated as a financing transaction with an effective interest rate of 9.1%. For the three months ended March 31, 2025, the Corporation made cash payments of \$3.2 million (March 31, 2024 - \$3.3 million) under the take-or-pay volume commitment agreement.

As at March 31, 2025, Advantage had a decommissioning liability of \$126.7 million (December 31, 2024 - \$126.8 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 \$166.1 million (December 31, 2024 - \$168.7 million), with 57% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the three months ended March 31, 2025 was \$1.4 million (year ended December 31, 2024 - \$3.1 million).

Non-controlling interest ("NCI")

Advantage owns 92% of the common shares of Entropy and therefore consolidates 100% of Entropy while recognizing a non-controlling interest in shareholders' equity that represents the carrying value of the 8% common shares held by outside interests.

For the three months ended March 31, 2025, the net loss and comprehensive loss attributed to non-controlling interest was \$0.3 million (March 31, 2024 - \$0.3 million).

Shareholders' Equity

On May 9, 2024, the TSX approved the Corporation renewing its normal course issuer bid ("NCIB"). Pursuant to the NCIB, Advantage may purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 13,835,841 Common Shares of the Corporation. The NCIB commenced on May 14, 2024 and will terminate on May 13, 2025. For the three months ended March 31, 2025, the Corporation used a portion of the proceeds from recent non-core asset dispositions to fund purchasing 0.3 million Common Shares for cancellation at an average price of \$9.56 per Common Share for a total of \$2.9 million.

As at March 31, 2025, a total of 2.9 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. Subsequent to March 31, 2025, the Corporation issued 0.7 million Common Shares as a result of the vesting of Performance Share Units on March 27, 2025.

As at May 1, 2025, Advantage had 167.3 million Common Shares outstanding.

Quarterly Performance

	2025	2024				2023			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
(\$000, except as otherwise indicated)									
Financial Statement Highlights									
Natural gas and liquids sales	221,790	163,477	139,840	104,081	135,897	147,137	140,724	107,240	
Net income and comprehensive income ⁽⁴⁾	(29,024)	17,130	(6,490)	(12,084)	23,163	41,026	28,314	2,538	
per basic share ⁽²⁾	(0.17)	0.10	(0.04)	(0.07)	0.14	0.25	0.17	0.02	
per diluted share ⁽³⁾	(0.17)	0.10	(0.04)	(0.07)	0.14	0.24	0.16	0.01	
Basic weighted average shares (000)	166,821	166,974	166,972	161,362	160,444	163,939	167,702	167,268	
Diluted weighted average shares (000)	166,821	169,785	166,972	161,362	164,129	168,441	172,182	171,815	
Cash provided by operating activities	122,949	56,350	46,719	47,090	67,374	89,048	90,376	37,966	
Cash provided by (used in) financing activities	11,670	22,789	(1,097)	447,502	11,883	(52,120)	(3,562)	43,778	
Cash used in investing activities	(107,919)	(71,202)	(52,765)	(494,331)	(79,427)	(58,846)	(49,886)	(88,439)	
Other Financial Highlights									
Adjusted funds flow ⁽¹⁾	118,642	81,389	52,260	42,354	65,393	82,494	81,862	52,381	
per basic share ⁽¹⁾⁽²⁾	0.71	0.49	0.31	0.26	0.41	0.50	0.49	0.31	
per diluted share ⁽¹⁾⁽²⁾⁽³⁾	0.71	0.48	0.31	0.26	0.40	0.49	0.48	0.30	
Net capital expenditures ⁽¹⁾	113,987	99,162	66,727	490,888	80,134	39,938	61,234	64,924	
Free cash flow ⁽¹⁾	655	(29,194)	(14,668)	(3,059)	(14,741)	42,556	20,628	(12,543)	
Bank indebtedness	446,333	470,424	469,551	488,008	238,578	212,854	226,127	226,442	
Net debt ⁽¹⁾	723,247	718,449	693,959	674,665	279,963	235,010	236,311	238,493	
Operating Highlights									
Production									
Crude oil (bbls/d)	8,487	7,527	8,144	3,033	2,630	3,254	3,035	2,801	
Condensate (bbls/d)	1,023	979	1,055	1,200	1,231	1,264	1,368	871	
NGLs (bbls/d)	3,763	3,379	3,621	2,908	2,591	3,345	3,174	2,683	
Total liquids production (bbls/d)	13,273	11,885	12,820	7,141	6,452	7,863	7,577	6,355	
Natural gas (mcf/d)	422,998	389,331	369,306	355,563	357,410	363,124	339,709	272,919	
Total production (boe/d)	83,773	76,774	74,371	66,401	66,020	68,384	64,195	51,842	
Average prices (including realized derivatives)									
Natural gas (\$/mcf)	3.29	2.46	1.65	1.82	2.86	2.84	2.95	2.81	
Liquids (\$/bbl)	86.53	87.84	85.05	84.58	80.21	81.55	77.91	75.36	
Operating Netback (\$/boe)									
Natural gas and liquids sales	29.42	23.14	20.44	17.22	22.62	23.39	23.83	22.73	
Realized gains on derivatives	0.87	2.91	2.44	1.59	0.70	0.98	1.02	1.07	
Processing and other income	0.13	0.11	0.15	0.32	0.30	0.39	0.39	0.22	
Net sales of purchased natural gas	-	-	-	-	-	-	-	(0.05)	
Royalty expense	(2.80)	(2.40)	(2.83)	(1.16)	(1.52)	(1.64)	(1.55)	(1.33)	
Operating expense	(4.76)	(5.19)	(5.46)	(4.09)	(4.08)	(3.61)	(3.85)	(4.44)	
Transportation expense	(4.06)	(3.77)	(3.88)	(3.73)	(4.23)	(4.08)	(3.70)	(4.34)	
Operating netback ⁽¹⁾	18.80	14.80	10.86	10.15	13.79	15.43	16.14	13.86	

(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) Based on diluted weighted average shares outstanding.

(4) Net income (loss) and comprehensive income (loss) attributable to Advantage Shareholders.

The table above highlights the Corporation's performance for the first quarter of 2025 and for the preceding seven quarters. In 2023 the Corporation achieved a steady increase in production over the year rising to 68,384 boe/d in the fourth quarter. Sales and adjusted funds flow were lower in the second quarter of 2023 due to lower natural gas and liquids benchmark prices and a 17-day turnaround at the Glacier Gas Plant in May 2023. Sales and adjusted funds improved for the remainder of 2023 with increased production although natural gas benchmark prices remained weak.

Quarterly Performance (continued)

In the first and second quarter of 2024 Advantage allowed production to decline slightly while natural gas and liquids sales and adjusted funds flow decreased with lower natural gas prices from an unseasonably mild winter, strong natural gas supply and resulting high North American storage levels. The Corporation increased its sales and adjusted funds flow in the third and fourth quarter of 2024 primarily due to increased production and cash flow provided from the Acquired Assets, although significantly weak natural gas prices persisted and had an adverse offsetting impact. The particularly low natural gas pricing environment during the second and third quarter resulted in the recognition of net losses.

In the first quarter of 2025 the Corporation achieved higher adjusted funds flow than the fourth quarter of 2024 due to higher production and higher natural gas prices. However, the Corporation recognized a net loss due to a large unrealized loss due to changes in the fair value of outstanding derivative contracts. 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.

Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS Accounting Standards 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 and comprehensive income through depreciation, impairment and impairment reversals of natural gas and liquids properties. After tax discounted cash flows 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, comprehensive income and the borrowing base of the Corporation.

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

Critical Accounting Estimates (continued)

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

In accordance with IFRS Accounting Standards, derivative assets and liabilities are recorded at their fair values at the reporting date, with gains and losses recognized directly into comprehensive income. 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 Entropy's 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.

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires Management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of property, plant and equipment and exploration and evaluation assets acquired generally require the most judgment and include estimates of oil and gas reserves acquired, forecast benchmark commodity prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill.

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 Condensed Consolidated Financial Statements for the three months ended March 31, 2025.

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 December 2024, the Canadian Sustainability Standards Board (CSSB) published Canadian versions of the international standards (CSDS 1 and CSDS 2) and the Canadian Securities Administrators (CSA) previously announced that it intended to take the finalized CSSB standards into account and develop new Canadian climate-related disclosure requirements that would be mandatory for subject Canadian issuers.

Environmental Reporting (continued)

On April 23, 2025, the CSA issued a news release advising that it has paused the work it had previously undertaken to develop new climate and diversity-related disclosure requirements for Canadian issuers.

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.

Evaluation of Internal Controls over Financial Reporting

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

Advantage's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during our most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the interim period ended March 31, 2025, 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 March 31					
	2025			2024		
	Advantage	Entropy	Total	Advantage	Entropy	Total
Cash provided by (used in) operating activities	123,814	(865)	122,949	69,284	(1,910)	67,374
Expenditures on decommissioning liability	1,393	-	1,393	67	-	67
Changes in non-cash working capital	(4,080)	(1,620)	(5,700)	(2,320)	272	(2,048)
Adjusted funds flow	121,127	(2,485)	118,642	67,031	(1,638)	65,393

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 March 31					
	2025			2024		
	Advantage	Entropy	Total	Advantage	Entropy	Total
Cash used in investing activities	87,901	20,018	107,919	75,481	3,946	79,427
Changes in non-cash working capital	6,270	(202)	6,068	695	12	707
Net capital expenditures	94,171	19,816	113,987	76,176	3,958	80,134

Specified Financial Measures (continued)

Non-GAAP Financial Measures (continued)

Free Cash Flow

The Corporation computes free cash flow as adjusted funds flow less net capital expenditures excluding the impact of asset acquisitions and dispositions. The Corporation uses free cash flow as an indicator of the efficiency and liquidity of the Corporation's business by measuring its cash available after net capital expenditures, excluding acquisitions and dispositions, to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back Common Shares. The Corporation excludes the impact of acquisitions and dispositions as they are not representative of the free cash flow used in the Corporation's natural gas and liquids and carbon capture operations and are financed by means other than adjusted funds flow. A reconciliation of the most directly comparable financial measure has been provided below:

(\$000)	Three months ended March 31					
	2025			2024		
	Advantage	Entropy	Total	Advantage	Entropy	Total
Cash provided by (used in) operating activities	123,814	(865)	122,949	69,284	(1,910)	67,374
Cash used in investing activities	(87,901)	(20,018)	(107,919)	(75,481)	(3,946)	(79,427)
Changes in non-cash working capital	(10,350)	(1,418)	(11,768)	(3,015)	260	(2,755)
Expenditures on decommissioning liability	1,393	-	1,393	67	-	67
Dispositions	(4,000)	-	(4,000)	-	-	-
Free cash flow - surplus (deficit)	22,956	(22,301)	655	(9,145)	(5,596)	(14,741)

Operating Income

Operating income is comprised of natural gas and liquids sales, realized gains 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 income provides Management and users with a measure to compare the profitability of Advantage's field operations between companies, development areas and specific wells. The composition of operating income is as follows:

(\$000)	Three months ended	
	2025	2024
Natural gas and liquids sales	221,790	135,897
Realized gains on derivatives	6,525	4,206
Processing and other income	978	1,809
Royalty expense	(21,079)	(9,135)
Operating expense	(35,858)	(24,497)
Transportation expense	(30,573)	(25,397)
Operating income	141,783	82,883

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 and diluted 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 March 31	
	2025	2024
Adjusted funds flow	118,642	65,393
Weighted average shares outstanding (000)	166,821	160,444
Diluted weighted average shares outstanding (000)	166,821	164,129
Adjusted funds flow per basic share (\$/share)	0.71	0.41
Adjusted funds flow per diluted share (\$/share)	0.71	0.40

Adjusted Funds Flow per BOE

Adjusted funds flow per boe is derived by dividing adjusted funds flow attributable to Advantage 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 March 31	
	2025	2024
Advantage adjusted funds flow	121,127	67,031
Total production (boe/d)	83,773	66,020
Days in period	90	91
Total production (boe)	7,539,570	6,007,820
Adjusted funds flow per BOE (\$/boe)	16.07	11.16

Operating netback

Operating netback is derived by dividing operating income by the total production in boe for the reporting period. Operating netback 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 March 31	
	2025	2024
Operating income	141,783	82,883
Total production (boe/d)	83,773	66,020
Days in period	90	91
Total production (boe)	7,539,570	6,007,820
Operating netback (\$/boe)	18.80	13.79

Specified Financial Measures (continued)

Non-GAAP Ratios (continued)

Debt to Adjusted Funds Flow Ratio

Debt to adjusted funds flow ratio 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, including working capital, and its outstanding aggregate Convertible Debentures if Advantage devoted all its adjusted funds flow to debt repayment. Debt to adjusted funds flow is calculated by taking bank indebtedness, inclusive of working capital, plus Convertible Debentures, and dividing it by adjusted fund flow (for the trailing four quarters) that can be used to satisfy such borrowings. The Unsecured Debentures, and adjusted funds flow attributed to Entropy are excluded from the calculation as they are a liability of Entropy and are non-recourse to Advantage.

(\$000, except as otherwise indicated)	March 31 2025	December 31 2024
Bank indebtedness	446,333	470,424
Convertible debentures	143,750	143,750
Advantage working capital deficit	13,224	11,377
Advantage net debt	603,307	625,551
Advantage adjusted funds flow (for the trailing four quarters)	304,127	250,031
Debt to adjusted funds flow	2.0	2.5

Capital Management Measures

Working capital

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

A summary of working capital as at March 31, 2025 and December 31, 2024 is as follows:

(\$000, except as otherwise indicated)	March 31 2025	December 31 2024
Cash and cash equivalents	46,846	20,146
Trade and other receivables	90,050	83,188
Prepaid expenses and deposits	9,608	10,000
Trade and other accrued liabilities	(133,936)	(116,609)
Working capital surplus (deficit)	12,568	(3,275)

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 March 31, 2025 and December 31, 2024 is as follows:

	March 31 2025	December 31 2024
Bank indebtedness	446,333	470,424
Convertible debentures	143,750	143,750
Working capital deficit	13,224	11,377
Net debt attributable to Advantage	603,307	625,551
Unsecured debentures	145,732	101,000
Working capital surplus	(25,792)	(8,102)
Net debt attributable to Entropy	119,940	92,898
Net debt	723,247	718,449

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 and natural gas embedded derivative, 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. All dollar per boe figures herein forth only include the results of Advantage's natural gas and liquids operations and exclude the results of Entropy. 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:

- Depreciation and amortization expense per boe
- Finance expense per boe
- General and administrative expense per boe
- Natural gas and liquids sales per boe
- Operating expense per boe
- Realized gains (losses) on derivatives per boe
- Royalty expense per boe
- Processing and other income per boe
- Share-based compensation expense per boe
- Transportation expense per boe

Conversion Ratio

The term "boe" or barrels of oil equivalent and "Mcf" or thousand cubic feet equivalent may be misleading, particularly if used in isolation. A boe or Mcfe conversion ratio of six thousand cubic feet of natural gas equivalent to one barrel of oil (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Abbreviations

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

bbbl(s)	- barrel(s)
bbbls/d	- barrels per day
boe	- barrels of oil equivalent (6 Mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
GJ	- gigajoules
Mcf	- thousand cubic feet
Mcf/d	- thousand cubic feet per day
Mcfe	- thousand cubic feet equivalent (1 bbl = 6 Mcf)
Mcfe/d	- thousand cubic feet equivalent per day
MMbtu	- million British thermal units
MMbtu/d	- million British thermal units per day
MMcf	- million cubic feet
MMcf/d	- million cubic feet per day
Crude oil	- Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
“NGLs” & “condensate”	- Natural Gas Liquids as defined in National Instrument 51-101
Natural gas	- "Conventional Gas" and "Shale Gas" as defined in National Instrument 51-101
Liquids	- Total of crude oil, condensate and NGLs
AECO	- a notional market point on TransCanada Pipeline Limited’s NGTL system where the purchase and sale of natural gas is transacted
MSW	- price for mixed sweet crude oil at Edmonton, Alberta
NGTL	- NOVA Gas Transmission Ltd.
WTI	- West Texas Intermediate, price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
CCS	- Carbon Capture and Storage
CCUS	- Carbon Capture Utilization and Storage
IP30	- average initial peak production rate over 30 consecutive days after a well is brought on production
IP90	- average initial peak production rate over 90 consecutive days after a well is brought on production
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 Corporation's plans to continue to monitor developments in U.S. trade policy and assess any potential impacts on its operations and financial performance; Advantage's anticipated 2025 average production; the Corporation's 2025 guidance set forth under the heading "2025 Guidance", including Advantage's anticipated annual royalty rates, operating expense per boe and transportation expense per boe in 2025; potential U.S. imposed tariffs and the anticipated impact on the global economy and commodity markets; the Corporation's forecasted 2025 natural gas market exposure including the anticipated effective production rate; 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; terms of the Entropy unsecured debentures; the anticipated benefits to be derived from the Corporation's optimization projects completed during the first quarter of 2025 at Glacier, including its anticipated effect on free cash flow; anticipated synergies and growth from completion and commissioning of the Progress facility; the anticipated timing of the completion and commissioning of the Progress gas plant, and the anticipated incremental processing capacity thereof; management's expectations that the Corporation's Valhalla asset will play a pivotal role in the Corporation's liquids-rich gas development plan; that Advantage will utilize excess processing capacity acquired in 2024 and the anticipated benefits thereof; the Corporation's future commitments and contractual obligations and the anticipated payments in connection therewith and timing thereof; Advantage's net debt target and ability to achieve such target; the Corporation's continual financial assessment process and the anticipated benefits in connection therewith; the Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they become due and the means for satisfying such future obligations; the Corporation's strategy for managing its capital structure; 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 terms of the Debentures; 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; 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 risk that (i) the tariffs that are currently in effect on goods exported from or imported into Canada continue in effect for an extended period of time, the tariffs that have been threatened are implemented, that tariffs that are currently suspended are reactivated, the rate or scope of tariffs are increased, or new tariffs are imposed, including on oil and natural gas, (ii) the U.S. and/or Canada imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas, and (iii) the tariffs imposed or threatened to be imposed by the U.S. on other countries and retaliatory tariffs imposed or threatened to be imposed by other countries on the U.S., will trigger a

Forward Looking Information and Other Advisories (continued)

broader global trade war which could have a material adverse effect on the Canadian, U.S. and global economies, and by extension the Canadian oil and natural gas industry and the Corporation, including by decreasing demand for (and the price of) oil and natural gas, disrupting supply chains, increasing costs, causing volatility in global financial markets, and limiting access to financing; the impact of significant declines in market prices for oil and natural gas; stock market volatility; changes to legislation and regulations and how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; actions by governmental or regulatory authorities including increasing taxes, regulatory approvals, changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; the effect of acquisitions; our success at acquisition, exploitation and development of reserves; unexpected drilling results; failure to achieve production targets on timelines anticipated or at all; changes in commodity prices, currency exchange rates, capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; individual well productivity; delays in anticipated timing of drilling and completion of wells; lack of available capacity on pipelines; delays in timing of facility installation; performance or achievement could differ materially from those expressed in, or implied by, the forward-looking information; the failure to extend the Credit Facilities at each annual review; competition from other producers; the lack of availability of qualified personnel or management; ability to access sufficient capital from internal and external sources; credit risk; the risk that Advantage's average production in 2025 may be less than anticipated; the risk that Advantage does not achieve its anticipated guidance for 2025 as set forth in this MD&A under the heading "2025 Guidance";

the risk that the Corporation's Valhalla asset may not play a pivotal role in the Corporation's liquids-rich gas development plan; the risk that the Corporation may not be properly diversified to multiple markets; the risk that the Corporation may not satisfy all of its liabilities and commitments and meet future obligations as they become due; the risk that the undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability may be greater than expected; the risk that Advantage's annual royalty rates in 2025 may be greater than anticipated; the risk that Advantage's operating expense per boe and transportation expense per boe in 2025 may be greater than anticipated; the risk that additional natural gas processing will not occur in the second half of 2025 as anticipated; the risk that Advantage will not be able to utilize excess capacity acquired in 2024 or realize the anticipated benefits thereof; the risk that the Corporation's optimization projects completed during the first quarter of 2025 at Glacier may not lead to the benefits anticipated; the risk that the Progress gas plant will not be completed and commissioned when anticipated or result in the anticipated benefits thereof; the risk that Advantage's net debt in 2025 may be greater than anticipated; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at www.sedarplus.ca and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

With respect to forward-looking statements contained in this MD&A, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; the duration and impact of tariffs that are currently in effect on goods exported from or imported into Canada, and that other than the tariffs that are currently in effect, neither the U.S. nor Canada (i) increases the rate or scope of such tariffs, reenacts tariffs that are currently suspended, or imposes new tariffs, on the import of goods from one country to the other, including on oil and natural gas, and/or (ii) imposes any other form of tax, restriction or prohibition on the import or export of products from one country to the other, including on oil and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general

Forward Looking Information and Other Advisories (continued)

economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; the impact of increasing competition; the price of crude oil and natural gas; that the Corporation will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Corporation's conduct and results of operations will be consistent with its expectations; that the Corporation will have the ability to develop the Corporation's crude oil and natural gas properties in the manner currently contemplated; availability of pipeline capacity; that current or, where applicable, proposed assumed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; that the Corporation's cash provided by operating activities and available Credit Facilities will be able to satisfy all of the Corporation's liabilities, commitments and future obligations as they become due; 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 Common Shares pursuant to its NCIB and future NCIBs, if any, and the level thereof is uncertain. Any decision to renew the Corporation's NCIB and to acquire Common Shares of the Corporation pursuant to the NCIB will be subject to the discretion of the board of directors of the Corporation and may depend on a variety of factors, including, without limitation, the Corporation's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and satisfaction of the solvency tests imposed on the Corporation under applicable corporate law. There can be no assurance of the number of Common Shares of the Corporation that the Corporation will acquire pursuant to its NCIB or future NCIBs, 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 terms of the Corporation's derivative contracts; Advantage's anticipated annual royalty rates, operating expense per boe and transportation expense per boe in 2025; the Corporation's future commitments and contractual obligations; Advantage's net debt target; and the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability, all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes.

Forward Looking Information and Other Advisories (continued)

Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Corporation's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change.

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

References in this MD&A to short-term production rates, such as IP30 and IP90, are useful in confirming the presence of hydrocarbons, however such rates are not determinative of the rates at which such wells will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production of Advantage.

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

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.

May 1, 2025



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2025 and 2024

Advantage Energy Ltd.

Consolidated Statements of Financial Position

(unaudited, expressed in thousands of Canadian dollars)

	Notes	March 31 2025	December 31 2024
ASSETS			
Current assets			
Cash and cash equivalents	4	46,846	20,146
Trade and other receivables		90,050	83,188
Prepaid expenses and deposits		9,608	10,000
Derivative asset	7	16,592	50,358
Total current assets		163,096	163,692
Non-current assets			
Derivative asset	7	39,336	78,631
Inventory		3,317	3,537
Intangible assets	5	5,187	5,246
Natural gas and liquids properties	6	2,751,584	2,694,852
Total non-current assets		2,799,424	2,782,266
Total assets		2,962,520	2,945,958
LIABILITIES			
Current liabilities			
Trade and other accrued liabilities		133,936	116,609
Derivative liability	7	21,512	8,900
Financing liability	10	5,375	5,256
Unsecured debentures	11	147,169	105,026
Provisions and other liabilities	12	11,549	14,724
Total current liabilities		319,541	250,515
Non-current liabilities			
Derivative liability	7	10,072	4,624
Bank indebtedness	8	446,333	470,424
Convertible debentures	9	123,537	122,583
Financing liability	10	81,457	82,827
Provisions and other liabilities	12	131,494	127,669
Deferred income tax liability		246,154	253,166
Total non-current liabilities		1,039,047	1,061,293
Total liabilities		1,358,588	1,311,808
SHAREHOLDERS' EQUITY			
Share capital	13	1,985,630	1,989,239
Convertible debentures	9	12,859	12,859
Contributed surplus		197,569	194,819
Deficit		(590,285)	(561,261)
Total shareholders' equity attributable to Advantage shareholders		1,605,773	1,635,656
Non-controlling interest		(1,841)	(1,506)
Total shareholders' equity		1,603,932	1,634,150
Total liabilities and shareholders' equity		2,962,520	2,945,958

Commitments (note 18)

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Consolidated Statements of Comprehensive Income (Loss)

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

		Three months ended	
		March 31	
	Notes	2025	2024
Revenues			
Natural gas and liquids sales	16	221,790	135,897
Processing and other income		2,291	2,184
Royalty expense		(21,079)	(9,135)
Natural gas and liquids revenue		203,002	128,946
Gains (losses) on derivatives	7	(83,385)	10,430
Total revenues		119,617	139,376
Expenses			
Operating expense		36,481	25,082
Transportation expense		30,573	25,397
General and administrative expense		11,623	9,354
Share-based compensation expense	14(b)	1,682	95
Depreciation and amortization expense	5,6	60,241	41,129
Finance expense		15,186	8,457
Foreign exchange gains		(18)	(189)
Other expenses (gains)		220	(603)
Total expenses		155,988	108,722
Income (loss) before taxes and non-controlling interest		(36,371)	30,654
Income tax recovery (expense)		7,012	(7,747)
Net income (loss) and comprehensive income (loss) before non-controlling interest		(29,359)	22,907
Net income (loss) and comprehensive income (loss) attributable to:			
Advantage shareholders		(29,024)	23,163
Non-controlling interest		(335)	(256)
		(29,359)	22,907
Net income (loss) per share attributable to Advantage shareholders			
Basic	15	(0.17)	0.14
Diluted	15	(0.17)	0.14

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, expressed in thousands of Canadian dollars)

	Share capital	Convertible debentures	Contributed surplus	Deficit	Non- controlling interest	Total shareholders' equity
Balance, December 31, 2024	1,989,239	12,859	194,819	(561,261)	(1,506)	1,634,150
Net income (loss) and comprehensive income (loss)	-	-	-	(29,024)	(335)	(29,359)
Share-based compensation (note 14(b))	-	-	2,035	-	-	2,035
Common shares repurchased (note 13)	(3,609)	-	715	-	-	(2,894)
Balance, March 31, 2025	1,985,630	12,859	197,569	(590,285)	(1,841)	1,603,932

	Share capital	Convertible debentures	Contributed surplus	Deficit	Non- controlling interest	Total shareholders' equity
Balance, December 31, 2023	1,952,241	-	187,034	(582,980)	101	1,556,396
Net income (loss) and comprehensive income (loss)	-	-	-	23,163	(256)	22,907
Share-based compensation (note 14(b))	-	-	95	-	-	95
Settled Performance Share Units	20	-	(1,091)	-	-	(1,071)
Common shares repurchased (note 13)	(29,000)	-	7,653	-	-	(21,347)
Balance, March 31, 2024	1,923,261	-	193,691	(559,817)	(155)	1,556,980

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Consolidated Statements of Cash Flows

(unaudited, expressed in thousands of Canadian dollars)

		Three months ended	
		March 31	
	Notes	2025	2024
Operating Activities			
Income (loss) before taxes and non-controlling interest		(36,371)	30,654
Add (deduct) items not requiring cash:			
Unrealized (gains) losses on derivatives	7	89,910	(6,224)
Share-based compensation expense	14(b)	1,682	95
Depreciation and amortization expense	5,6	60,241	41,129
Accretion expense	9,11,12(c)	1,781	731
Interest paid-in-kind	6,11	1,179	682
Other expenses (gains)		220	(603)
Expenditures on decommissioning liability	12(c)	(1,393)	(67)
Settlement of Performance Share Units		-	(1,071)
Changes in non-cash working capital	17	5,700	2,048
Cash provided by operating activities		122,949	67,374
Financing Activities			
Common shares repurchased	13	(2,894)	(21,347)
Increase (decrease) in bank indebtedness	8	(24,091)	25,724
Net proceeds from unsecured debentures	11	40,138	8,845
Principal repayment of lease liability	12(b)	(232)	(183)
Principal repayment of financing liability	10	(1,251)	(1,156)
Cash provided by financing activities		11,670	11,883
Investing Activities			
Property, plant and equipment additions	6	(117,885)	(79,594)
Intangible assets additions	5	(102)	(540)
Asset dispositions	6	4,000	-
Changes in non-cash working capital	17	6,068	707
Cash used in investing activities		(107,919)	(79,427)
Increase (decrease) in cash and cash equivalents		26,700	(170)
Cash and cash equivalents, beginning of year		20,146	19,261
Cash and cash equivalents, end of period		46,846	19,091
Cash interest paid		12,182	7,015
Cash income taxes paid		-	-

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Notes to the Condensed Consolidated Financial Statements

March 31, 2025 (unaudited)

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

1. Business and structure of Advantage Energy Ltd.

Advantage Energy Ltd. and its subsidiaries (together "Advantage" or the "Corporation") is an energy producer with a significant position in the Western Canadian Sedimentary Basin. Additionally, the Corporation provides carbon capture and storage ("CCS") solutions to emitters of carbon dioxide through its subsidiary, Entropy Inc. ("Entropy"). Advantage is domiciled and incorporated in Canada under the Business Corporations Act (Alberta). Advantage's head office address is 2200, 440 – 2nd Avenue SW, Calgary, Alberta, Canada. The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol "AAV". The Corporation's convertible debentures are listed on the Toronto Stock Exchange under the symbol "AAV.DB".

2. Basis of preparation

(a) Statement of compliance

The Corporation prepares its condensed consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "IFRS") applicable to the preparation of interim financial statements, under International Accounting Standard 34, Interim Financial Reporting. The Corporation has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended December 31, 2024, except as noted below. Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2024, which have been prepared in accordance with IFRS Accounting Standards.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS Accounting Standards issued and outstanding as of May 1, 2025, the date the Board of Directors approved the statements.

(b) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation's accounting policies in the audited consolidated financial statements for the year ended December 31, 2024.

The methods used to measure fair values of derivative instruments are discussed in note 7.

(c) Functional and presentation currency

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

2. Basis of preparation (continued)

(d) Basis of consolidation

These condensed consolidated financial statements include the accounts of the Corporation and all subsidiaries over which it has control, including Entropy, a private Canadian corporation of which Advantage owned 92% of the common shares. All inter-corporate balances, income and expenses resulting from inter-corporate transactions are eliminated.

(e) Future accounting pronouncements

IFRS 18 Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued IFRS 18, “Presentation and Disclosure in Financial Statements” (“IFRS 18”), which will replace International Accounting Standard 1, “Presentation of Financial Statements”. IFRS 18 will establish a revised structure for the Consolidated Statements of Comprehensive Income and improve comparability across entities and reporting periods. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The standard is to be applied retrospectively, with certain transition provisions. The Corporation is currently evaluating the impact of adopting IFRS 18 on the Consolidated Financial Statements.

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

On May 30, 2024, the IASB issued targeted amendments to IFRS 9, “Financial Instruments”, and IFRS 7, “Financial Instruments: Disclosures”. The amendments include new requirements not only for financial institutions but also for corporate entities which include clarifying the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. These new requirements will apply from January 1, 2026, with early application permitted. The Corporation is currently evaluating the impact of amendments to IFRS 9 and IFRS 7 on the Consolidated Financial Statements.

3. Segmented reporting

The Corporation has the following two key reportable operating segments, being Advantage and Entropy, based on the nature of each entity's business activities.

Adjusted funds flow

The Corporation considers adjusted funds flow to be a useful measure of the Corporation's ability to generate cash from its operations, 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. Adjusted funds flow does not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. A reconciliation of the most directly comparable financial measure has been provided below:

(\$000)	Three months ended	
	March 31	
	2025	2024
Cash provided by operating activities	122,949	67,374
Expenditures on decommissioning liability	1,393	67
Changes in non-cash working capital	(5,700)	(2,048)
Adjusted funds flow	118,642	65,393

The Corporation's chief operating decision makers regularly reviews adjusted funds flow generated by each of the Corporation's operating segments. Adjusted funds flow is a measure of profit or loss that provides the chief operating decision makers with the ability to assess the profitability of each operating segment.

3. Segmented reporting (continued)

The following table is a summary of the segmented results:

As at March 31, 2025	Advantage	Entropy	Inter-Segment Eliminations	Consolidated
Total assets	2,849,868	156,452	(43,800)	2,962,520
Total liabilities	1,201,704	159,784	(2,900)	1,358,588
Net debt	603,307	119,940	-	723,247
For the three months ended March 31, 2025				
Cash provided by (used in) operating activities	123,814	(865)	-	122,949
Cash provided by (used in) financing activities	(28,424)	40,094	-	11,670
Cash used in investing activities	87,901	20,018	-	107,919
Net capital expenditures	94,171	19,816	-	113,987
Segmented adjusted funds flow				
Natural gas and liquids sales	221,790	-	-	221,790
Processing and other income	978	2,105	(792)	2,291
Royalty expense	(21,079)	-	-	(21,079)
Realized gains on derivatives	6,525	-	-	6,525
Total revenues (excluding unrealized gains and losses)	208,214	2,105	(792)	209,527
Operating expense	(35,858)	(623)	-	(36,481)
Transportation expense	(30,573)	-	-	(30,573)
General and administrative expense	(7,305)	(4,318)	-	(11,623)
Interest (expense) income	(12,542)	316	-	(12,226)
Other (expenses) income	(809)	35	792	18
Adjusted funds flow	121,127	(2,485)	-	118,642
Reconciliation to net income (loss)				
Adjusted funds flow	121,127	(2,485)	-	118,642
Unrealized gains (losses) on derivatives	(91,121)	1,163	48	(89,910)
Share-based compensation expense	(1,631)	(51)	-	(1,682)
Depreciation and amortization expense	(59,283)	(1,240)	282	(60,241)
Interest paid-in-kind	-	(1,179)	-	(1,179)
Accretion expense	(1,290)	(491)	-	(1,781)
Other expenses	(220)	-	-	(220)
Income tax recovery	7,012	-	-	7,012
Net income (loss)	(25,406)	(4,283)	330	(29,359)

3. Segmented reporting (continued)

As at March 31, 2024	Advantage	Entropy	Inter-Segment Eliminations	Consolidated
Total assets	2,305,810	80,926	(44,560)	2,342,176
Total liabilities	724,781	62,903	(2,488)	785,196
Net debt	233,127	46,836	-	279,963

For the three months ended March 31, 2024

Cash provided by (used in) operating activities	69,284	(1,910)	-	67,374
Cash provided by financing activities	3,069	8,814	-	11,883
Cash used in investing activities	75,481	3,946	-	79,427
Net capital expenditures	76,176	3,958	-	80,134

Segmented adjusted funds flow

Natural gas and liquids sales	135,897	-	-	135,897
Processing and other income	1,809	1,119	(744)	2,184
Royalty expense	(9,135)	-	-	(9,135)
Realized gains on derivatives	4,206	-	-	4,206
Total revenues (excluding unrealized gains and losses)	132,777	1,119	(744)	133,152
Operating expense	(24,497)	(585)	-	(25,082)
Transportation expense	(25,397)	-	-	(25,397)
General and administrative expense	(7,053)	(2,301)	-	(9,354)
Interest (expense) income	(7,173)	129	-	(7,044)
Other expenses	(1,626)	-	744	(882)
Adjusted funds flow	67,031	(1,638)	-	65,393

Reconciliation to net income (loss)

Adjusted funds flow	67,031	(1,638)	-	65,393
Unrealized gains (losses) on derivatives	6,406	(182)	-	6,224
Share-based compensation expense	(28)	(67)	-	(95)
Depreciation and amortization expense	(40,917)	(494)	282	(41,129)
Interest paid-in-kind	-	(682)	-	(682)
Accretion expense	(511)	(220)	-	(731)
Settlement of Performance Share Units	1,071	-	-	1,071
Other income	603	-	-	603
Income tax expense	(7,747)	-	-	(7,747)
Net income (loss)	25,908	(3,283)	282	22,907

4. Cash and cash equivalents

	March 31 2025	December 31 2024
Cash at financial institutions	46,846	20,146

Cash at financial institutions earn interest at floating rates based on daily deposit rates. As at March 31, 2025 cash at financial institutions included US\$2.5 million (December 31, 2024 - US\$0.2 million). The Corporation only deposits cash with major financial institutions of high-quality credit ratings. Included in cash and cash equivalents as at March 31, 2025 is \$33.6 million held by Entropy (December 31, 2024 - \$14.5 million).

5. Intangible assets

Cost		
Balance at December 31, 2023		5,476
Additions		1,135
Balance at December 31, 2024		6,611
Additions		102
Balance at March 31, 2025		6,713
Accumulated amortization		
Balance at December 31, 2023		113
Amortization		1,252
Balance at December 31, 2024		1,365
Amortization		161
Balance at March 31, 2025		1,526
Net book value		
At December 31, 2024		5,246
At March 31, 2025		5,187

6. Natural gas and liquids properties

Cost	Right-of-use assets	Exploration and evaluation assets	Property, plant and equipment	Total
Balance at December 31, 2023	3,253	15,961	3,495,635	3,514,849
Additions	1,366	-	301,923	303,289
Business combination	272	6,838	466,705	473,815
Asset dispositions ⁽¹⁾	-	-	(11,421)	(11,421)
Capitalized share-based compensation (note 14(b))	-	-	1,058	1,058
Capitalized interest paid-in-kind (note 11)	-	-	1,646	1,646
Changes in decommissioning liability (note 12(c))	-	-	37,247	37,247
Transfers	-	(5,879)	5,879	-
Lease expiries	-	(1,747)	-	(1,747)
Expired right-of-use assets	(73)	-	-	(73)
Balance at December 31, 2024	4,818	15,173	4,298,672	4,318,663
Additions	-	-	117,885	117,885
Asset dispositions ⁽¹⁾	-	-	(4,000)	(4,000)
Capitalized share-based compensation (note 14(b))	-	-	353	353
Capitalized interest paid-in-kind (note 11)	-	-	1,553	1,553
Changes in decommissioning liability (note 12(c))	-	-	1,021	1,021
Expired right-of-use assets	(73)	-	-	(73)
Balance at March 31, 2025	4,745	15,173	4,415,484	4,435,402
Accumulated depreciation				
Balance at December 31, 2023	1,523	-	1,424,124	1,425,647
Depreciation	823	-	197,414	198,237
Expired right-of-use assets	(73)	-	-	(73)
Balance at December 31, 2024	2,273	-	1,621,538	1,623,811
Depreciation	255	-	59,825	60,080
Expired right-of-use assets	(73)	-	-	(73)
Balance at March 31, 2025	2,455	-	1,681,363	1,683,818
Net book value				
At December 31, 2024	2,545	15,173	2,677,134	2,694,852
At March 31, 2025	2,290	15,173	2,734,121	2,751,584

⁽¹⁾ Advantage disposed of non-core assets in 2025 and 2024 that were acquired through the business combination in 2024. These assets were removed from property, plant and equipment with no gain or loss recognized.

During the three months ended March 31, 2025, Advantage capitalized general and administrative expenditures directly related to development activities of \$1.5 million, included in additions (year ended December 31, 2024 - \$6.5 million).

Advantage included future development costs of \$2.7 billion (December 31, 2024 - \$2.8 billion) in natural gas and liquids properties costs subject to depreciation.

During the three months ended March 31, 2025, Entropy capitalized borrowing cost that was paid-in-kind, directly related to funding CCS development activities of \$1.6 million (year ended December 31, 2024 - \$1.6 million).

6. Natural gas and liquids properties (continued)

Included in additions to property, plant and equipment is \$19.7 million incurred by Entropy (year ended December 31, 2024 - \$35.2 million) and the total net book value of Entropy's property, plant and equipment included at March 31, 2025 is \$93.6 million (year ended December 31, 2024 - \$73.4 million).

For the three months ended March 31, 2025, the Corporation evaluated its natural gas and liquids properties for indicators of any potential impairment. As a result of this assessment, no indicators were identified, and no impairment test was performed.

7. Financial risk management

Financial assets and liabilities recorded or disclosed at fair value in the statements of financial position are categorized based on the level associated with the inputs used to measure their fair value.

Fair value is determined following a three-level hierarchy:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract.

Derivative assets and liabilities are categorized as Level 2 in the fair value hierarchy and measured at fair value on a recurring basis. For derivative assets and liabilities, pricing inputs include quoted forward prices for commodities, foreign exchange rates, interest rates, volatility, and risk-free rate discounting, all of which can be observed or corroborated in the marketplace. The actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations as compared to the valuation assumptions.

Level 3: Fair value is determined using inputs that are not observable.

The Corporation's natural gas embedded derivative is categorized as Level 3 in the fair value hierarchy as the volatility derived from historic PJM electricity prices and the long-term portion of the PJM electricity forward price are unobservable inputs.

The Corporation's unsecured debentures – derivative liability is categorized as Level 3 in the fair value hierarchy as multiple inputs such as volatility, probability of a future change of control event and share price are unobservable inputs.

7. Financial risk management (continued)

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

	Three months ended	
	March 31	
	2025	2024
Realized gains (losses) on derivatives		
Natural gas	3,480	4,663
Crude oil	1,942	-
Foreign exchange	(420)	90
Natural gas embedded derivative	1,523	(547)
Total	6,525	4,206
Unrealized gains (losses) on derivatives		
Natural gas	(58,048)	(9,161)
Crude oil	(1,996)	-
Foreign exchange	346	(847)
Natural gas embedded derivative	(31,423)	16,414
Unsecured debenture – derivative liability	1,211	(182)
Total	(89,910)	6,224
Gains (losses) on derivatives		
Natural gas	(54,568)	(4,498)
Crude oil	(54)	-
Foreign exchange	(74)	(757)
Natural gas embedded derivative	(29,900)	15,867
Unsecured debenture – derivative liability	1,211	(182)
Total	(83,385)	10,430

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

	March 31	December 31
	2025	2024
Derivative type		
Natural gas derivative asset (liability)	(30,844)	27,204
Crude oil derivative asset	5,056	7,052
Foreign exchange derivative liability	(395)	(741)
Natural gas embedded derivative asset	50,527	81,950
Unsecured debentures derivative liability (note 11)	(53,214)	(40,344)
Net derivative asset (liability)	(28,870)	75,121
Consolidated statement of financial position classification		
Current derivative asset	16,592	50,358
Non-current derivative asset	39,336	78,631
Current derivative liability	(21,512)	(8,900)
Non-current derivative liability	(10,072)	(4,624)
Unsecured debentures derivative liability (note 11)	(53,214)	(40,344)
Net derivative asset (liability)	(28,870)	75,121

7. Financial risk management (continued)

(a) Commodity price risk

The Corporation's commodity derivative contracts are classified as Level 2 within the fair value hierarchy. As at March 31, 2025 and May 1, 2025, the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - AECO			
Fixed price swap	April 2025 to October 2025	120,847 Mcf/d	\$2.66/Mcf
Fixed price swap	November 2025 to March 2026	123,216 Mcf/d	\$3.58/Mcf
Fixed price swap	April 2026 to October 2026	66,347 Mcf/d	\$3.17/Mcf
Fixed price swap	November 2026 to March 2027	71,086 Mcf/d	\$3.27/Mcf
Fixed price swap	April 2027 to March 2028	14,217 Mcf/d	\$3.23/Mcf
Natural gas - Chicago			
Fixed price swap	April 2025 to October 2025	4,739 Mcf/d	\$5.10/Mcf
Natural gas - Dawn			
Fixed price swap	April 2025 to October 2025	47,391 Mcf/d	\$4.04/Mcf
Fixed price swap	November 2025 to March 2026	28,435 Mcf/d	\$4.65/Mcf
Fixed price swap	April 2026 to October 2026	28,435 Mcf/d	\$4.52/Mcf
Fixed price swap	November 2026 to March 2027	9,478 Mcf/d	\$4.25/Mcf
Crude oil - WTI NYMEX			
Fixed price swap	April 2025 to June 2025	5,000 bbls/d	US \$74.43/bbl
Fixed price swap	July 2025 to December 2025	4,000 bbls/d	US \$71.24/bbl

7. Financial risk management (continued)

(a) Commodity price risk (continued)

Natural Gas - Embedded Derivative

Advantage is party to a long-term natural gas supply agreement, delivering 25,000 MMBtu/d of natural gas for a 10-year period. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US \$2.50/MMBtu. The Corporation will realize derivative gains or losses when the price received under the contract deviates from US \$2.50/MMBtu. As at March 31, 2025 the fair value of the natural gas embedded derivative resulted in an asset of \$50.5 million (December 31, 2024 – \$82.0 million asset).

The table below provides the impact to the valuation of the natural gas embedded derivative by adjusting the following inputs:

<u>\$ millions</u>	<u>Increase</u>	<u>(Decrease)</u>
10% change in PJM electricity price	19.8	(21.6)
1% change in implied inflation rate	0.4	(0.4)

(b) Foreign exchange risk

The Corporation's foreign exchange derivative contracts are classified as Level 2 within the fair value hierarchy. As at March 31, 2025, the Corporation had the following foreign exchange derivative contracts in place:

<u>Description of Derivative</u>	<u>Term</u>	<u>Notional Amount</u>	<u>Rate</u>
Forward rate - CAD/USD			
Average rate currency swap	April 2025 to June 2025	US \$ 4,000,000/month	1.4048
Average rate currency swap	July 2025	US \$ 3,000,000/month	1.3969
Average rate currency swap	August 2025 to December 2025	US \$ 1,000,000/month	1.4320

7. Financial risk management (continued)

(c) Capital management

Working capital

Working capital is a capital management financial measure that provides Management and users with a measure of the Corporation's short-term operating liquidity. By excluding current derivatives, financing liability, provisions and other liabilities and unsecured debentures, 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 March 31, 2025 and December 31, 2024 is as follows:

	March 31 2025	December 31 2024
Cash and cash equivalents	46,846	20,146
Trade and other receivables	90,050	83,188
Prepaid expenses and deposits	9,608	10,000
Trade and other accrued liabilities	(133,936)	(116,609)
Working capital surplus (deficit)	12,568	(3,275)

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 net debt as at March 31, 2025 and December 31, 2024 is as follows:

	March 31 2025	December 31 2024
Bank indebtedness (note 8)	446,333	470,424
Convertible debentures (note 9)	143,750	143,750
Unsecured debentures (note 11)	145,732	101,000
Working capital (surplus) deficit	(12,568)	3,275
Net debt	723,247	718,449

Advantage's capital structure as at March 31, 2025 and December 31, 2024 is as follows:

	March 31 2025	December 31 2024
Shares outstanding (note 13)	166,628,640	166,931,440
Share closing market price (\$/share)	10.84	9.86
Market capitalization	1,806,254	1,645,944
Net debt	723,247	718,449
Total capitalization	2,529,501	2,364,393

8. Bank indebtedness

	March 31 2025	December 31 2024
Revolving credit facility	450,000	475,000
Unamortized financing fees	(3,667)	(4,576)
Balance, end of period	446,333	470,424

The Credit Facilities have a borrowing base of \$650 million, comprised of a \$60 million extendible revolving operating loan facility from one financial institution and a \$590 million extendible revolving loan facility from a syndicate of financial institutions. The Credit Facility has a tenor of two years with a maturity date in June 2026 and is subject to an annual review and extension by the lenders. The Corporation had letters of credit of \$8.6 million outstanding at March 31, 2025 (December 31, 2024 – \$5.5 million). The Corporation did not have any financial covenants at March 31, 2025 and December 31, 2024.

9. Convertible debentures

	Convertible Debentures (# of Debentures)	Liability Component	Equity Component
Balance, December 31, 2023	-	-	-
Issuance of convertible debentures	143,750	126,261	17,489
Issuance costs	-	(5,694)	(788)
Deferred income tax liability	-	-	(3,842)
Accretion of discount	-	2,016	-
Balance, December 31, 2024	143,750	122,583	12,859
Accretion of discount	-	954	-
Balance, March 31, 2025	143,750	123,537	12,859

The Corporation has \$143.8 million aggregate principal amount of convertible unsecured subordinated debentures (the "Debentures") at a price of \$1,000 per debenture outstanding as at March 31, 2025. The Debentures will mature and be repayable on June 30, 2029 and accrue interest at the rate of 5.0% per annum.

The fair value of the Debentures at March 31, 2025 was \$153.1 million using quoted market prices on the TSX.

10. Financing Liability

The Corporation has a take-or-pay volume commitment with a 12.5% working interest partner in the Corporation's Glacier Gas Plant, with a term due to expire in 2035. The volume commitment agreement is treated as a financing transaction with an effective interest rate associated with the financing transaction of 9.1%.

A reconciliation of the financing liability is provided below:

	Three months ended March 31, 2025	Year ended December 31, 2024
Balance, beginning of the year	88,083	92,897
Interest expense	1,967	8,272
Financing payments	(3,218)	(13,086)
Balance, end of period	86,832	88,083
Current financing liability	5,375	5,256
Non-current financing liability	81,457	82,827

11. Unsecured debentures

During the three months ended March 31, 2025, Entropy issued unsecured debentures for gross proceeds of \$42.0 million (March 31, 2024 - \$10.0 million) and incurred \$1.9 million of issuance costs (March 31, 2024 - \$1.2 million).

For the three months ended March 31, 2025, Entropy incurred interest of \$2.7 million which was paid-in-kind (March 31, 2024 - \$1.0 million).

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

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

	Three months ended March 31, 2025	Year ended December 31, 2024
Aggregate principal balance, beginning of the year	101,000	40,807
Unsecured debentures issued	42,000	55,000
Interest paid-in-kind	2,732	5,193
Aggregate principal balance, end of period	145,732	101,000

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

	Three months ended March 31, 2025	Year ended December 31, 2024
Balance, beginning of the year	64,682	27,819
Issuances	30,651	39,159
Issuance costs	(1,862)	(3,528)
Accretion expense	484	1,232
Balance, end of period	93,955	64,682

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

	Three months ended March 31, 2025	Year ended December 31, 2024
Balance, beginning of the year	40,344	18,444
Issuances	14,081	21,034
Revaluation	(1,211)	866
Balance, end of period	53,214	40,344

The Corporation determined the value of the conversion feature using a probability weighted Black-Scholes calculation. Unobservable inputs used to determine the valuation at March 31, 2025 includes estimated share price, estimated timing of an initial public offering ("IPO"), share price volatility and credit spread. The table below provides the impact to the valuation of the derivative liability by adjusting the following inputs:

\$ millions	Increase	(Decrease)
\$1 change in estimated share price	12.8	(12.8)
1% change in credit spread	3.2	(3.3)
1-year change in estimated IPO timing	5.7	(4.9)

12. Provisions and other liabilities

	Three months ended March 31, 2025	Year ended December 31, 2024
Performance Awards (note 14(c))	2,742	2,312
Deferred Share Units (note 14(d))	5,659	4,869
Deferred revenue (a)	5,330	5,639
Lease liability (b)	2,588	2,820
Decommissioning liability (c)	126,724	126,753
Balance, end of period	143,043	142,393
Current provisions and other liabilities	11,549	14,724
Non-current provisions and other liabilities	131,494	127,669

(a) Deferred revenue

Deferred revenue represents an advance payment received by Advantage in consideration for the future sales of natural gas. Deferred revenue is recognized over the course of the term of the agreements (note 7 (a)).

	Three months ended March 31, 2025	Year ended December 31, 2024
Balance, beginning of the year	5,639	6,603
Additions	-	240
Recognized in natural gas and liquids sales	(309)	(1,204)
Balance, end of period	5,330	5,639
Current deferred revenue	708	852
Non-current deferred revenue	4,622	4,787

(b) Lease liability

The Corporation incurs lease payments related to its office leases and other miscellaneous equipment. The Corporation has recognized a lease liability in relation to all lease arrangements measured at the present value of the remaining lease payments.

A reconciliation of the lease liability is provided below:

	Three months ended March 31, 2025	Year ended December 31, 2024
Balance, beginning of the year	2,820	1,967
Additions	-	1,366
Leases acquired (note 6)	-	272
Interest expense	44	160
Lease payments	(276)	(945)
Balance, end of period	2,588	2,820
Current lease liability	972	929
Non-current lease liability	1,616	1,891

12. Provisions and other liabilities (continued)

(c) Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids assets including well sites, gathering systems, facilities and carbon capture equipment, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2025 and 2075. A risk-free rate of 3.23% (December 31, 2024 – 3.30%) and an inflation factor of 2.0% (December 31, 2024 – 2.0%) were used to calculate the fair value of the decommissioning liability at March 31, 2025. As at March 31, 2025, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$166.1 million (December 31, 2024 – \$168.7 million).

A reconciliation of the decommissioning liability is provided below:

	Three months ended March 31, 2025	Year ended December 31, 2024
Balance, beginning of the year	126,753	62,155
Accretion expense	343	2,141
Liabilities incurred	1,259	12,229
Liabilities acquired	-	28,269
Revaluation of liabilities acquired	-	24,694
Liabilities disposed	(2,339)	(1,990)
Change in estimates	296	4,647
Effect of change in risk-free rate	1,805	(2,333)
Liabilities settled	(1,393)	(3,059)
Balance, end of period	126,724	126,753
Current decommissioning liability	3,021	7,000
Non-current decommissioning liability	123,703	119,753

13. Share capital

(a) Authorized

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

	Common Shares (# of shares)	Share capital (\$000)
Balance at December 31, 2023	162,225,180	1,952,241
Issuance of common shares	5,910,000	62,643
Shares issued on Performance Share Unit settlements (note 14(a))	1,251,060	-
Contributed surplus transferred on Performance Share Unit vesting	-	3,891
Shares purchased and cancelled under NCIB	(2,454,800)	(29,536)
Balance at December 31, 2024	166,931,440	1,989,239
Shares purchased and cancelled under NCIB	(302,800)	(3,609)
Balance at March 31, 2025	166,628,640	1,985,630

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

For the three months ended March 31, 2025, the Corporation purchased 0.3 million common shares for cancellation for a total of \$2.9 million. Share capital was reduced by \$3.6 million while contributed surplus was increased by \$0.7 million, representing the excess average carrying value of the common shares over the purchase price.

On May 9, 2024, the TSX approved the renewal of the NCIB. The NCIB commenced on May 14, 2024 and will terminate on May 13, 2025. Pursuant to the NCIB, Advantage was approved to purchase for cancellation, from time to time, as it considered advisable, up to a maximum of 13,835,841 common shares of the Corporation. The Corporation plans to renew the NCIB in May 2025.

Purchases pursuant to the NCIB are made on the open market through the facilities of the TSX or alternative trading systems. The price that Advantage paid for its common shares under the NCIB was the prevailing market price on the TSX at the time of such purchase, including commissions. All common shares acquired under the NCIB were cancelled.

14. Long-term compensation plans

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

Under the Restricted and Performance Award Incentive Plan, service providers can be granted two types of equity incentive awards: Restricted Share Units and Performance Share Units. As at March 31, 2025, no Restricted Share Units have been granted. Performance Share Units vest over three years on the anniversary dates of the grant dated and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during the vesting periods, as approved by the Board of Directors.

The following table is a continuity of Performance Share Units:

	Performance Share Units
Balance at December 31, 2023	2,819,414
Granted	882,858
Vested	(1,191,708)
Forfeited	(178,864)
Balance at December 31, 2024	2,331,700
Granted	1,205,815
Vested	(617,213)
Forfeited	(3,036)
Balance at March 31, 2025	2,917,266

On March 27, 2025, 0.6 million Performance Share Units vested and, subsequent to March 31, 2025, were settled with the issuance of 0.7 million common shares.

(b) Share-based compensation expense

Share-based compensation expense after capitalization for the three months ended March 31, 2025, and 2024 are as follows:

	Three months ended March 31	
	2025	2024
Total share-based compensation	2,035	95
Capitalized	(353)	-
Share-based compensation expense	1,682	95

14. Long-term compensation plans (continued)

(c) Performance Award Incentive Plan - Performance Awards

Under the Performance Award Incentive Plan, service providers can be granted cash Performance Awards. Such grants vest over three years on the anniversary dates of the grant dated and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during the vesting periods, as approved by the Board of Directors. Performance Awards are expensed to general and administrative expense with the recording of a current and non-current liability (note 12) until eventually settled in cash.

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

	Three months ended March 31, 2025	Year ended December 31, 2024
Balance, beginning of the year	2,312	6,687
Performance Award expense	410	543
Interest expense	20	61
Performance Awards settled	-	(4,979)
Balance, end of period	2,742	2,312
Current	1,189	1,074
Non-current	1,553	1,238

(d) Deferred Share Units

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

The following table is a continuity of Deferred Share Units:

	Deferred Share Units
Balance at December 31, 2023	536,680
Granted	69,627
Settled	(112,498)
Balance at December 31, 2024	493,809
Granted	28,203
Balance at March 31, 2025	522,012

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

	Three months ended March 31, 2025	Year ended December 31, 2024
Balance, beginning of the year	4,869	4,579
Granted	284	672
Revaluation of outstanding Deferred Share Units	506	576
Settled	-	(958)
Balance, end of period	5,659	4,869

15. Net income (loss) per share attributable to Advantage shareholders

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

	Three months ended	
	March 31	
	2025	2024
Net income (loss) attributable to Advantage shareholders		
Basic and diluted	(29,024)	23,163
Weighted average shares outstanding		
Basic	166,821,047	160,443,738
Performance Share Units	-	3,685,385
Diluted	166,821,047	164,129,123
Net income (loss) per share attributable to Advantage shareholders		
Basic	(0.17)	0.14
Diluted	(0.17)	0.14

In computing diluted per share amounts at March 31, 2025, the common shares potentially issuable on the conversion of convertible debentures (note 9) and Performance Share Units (note 14(a)) were excluded as they were determined to be anti-dilutive.

In computing diluted per share amounts at March 31, 2025, the Entropy common shares potentially issuable on the conversion of the unsecured debentures were excluded as they were determined to be anti-dilutive. If the aggregate principal balance of unsecured debentures were converted at March 31, 2025, Advantage's ownership would have been 59% (March 31, 2024 – 73%).

16. Revenues

Advantage's revenue is comprised of natural gas, crude oil, condensate and NGLs sales to multiple customers. For the three months ended March 31, 2025, and 2024, natural gas and liquids sales were as follows:

	Three months ended	
	March 31	
	2025	2024
Crude oil	72,287	21,992
Condensate	8,997	10,564
NGLs	20,143	14,536
Liquids	101,427	47,092
Natural Gas	120,363	88,805
Natural gas and liquids sales	221,790	135,897

At March 31, 2025, receivables from contracts with customers, which are included in trade and other receivables, were \$71.1 million (December 31, 2024 - \$63.2 million).

Advantage markets its natural gas and liquids production to major North American marketers, three of which each account for greater than 10% of natural gas and liquids sales. These customers account for 31%, 25%, and 13%, respectively, of the Corporation's total natural gas and liquids sales.

17. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended March 31	
	2025	2024
Source (use) of cash:		
Trade and other receivables	(6,862)	1,879
Prepaid expense and deposits	392	1,977
Trade and other accrued liabilities	17,327	4,217
Deferred revenue	(309)	-
Performance Awards	430	(5,042)
Deferred Share Units	790	(276)
	11,768	2,755
Related to operating activities	5,700	2,048
Related to financing activities	-	-
Related to investing activities	6,068	707
	11,768	2,755

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

	Three months ended March 31	
	2025	2024
Cash flows		
Common shares repurchased	(2,894)	(21,347)
Draws on credit facility	20,000	55,000
Repayment of credit facility	(45,000)	(30,000)
Bankers' acceptance and other fees	-	(4,268)
Proceeds from unsecured debentures	42,000	10,000
Transaction costs on unsecured debentures	(1,862)	(1,155)
Lease payments	(276)	(212)
Financing payments	(3,218)	(3,253)
Total cash flows	8,750	4,765
Non-cash changes		
Amortization of bankers' acceptance and other fees	909	4,992
Lease liability interest expense	44	29
Financing liability interest expense	1,967	2,097
Total non-cash changes	2,920	7,118
Cash provided by financing activities	11,670	11,883

18. Commitments

At March 31, 2025, Advantage had commitments relating to building operating cost, processing commitments, and transportation commitments. The estimated remaining payments are as follows:

(\$ millions)	Payments due by period						
	2025		2026	2027	2028	2029	Beyond
	Total	9 months					
Building operating cost ⁽¹⁾	1.9	0.5	0.8	0.6	-	-	-
Processing	184.6	20.9	28.1	28.1	28.2	26.4	52.9
Transportation	732.3	85.5	93.8	88.2	64.4	60.4	340.0
Total commitments	918.8	106.9	122.7	116.9	92.6	86.8	392.9

⁽⁵⁾ Excludes fixed lease payments which are included in the Corporation's lease liability.

Advantage Energy Ltd.
Supplemental Financial Information (unaudited)
Exhibit to the March 31, 2025 Condensed Consolidated Financial Statements

The following ratio has been calculated on a consolidated basis for the twelve-month period ended March 31, 2025. This ratio is based on Advantage Energy Ltd.'s Condensed Consolidated Financial Statements that are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

	Twelve months ended March 31, 2025
<hr/> Earnings Coverage Ratio⁽¹⁾⁽²⁾ <hr/>	0.4x

(1) Calculated as net income (loss) and comprehensive income (loss) attributed to Advantage shareholders, before finance expense and income tax expense divided by finance expense (including capitalized interest).

(2) As a result of the Corporation's acquisition of Charlie Lake and Montney assets (the "Acquired Assets"), results from June 24, 2024 to March 31, 2025 include results from the Acquired Assets. Financial information prior to the acquisition from January 1, 2024 to June 23, 2024 does not reflect results from the Acquired Assets.

ABBREVIATIONS

Crude Oil and Natural Gas Liquids

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

Natural Gas

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

Other

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

Directors

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Michael Belenkie
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Andy J. Mah⁽²⁾
Larry S. Massaro
David G. Smith⁽¹⁾⁽⁴⁾

⁽¹⁾ Member of Audit Committee

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

⁽³⁾ Member of Compensation Committee

⁽⁴⁾ Member of Governance & Sustainability Committee

Officers

Michael Belenkie, President and CEO
Craig Blackwood, CFO
Neil Bokenfohr, Senior Vice President
John Quaife, Vice President, Finance
Darren Tisdale, Vice President, Geosciences
Geoff Keyser, Vice President, Corporate Development
Brian Bagnell, Vice President, Commodities and Capital Markets

Corporate Secretary

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

Auditors

PricewaterhouseCoopers LLP

Bankers

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

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Toronto Stock Exchange Trading Symbols

AAV: Common Shares

AAV.DB: Debentures



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