

2024 Second Quarter Report

For the three and six months ended June 30, 2024 and 2023

MESSAGE TO SHAREHOLDERS

Advantage Announces Second Quarter 2024 Financial and Operating Results

Advantage Energy Ltd. ("Advantage" or the "Corporation") is pleased to report 2024 second quarter financial and operating results.

2024 Second Quarter Financial Highlights

- Closed the acquisition of certain Charlie Lake and Montney assets for cash consideration of \$445.5 million on June 24, 2024 (the "Acquisition").
- Financing activities for the Acquisition included:
 - Issued 5.9 million common shares for gross proceeds of \$65.0 million.
 - Issued \$143.8 million of 5.0% convertible unsecured subordinated debentures.
 - The remainder of the Acquisition was financed using available capacity on our \$650 million credit facility.
- Net debt^(a) increased to \$619.4 million for Advantage^(b) (\$674.7 million including Entropy) due to funding the Acquisition.
- Net loss of \$12.1 million or \$0.07/share.
- Cash provided by operating activities of \$47.1 million.
- Adjusted funds flow ("AFF")^(a) of \$42.4 million or \$0.26/share^(a) (\$44.0 million or \$0.27/share for Advantage^(b) including \$3.1 million for Acquisition transaction costs).
- Cash used in investing activities was \$494.3 million while net capital expenditures^(a) were \$490.9 million, which includes \$445.5 million for the Acquisition.
- Advantage's net capital expenditures^(a) were \$39.7 million for the second quarter of 2024 excluding the Acquisition and expenditures incurred by Entropy.

2024 Second Quarter Operating Highlights

- Second quarter average production of 66,401 boe/d (355.6 mmcf/d natural gas, 7,141 bbls/d liquids), an increase of 28% over the second quarter of 2023.
- Liquids production of 7,141 bbls/d (3,033 bbls/d oil, 1,200 bbls/d condensate, and 2,908 bbls/d NGLs), an increase of 12% over the second quarter of 2023.
- Production from the acquired assets is exceeding expectations with current production of approximately 15,000 boe/d (42 mmcf/d natural gas, 7,160 bbls/d oil, and 910 bbls/d NGLs).

(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 28% of its forecasted natural gas production through the end of 2024, as well as 26% for calendar 2025 and 10% for calendar 2026. Advantage has also hedged approximately 65% of its oil and condensate production in the second half of 2024, as well as 45% in the first half of 2025 and 15% in the second half of 2025.

Looking Forward

Advantage's long-term focus on maximizing AFF per share^(a) growth remains unchanged. As a result of the Acquisition, Advantage now expects to exceed our per-share growth targets, so our strategy has temporarily shifted towards moderating organic growth spending and maximizing the pace of de-levering, with a focus on achieving our net debt^(a) target of \$450 million by the end of 2025. Congruently, Advantage reduced 2024 capital spending guidance by \$20 million to between \$260 million and \$290 million by cutting gas-weighted wells that were expected to exceed our production targets while gas markets remain oversupplied.



CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

For the three and six months ended June 30, 2024 and 2023

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of July 25, 2024, provides a detailed explanation of the consolidated financial and operating results of Advantage Energy Ltd. ("Advantage", the "Corporation", "us", "we" or "our") for the three and six months ended June 30, 2024 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three and six months ended June 30, 2024 and the audited consolidated financial statements for the year ended December 31, 2023 (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"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

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

Financial Highlights	Three months ended June 30		Six months ended June 30	
(\$000, except as otherwise indicated)	2024	2023	2024	2023
Financial Statement Highlights				
Natural gas and liquids sales	104,081	107,240	239,978	253,239
Net income (loss) and comprehensive income (loss) ⁽³⁾	(12,084)	2,538	11,079	32,257
per basic share ⁽²⁾	(0.07)	0.02	0.07	0.19
per diluted share ⁽²⁾	(0.07)	0.02	0.07	0.19
Basic weighted average shares (000)	161,362	167,268	160,903	167,298
Diluted weighted average shares (000)	161,362	171,815	164,668	171,844
Cash provided by operating activities	47,090	37,966	114,464	143,921
Cash provided by (used in) financing activities	447,502	43,778	459,385	(14,581)
Cash used in investing activities	(494,331)	(88,439)	(573,758)	(174,029)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾	42,354	52,381	107,747	149,214
per boe ⁽¹⁾	7.01	11.10	8.94	15.00
per basic share ⁽¹⁾⁽²⁾	0.26	0.31	0.67	0.89
per diluted share ⁽¹⁾⁽²⁾	0.26	0.30	0.65	0.87
Net capital expenditures ⁽¹⁾	490,888	64,924	571,022	181,624
Free cash flow (negative) ⁽¹⁾	(3,059)	(12,543)	(17,800)	(32,410)
Bank indebtedness	488,008	226,442	488,008	226,442
Net debt ⁽¹⁾	674,665	229,426	674,665	229,426

⁽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.

Operating Highlights	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Operating				
Production				
Crude oil (bbls/d)	3,033	2,801	2,832	2,269
Condensate (bbls/d)	1,200	871	1,215	1,014
NGLs (bbls/d)	2,908	2,683	2,750	2,780
Total liquids production (bbls/d)	7,141	6,355	6,797	6,063
Natural gas (Mcf/d)	355,563	272,919	356,487	293,482
Total production (boe/d)	66,401	51,842	66,211	54,976
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	1.82	2.81	2.34	3.67
Liquids (\$/bbl)	84.58	75.36	82.49	76.48
Operating Netback (\$/boe)				
Natural gas and liquids sales	17.22	22.73	19.91	25.45
Realized gains on derivatives	1.59	1.07	1.15	2.32
Processing and other income	0.32	0.22	0.34	0.29
Net sales of purchased natural gas	-	(0.05)	-	(0.02)
Royalty expense	(1.16)	(1.33)	(1.34)	(2.31)
Operating expense	(4.16)	(4.44)	(4.17)	(3.92)
Transportation expense	(3.73)	(4.34)	(3.98)	(4.33)
Operating netback ⁽¹⁾	10.08	13.86	11.91	17.48

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

Corporate Update

Asset Acquisition

On June 24, 2024, the Corporation closed the acquisition of certain Charlie Lake and Montney assets (the Acquired Assets”) for cash consideration of \$445.5 million, including closing adjustments (the “Acquisition”). The Acquisition capitalizes on a rare opportunity to consolidate a high-quality, liquids-weighted asset that is contiguous with our existing core areas and complementary to our infrastructure platform. The Acquisition is expected to add approximately 14,100 boe/d (6,685 bbls/d oil, 810 bbls/d NGLs, and 39.7 mmcf/d natural gas) of production in Glacier, Valhalla, Progress, and Gordondale, enabling multi-zone development across portions of our existing land base. Only seven days of operating and financial results from the Acquired Assets have been included in the consolidated financial statements for the three and six months ended June 30, 2024 representing the period of time since closing the Acquisition.

The Acquisition was partially funded by the issuance of 5,910,000 common shares at a price of \$11.00 per share and \$143.8 million aggregate principal amount of 5.0% convertible unsecured subordinated debentures at a price of \$1,000 per debenture for aggregate gross proceeds of \$208.8 million. The remainder was funded from the Corporation’s credit facility which was increased to \$650 million (see “Bank Indebtedness, Credit Facilities and Working Capital”).

2024 Guidance Update

All guidance numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc. ("Entropy"). As a result of the Acquisition and the low gas price environment, the Corporation has revised its guidance.

Production guidance has been revised to between 70,000 and 73,000 boe/d to reflect the impact of the Acquisition, continued outperformance of our recent wells, and reducing our gas-focused program at Glacier to 13 wells (previously 18). Capital spending is expected to be between \$260 million and \$290 million which reflects capital spending on the Acquired Assets, offset by lower capital spending at Glacier. Advantage has revised guidance related to royalty rates, operating expense and transportation expense due to changes in the commodity price environment and the higher liquids production from the Acquired Assets. With the increase in debt to fund the Acquisition, Advantage now anticipates its G&A/finance expense to be approximately \$2.50/boe.

Forward Looking Information ⁽¹⁾	2024 Prior Guidance ⁽³⁾	2024 Revised Guidance ⁽⁴⁾
Cash Used in Investing Activities ⁽²⁾ (\$ millions)	220 to 250	260 to 290
Total Average Production (boe/d)	65,000 to 68,000	70,000 to 73,000
Liquids Production (% of total average production)	~10%	~13%
Royalty Rate (%)	7 to 11	9 to 10
Operating Expense (\$/boe)	3.85	5.00
Transportation Expense (\$/boe)	3.95	3.50
G&A/Finance Expense (\$/boe)	1.90	2.50

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

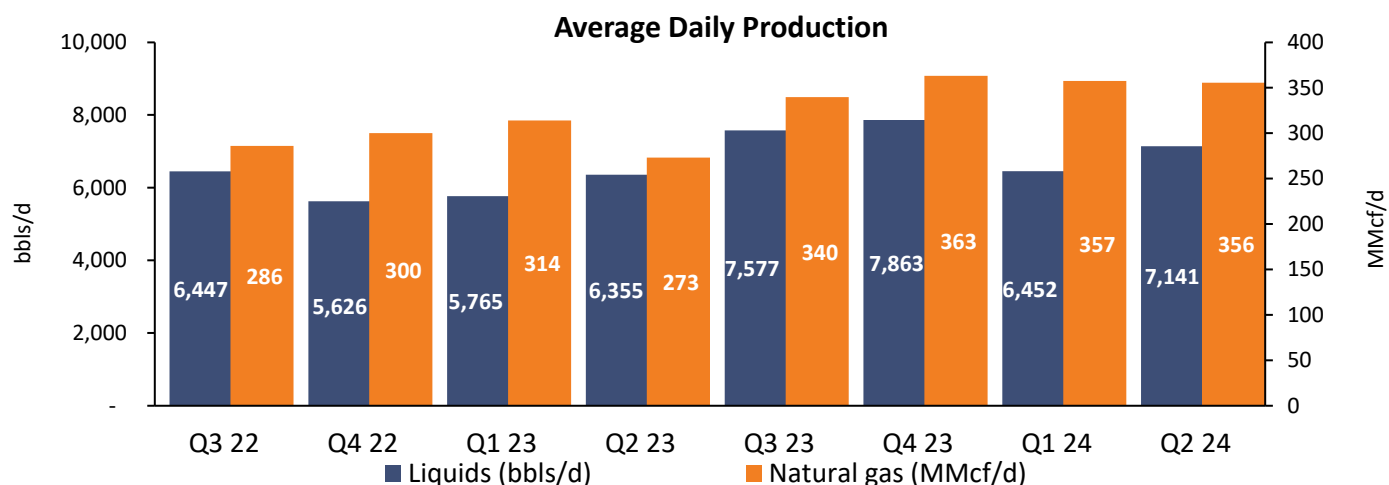
⁽²⁾ Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed between years and other differences are immaterial.

⁽³⁾ See December 31, 2023 MD&A dated as of March 4, 2024 for prior guidance.

⁽⁴⁾ See press releases dated June 10, 2024 and July 9, 2024.

Production

Average Daily Production	Three months ended June 30			Six months ended June 30		
	2024	2023	% Change	2024	2023	% Change
Crude oil (bbls/d)	3,033	2,801	8	2,832	2,269	25
Condensate (bbls/d)	1,200	871	38	1,215	1,014	20
NGLs (bbls/d)	2,908	2,683	8	2,750	2,780	(1)
Total liquids production (bbls/d)	7,141	6,355	12	6,797	6,063	12
Natural gas (Mcf/d)	355,563	272,919	30	356,487	293,482	21
Total production (boe/d)	66,401	51,842	28	66,211	54,976	20
Liquids (% of total production)	11	12		10	11	
Natural gas (% of total production)	89	88		90	89	



For the three and six months ended June 30, 2024, Advantage's total production averaged 66,401 and 66,211 boe/d, respectively, increases of 28% and 20% compared to the same periods of the prior year. Included in total production for the three and six months ended June 30, 2024 is 1,150 boe/d (525 bbls/d oil, 72 bbls/d NGLs, and 3.3 MMcf/d natural gas), and 575 boe/d (263 bbls/d oil, 36 bbls/d NGLs, and 1.7 MMcf/d natural gas), respectively, related to the Acquired Assets for the period June 24, 2024 to June 30, 2024.

Natural gas production for the three and six months ended June 30, 2024 averaged 355.6 and 356.5 MMcf/d, respectively, increases of 30% and 21% compared to the same periods of the prior year, despite "firm service" restrictions on TC Energy's NGTL system during the quarter. The increase in natural gas production was due to continued development at Glacier, with 7.0 net wells brought on production in 2024 (see "Cash Used in Investing Activities and Net Capital Expenditures"), and a planned turnaround in May 2023 at the Glacier Gas Plant that took 17 days.

Liquids production increased to 7,141 and 6,797 bbls/d for the three and six months ended June 30, 2024, both increases of 12%, primarily due to the Acquired Assets (see "Cash Used in Investing Activities and Net Capital Expenditures").

Advantage expects 2024 annual production to average between 70,000 and 73,000 boe/d, including 13% of liquids production.

Commodity Prices and Marketing

Average Realized Prices ⁽²⁾	Three months ended June 30			Six months ended June 30		
	2024	2023	% Change	2024	2023	% Change
Natural gas						
Excluding derivatives (\$/Mcf)	1.52	2.56	(41)	2.13	3.19	(33)
Including derivatives (\$/Mcf)	1.82	2.81	(35)	2.34	3.67	(36)
Liquids						
Crude oil (\$/bbl)	101.99	91.04	12	97.28	92.85	5
Condensate (\$/bbl)	103.89	100.97	3	99.03	101.79	(3)
NGLs (\$/bbl)	58.44	50.67	15	59.95	53.89	11
Total liquids excluding derivatives (\$/bbl)	84.58	75.36	12	82.49	76.48	8
Total liquids including derivatives (\$/bbl)	84.58	75.36	12	82.49	76.48	8
Average Benchmark Prices						
Natural gas⁽¹⁾						
AECO daily (\$/Mcf)	1.18	2.45	(52)	1.84	2.84	(35)
AECO monthly (\$/Mcf)	1.44	2.34	(39)	1.74	3.17	(45)
Empress daily (\$/Mcf)	1.19	2.39	(50)	1.89	2.84	(34)
Henry Hub (\$US/MMbtu)	2.04	2.12	(4)	2.24	2.40	(7)
Emerson 2 daily (\$US/MMbtu)	1.04	1.96	(47)	1.67	2.31	(28)
Dawn daily (\$US/MMbtu)	1.55	2.05	(24)	1.90	2.39	(20)
Chicago Citygate (\$US/MMbtu)	1.60	2.01	(20)	2.22	2.32	(4)
Ventura (\$US/MMbtu)	1.46	1.92	(24)	2.43	2.35	3
Liquids						
WTI (\$US/bbl)	80.54	73.78	9	78.75	74.96	5
MSW Edmonton (\$/bbl)	105.05	95.82	10	98.85	97.45	1
Average Exchange rate (\$US/\$CDN)	0.7309	0.7445	(2)	0.7361	0.7421	(1)

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

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

Liquids

Advantage's realized liquids price excluding derivatives for the three and six months ended June 30, 2024, was \$84.58/bbl and \$82.49/bbl, respectively, increases of 12% and 8% compared to the same periods of the prior year. Realized crude oil, condensate and NGL prices have all increased over the prior year largely due to continued strong demand. 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 76% of our liquids production is comprised of crude oil, condensate and pentanes, which generally attracts higher market prices than other NGLs.

Natural gas

Advantage's realized natural gas price excluding derivatives for the three and six months ended June 30, 2024, was \$1.52/Mcf and \$2.13/Mcf, respectively, decreases of 41% and 33% compared to the same periods of the prior year. This decrease was attributed to lower natural gas benchmark prices in markets where Advantage physically delivers natural gas and has market diversification exposure. North American natural gas benchmark prices have decreased in 2024 largely due to strong North American natural gas production accompanied by a mild winter resulting in elevated gas inventories.

Commodity Prices and Marketing (continued)

We expect the high supply and inventory levels to persist through the 2024 summer resulting in continued weak natural gas prices, particularly in Alberta. Advantage has approximately 10% of its natural gas production exposed to AECO natural gas prices for the remainder of 2024 as a result of its market diversification and risk management activities (see "Financial Risk Management").

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

The following table outlines the Corporation's 2024 forward-looking natural gas market exposure, and the six months ended June 30, 2024, actual natural gas market exposure, excluding hedging.

Sales Markets	Six months ended June 30, 2024		Forward-looking 2024 ⁽²⁾	
	Production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%) ⁽³⁾
AECO	77.9	22%	95.9	26%
AECO Other ⁽⁴⁾	38.8	11%	36.8	10%
Empress	80.1	22%	80.1	21%
Emerson	43.1	12%	43.1	12%
Dawn	52.7	15%	52.7	14%
Chicago	23.9	7%	27.1	7%
Ventura	15.0	4%	12.5	3%
PJM power price ⁽⁵⁾	25.0	7%	25.0	7%
Total	356.5	100%	373.2	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 June 30, 2024.

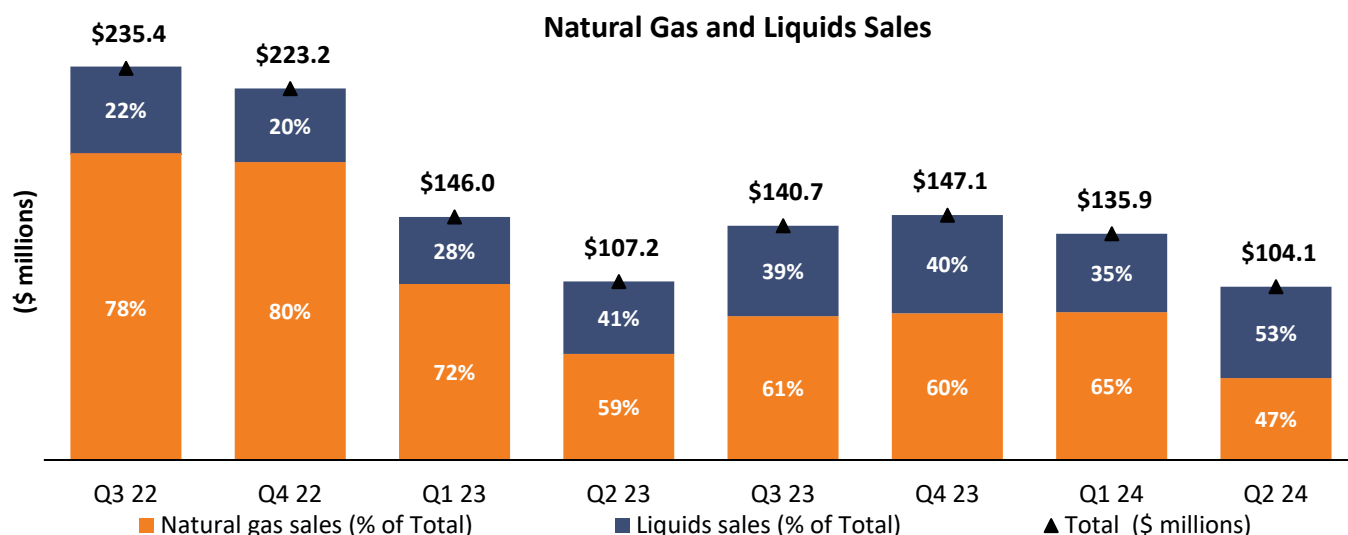
⁽³⁾ Represents the midpoint of our revised 2024 guidance for natural gas production volumes (see New Release dated July 9, 2024).

⁽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.

Natural gas and liquids sales

(\$000, except as otherwise indicated)	Three months ended			Six months ended		
	June 30	June 30	%	June 30	June 30	%
	2024	2023	Change	2024	2023	Change
Crude oil	28,151	23,205	21	50,143	38,132	31
Condensate	11,342	8,003	42	21,906	18,682	17
NGLs	15,465	12,372	25	30,001	27,117	11
Liquids	54,958	43,580	26	102,050	83,931	22
Natural gas	49,123	63,660	(23)	137,928	169,308	(19)
Natural gas and liquids sales	104,081	107,240	(3)	239,978	253,239	(5)
per boe	17.22	22.73	(24)	19.91	25.45	(22)



Natural gas and liquids sales for the three and six months ended June 30, 2024, decreased by \$3.2 million or 3% and \$13.3 million or 5%, respectively, compared to the same corresponding periods of 2023.

For the three months ended June 30, 2024, natural gas sales decreased by \$14.5 million or 23% compared to the corresponding period in 2023, due to a 41% decrease in realized natural gas prices (see "Commodity Prices and Marketing"), partially offset with a 30% increase in natural gas production volumes (see "Production"). Second quarter liquids sales increased by \$11.4 million, or 26%, due to a 12% increase in realized liquids prices (see "Commodity Prices and Marketing"), accompanied by a 12% increase in liquids production volumes (see "Production"). With the changing commodity price dynamics during the quarter, 53% of sales were realized from liquids that represented just 11% of total production.

For the six months ended June 30, 2024, natural gas sales decreased by \$31.4 million or 19%, compared to 2023, due to a 33% decrease in realized natural gas prices (see "Commodity Prices and Marketing"), partially offset by a 21% increase in natural gas production volumes (see "Production"). Liquids sales increased by \$18.1 million, or 22%, due to a 12% increase in liquids production volumes (see "Production"), accompanied by an 8% 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 Corporation's exposure to commodity price risk, foreign exchange risk and interest rate risk. A summary of realized and unrealized derivative gains and losses for the three and six months ended June 30, 2024, and 2023 are as follows:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Realized gains (losses) on derivatives				
Natural gas	10,465	6,251	15,128	25,632
Foreign exchange	(86)	(655)	4	(2,011)
Natural gas embedded derivative	(743)	(528)	(1,290)	(528)
Total	9,636	5,068	13,842	23,093
Unrealized gains (losses) on derivatives				
Natural gas	22,401	(3,301)	13,240	(11,564)
Crude oil	(4,911)	-	(4,911)	-
Foreign exchange	(92)	668	(939)	2,197
Natural gas embedded derivative	(25,294)	(13,022)	(8,880)	(22,301)
Unsecured debentures	(86)	(1,148)	(268)	(5,730)
Total	(7,982)	(16,803)	(1,758)	(37,398)
Gains (losses) on derivatives				
Natural gas	32,866	2,950	28,368	14,068
Crude oil	(4,911)	-	(4,911)	-
Foreign exchange	(178)	13	(935)	186
Natural gas embedded derivative	(26,037)	(13,550)	(10,170)	(22,829)
Unsecured debentures	(86)	(1,148)	(268)	(5,730)
Total	1,654	(11,735)	12,084	(14,305)

Financial Risk Management (continued)

Natural gas

For the three and six months ended June 30, 2024, Advantage realized gains on natural gas derivatives of \$10.5 million and \$15.1 million, respectively, due to the settlement of contracts with average derivative contract prices that were above average market prices.

Advantage recognized an unrealized gain on natural gas derivatives of \$22.4 million and \$13.2 million, respectively, for the three and six months ended June 30, 2024. Unrealized gains and losses are a result of changes in the fair value of the Corporation's outstanding natural gas derivative contracts accompanied with the settlement of contracts in their respective periods. The change in the fair value of our outstanding natural gas derivative contracts is primarily due to entering into new natural gas derivative contracts during the period that are in an asset position as at June 30, 2024.

Crude oil

In conjunction with the Acquisition, Advantage initiated a disciplined crude oil hedging program by entering into an increased volume of crude oil derivative contracts during the three months ended June 30, 2024. Advantage recognized an unrealized loss on these contracts of \$4.9 million due to the forward crude oil prices increasing above the average fixed price of the contracts.

Foreign exchange

For the three and six months ended June 30, 2024, Advantage realized a loss on foreign exchange derivatives of \$0.1 million and a nominal gain, respectively, while recognizing an unrealized loss of \$0.1 million and \$1.0 million for the three and six months ended June 30, 2024. The unrealized losses are a result of the decreased asset valuation of the foreign exchange derivatives contracts due to a weakening of the Canadian dollar.

Natural gas embedded derivative

Advantage has a long-term natural gas supply agreement under which Advantage will supply 25,000 MMBtu/d of natural gas for a 10-year period, that commenced in April 2023. Commercial terms of the agreement are based upon a spark-spread price, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread price and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US\$2.50/MMBtu. The Corporation will have realized gains (losses) on the embedded derivative when the realized settlement price differs from US\$2.50/MMBtu, resulting in a realized loss of \$0.7 million and \$1.3 million for the three and six months ended June 30, 2024, respectively (three and six months ended June 30, 2023 – \$0.5 million). The Corporation will have unrealized gains (losses) on the embedded derivative based on movements in the forward curve for PJM power prices. For the three and six months ended June 30, 2024 the Corporation recognized an unrealized loss on the natural gas embedded derivative of \$25.3 million and \$8.9 million, respectively, as a result of weakening PJM power prices.

Unsecured debentures derivative

The Corporation's subsidiary Entropy issued unsecured debentures that have exchange features that meet the definition of a derivative liability, as the exchange features allow the unsecured debentures to be potentially exchanged for a variable number of Entropy common shares (see "Unsecured Debentures"). The Corporation will record unrealized gains (losses) as the valuation of the conversion option changes. For the three and six months ended June 30, 2024, the Entropy unsecured debentures derivative liability resulted in an unrealized loss of \$0.1 million and \$0.3 million, respectively, due to the increased value of the conversion option.

Financial Risk Management (continued)

The fair value of derivative assets and liabilities is the estimated value to settle the outstanding contracts as at a point in time. As such, unrealized derivative gains and losses do not impact adjusted funds flow and the actual gains and losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices, foreign exchange rates and interest rates as compared to the valuation assumptions. Remaining derivative contracts will settle between July 1, 2024 and March 31, 2027, apart from the natural gas embedded derivative which is expected to be settled between the years 2024 and 2033.

As at June 30, 2024 and July 25, 2024, the Corporation had the following commodity and foreign exchange derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - Henry Hub NYMEX			
Fixed price swap	July 2024 to October 2024	25,000 Mcf/d	US \$3.35/Mcf
Fixed price swap	November 2024 to December 2024	20,000 Mcf/d	US \$3.41/Mcf
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	July 2024 to December 2024	40,000 Mcf/d	Henry Hub less US \$1.19/Mcf
Natural gas - AECO			
Fixed price swap	July 2024 to October 2024	56,869 Mcf/d	CDN \$2.60/Mcf
Fixed price swap	November 2024 to December 2024	71,086 Mcf/d	CDN \$3.23/Mcf
Fixed price swap	January 2025 to March 2025	94,782 Mcf/d	CDN \$3.25/Mcf
Fixed price swap	April 2025 to October 2025	59,239 Mcf/d	CDN \$2.98/Mcf
Fixed price swap	November 2025 to March 2026	75,825 Mcf/d	CDN \$3.94/Mcf
Fixed price swap	April 2026 to October 2026	14,217 Mcf/d	CDN \$3.56/Mcf
Fixed price swap	November 2026 to March 2027	9,478 Mcf/d	CDN \$4.23/Mcf
Natural gas - Dawn			
Fixed price swap	November 2024 to October 2025	37,913 Mcf/d	US \$4.10/Mcf
Fixed price swap	November 2025 to October 2026	9,478 Mcf/d	US \$4.80/Mcf
Crude oil – WTI NYMEX			
Fixed price swap	July 2024 to December 2024	6,500 bbls/d	US \$76.62/bbl ⁽¹⁾
Fixed price swap	January 2025 to June 2025	4,500 bbls/d	US \$74.92/bbl ⁽¹⁾
Fixed price swap	July 2025 to December 2025	1,500 bbls/d	US \$73.84/bbl ⁽¹⁾

⁽¹⁾ Contains contracts entered into subsequent to June 30, 2024.

Processing and Other Income

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2024	2023		2024	2023	
Processing and other income (\$000)	1,942	1,020	90	4,126	2,840	45
per boe	0.32	0.22	45	0.34	0.29	17

Advantage earns processing income from contracts whereby the Corporation charges third-parties to utilize excess capacity at its Glacier Gas Plant and Progress battery. The Corporation's subsidiary, Entropy, earns other income for work performed completing front-end engineering and design studies.

For the three and six months ended June 30, 2024, the Corporation generated \$1.9 million and \$4.1 million, respectively, in processing and other income, an increase of 90% and 45% due to higher volumes processed for third-parties compared to the prior periods due to the planned turnaround at the Glacier Gas Plant in May 2023.

Net Sales of Purchased Natural Gas

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2024	2023		2024	2023	
Sales of purchased natural gas (\$000)	-	3,124	nm	-	3,124	nm
Natural gas purchases (\$000)	-	(3,371)	nm	-	(3,371)	nm
Net sales of purchased natural gas (\$000)	-	(247)	nm	-	(247)	nm
per boe	-	(0.05)	nm	-	(0.02)	nm

During the three months ended June 30, 2023, the Corporation purchased natural gas volumes to satisfy physical sales commitments during the planned turnaround at the Glacier Gas Plant. No volumes were purchased in 2024.

Royalty Expense

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2024	2023		2024	2023	
Royalty expense (\$000)	7,015	6,274	12	16,150	22,976	(30)
per boe	1.16	1.33	(13)	1.34	2.31	(42)
Royalty rate (%) ⁽¹⁾	6.7	5.9	0.8	6.7	9.1	(2.4)

⁽¹⁾ Percentage of natural gas and liquids sales.

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

Royalty expense for the three months ended June 30, 2024 increased by \$0.7 million, or 12%. The increase in royalty expense was due to higher natural gas and liquids volumes (see "Production") as well as higher liquids royalties due to higher liquids prices (see "Commodity Prices and Marketing"), partially offset by lower natural gas royalties due to decreased natural gas prices. Royalty expense for the six months ended June 30, 2024 decreased by \$6.8 million, or 30%. The decrease in royalty expense was primarily due to significantly lower natural gas prices when compared to 2023 (see "Commodity Prices and Marketing"), partially offset by higher production (see "Production").

Operating Expense

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2024	2023		2024	2023	
Operating expense (\$000)	25,150	20,968	20	50,232	38,971	29
per boe	4.16	4.44	(6)	4.17	3.92	6

Operating expense for the three and six months ended June 30, 2024, increased by \$4.2 million and \$11.3 million, respectively, increases of 20% and 29%. The higher operating expense was attributed to higher production of both natural gas and liquids, third-party processing fees associated with higher liquids production at Wembley, inflationary impacts, and increased maintenance costs.

Operating expense per boe for the three and six months ended June 30, 2024 was \$4.16/boe and \$4.17/boe, respectively. Operating expense per boe was inflated in the second quarter of 2023 due to decreased production connected with the 17-day planned turnaround at the Glacier Gas Plant (see "Production") while operating costs are primarily fixed. Advantage anticipates operating expense to average approximately \$5.00/boe for 2024, up from our previous guidance of \$3.85/boe (see "Corporate Update") due to higher operating costs associated with liquids production from the Acquired Assets.

Transportation Expense

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2024	2023		2024	2023	
Natural gas (\$000)	19,190	18,296	5	41,222	38,768	6
Liquids (\$000)	3,344	2,163	55	6,709	4,338	55
Total transportation expense (\$000)	22,534	20,459	10	47,931	43,106	11
per boe	3.73	4.34	(14)	3.98	4.33	(8)

Transportation expense represents the cost of transporting our natural gas and liquids production to the sales points, including associated fuel costs. Transportation expense for the three and six months ended June 30, 2024, increased by \$2.1 million and \$4.8 million, respectively, increases of 10% and 11%. The increases in transportation expense is a result of additional liquids transportation associated with the new Key Access Pipeline System ("KAPS"), and higher production (see "Production").

Transportation expense per boe was \$3.73/boe and \$3.98/boe for the three and six months ended June 30, 2024. Transportation expense per boe decreased due to lower fuel costs as a result of lower natural gas prices (see "Commodity Prices and Marketing") and the 17-day planned turnaround at the Glacier Gas Plant in 2023 which reduced production and inflated transportation expense per boe (see "Production"). Advantage anticipates transportation expense to average \$3.50/boe for 2024, down from our previous guidance of \$3.95/boe (see "Corporate Update").

Operating Income and Operating Netback

	Three months ended June 30			
	2024		2023	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	104,081	17.22	107,240	22.73
Realized gains on derivatives	9,636	1.59	5,068	1.07
Processing and other income	1,942	0.32	1,020	0.22
Net sales of purchased natural gas	-	-	(247)	(0.05)
Royalty expense	(7,015)	(1.16)	(6,274)	(1.33)
Operating expense	(25,150)	(4.16)	(20,968)	(4.44)
Transportation expense	(22,534)	(3.73)	(20,459)	(4.34)
Operating income and operating netback⁽¹⁾	60,960	10.08	65,380	13.86

	Six months ended June 30			
	2024		2023	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	239,978	19.91	253,239	25.45
Realized gains on derivatives	13,842	1.15	23,093	2.32
Processing and other income	4,126	0.34	2,840	0.29
Net sales of purchased natural gas	-	-	(247)	(0.02)
Royalty expense	(16,150)	(1.34)	(22,976)	(2.31)
Operating expense	(50,232)	(4.17)	(38,971)	(3.92)
Transportation expense	(47,931)	(3.98)	(43,106)	(4.33)
Operating income and operating netback⁽¹⁾	143,633	11.91	173,872	17.48

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

For the three and six months ended June 30, 2024, Advantage's operating income decreased by 7% and 17%, respectively, or \$3.78/boe and \$5.57/boe. The decrease in the Corporation's operating income and operating netbacks was primarily due to the decrease in natural gas and liquids sales as a result of significantly lower natural gas benchmark prices (see "Commodity Prices and Marketing") and higher operating expenses (see "Operating Expense"). This decrease was partially offset by lower royalty expense (see "Royalty Expense"), due to significantly lower natural gas benchmark prices (see "Commodity Prices and Marketing").

General and Administrative Expense

	Three months ended			Six months ended		
	June 30		%	June 30		%
	2024	2023		2024	2023	
General and administrative expense (\$000)	7,619	5,918	29	16,973	11,217	51
per boe	1.26	1.25	1	1.41	1.13	25
Employees at June 30				83	60	38

General and administrative ("G&A") expense for the three and six months ended June 30, 2024, increased by \$1.7 million and \$5.8 million, respectively. The Corporation's G&A expense for the three months ended June 30, 2024 has increased due to an increase in employees, including hires associated with the Acquisition and to resource the Entropy business. The Corporation's G&A expense for the six months ended June 30, 2024 additionally increased due to the settlement of certain Performance Share Units with cash.

Total G&A expense incurred by Entropy for the three and six months ended June 30, 2024 was \$2.1 million (three months ended June 30, 2023 - \$1.6 million) and \$4.4 million (six months ended June 30, 2023 - \$2.6 million).

Share-based Compensation Expense

	Three months ended			Six months ended		
	June 30		%	June 30		%
	2024	2023		2024	2023	
Share-based compensation (\$000)	1,570	2,475	(37)	1,665	4,923	(66)
Capitalized (\$000)	(331)	(646)	(49)	(331)	(1,276)	(74)
Share-based compensation expense (\$000)	1,239	1,829	(32)	1,334	3,647	(63)
per boe	0.21	0.39	(46)	0.11	0.37	(70)

Advantage's long-term compensation plan for staff consists of a cash-based performance award incentive plan (see "General and Administrative Expense") and a share-based Restricted and Performance Award Incentive Plan. Under Advantage's Restricted and Performance Award Incentive Plan, service providers of Advantage are granted Performance Share Units that cliff vest after three years from grant date. Capitalized share-based compensation is attributable to staff involved with the development of capital projects. Advantage's share-based compensation expense for the three and six months ended June 30, 2024, decreased by \$0.6 million and \$2.3 million, or 32% and 63%, respectively, due to the effect of realizing a lower performance multiplier than estimated and revising performance multiplier estimates for outstanding Performance Share Units, and forfeitures from employee retirements.

Depreciation and Amortization Expense

	Three months ended			Six months ended		
	June 30		%	June 30		%
	2024	2023		2024	2023	
Depreciation and amortization expense (\$000)	45,327	31,759	43	86,456	65,463	32
per boe	7.50	6.73	11	7.17	6.58	9

The increase in depreciation and amortization expense for the three and six months ended June 30, 2024, was attributable to an increased net book value associated with the Corporation's property, plant, and equipment accompanied by increased production (see "Production") and a slight increase associated with the Acquired Assets. Depreciation and amortization expense per boe increased compared to the prior periods due to an increase in the Corporation's natural gas and liquids depletable base and incremental depreciation of \$3.7 million associated with Entropy.

Finance Expense

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2024	2023		2024	2023	
Advantage cash finance expense (\$000)	7,954	6,511	22	15,127	12,227	24
Entropy cash finance expense (\$000)	(42)	419	nm	(171)	776	nm
Cash finance expense (\$000)	7,912	6,930	14	14,956	13,003	15
per boe	1.31	1.47	(11)	1.24	1.31	(5)
Paid-in-kind interest expense (\$000)	719	-	nm	1,401	-	nm
Accretion expense (\$000)	848	473	79	1,579	904	75
Total finance expense (\$000)	9,479	7,403	28	17,936	13,907	29
per boe	1.57	1.57	-	1.49	1.40	6

Advantage realized higher cash finance expense during the three and six months ended June 30, 2024, as a result of increased average outstanding bank indebtedness and higher interest rates when compared to the same periods in 2023 (see "Bank Indebtedness, Credit Facilities and Working Capital"). Advantage's bank indebtedness interest rates are primarily based on short-term bankers' acceptance rates plus a stamping fee and determined by net debt to the trailing four quarters Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio as calculated pursuant to our Credit Facilities.

As at June 30, 2024, Entropy's unsecured debentures have an outstanding aggregate principal amount of \$52.8 million. The unsecured debentures bear an annual interest rate of 8% that Entropy can elect to pay in cash or pay-in-kind. Any paid-in-kind interest is added to the aggregate principal amount of the unsecured debenture. The unsecured debentures issued by Entropy are non-recourse to Advantage. For the three and six months ended June 30, 2024, Entropy expensed interest of \$0.7 million (three months ended June 30, 2023 - \$0.5 million paid in cash) and \$1.4 million (six months ended June 30, 2023 - \$1.0 million paid in cash), respectively, that was paid-in-kind (see "Unsecured Debentures").

Taxes

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2024	2023		2024	2023	
Income tax expense (recovery) (\$000)	(1,569)	(1,828)	(14)	6,178	9,343	(34)
Effective tax rate (%)	nm	nm		37.4	23.0	

Deferred income taxes arise from differences between the accounting and tax bases of our assets and liabilities. For the three and six months ended June 30, 2024, the Corporation recognized a deferred income tax recovery of \$1.6 million, and deferred income tax expense of \$6.2 million, respectively. Income tax expense for six months ended June 30, 2024 is a result of net income before taxes and non-controlling interest of \$16.5 million, combined with non-deductible share-based compensation expense. As at June 30, 2024, the Corporation had a deferred income tax liability of \$246.5 million.

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

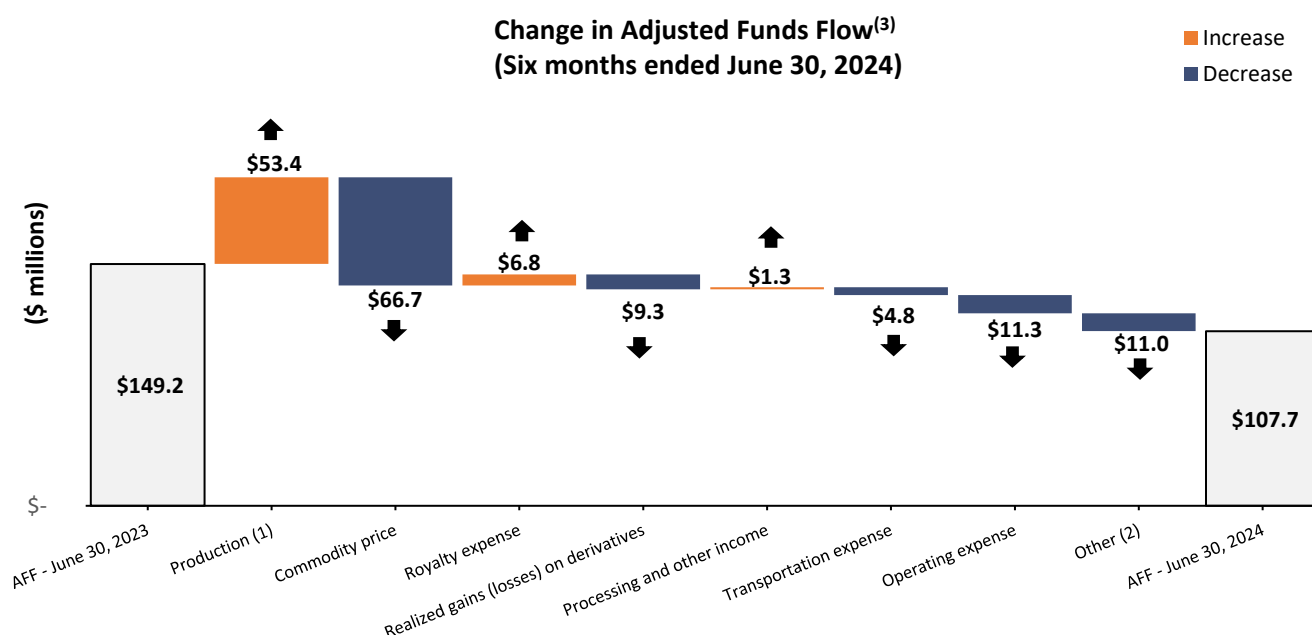
	Three months ended June 30			Six months ended June 30		
	2024	2023	% Change	2024	2023	% Change
Net income (loss) and comprehensive income (loss) attributable to Advantage shareholders (\$000)	(12,084)	2,538	nm	11,079	32,257	(66)
per share – basic	(0.07)	0.02	nm	0.07	0.19	(63)
per share – diluted	(0.07)	0.02	nm	0.07	0.19	(63)

Advantage recognized net loss attributable to Advantage shareholders of \$12.1 million and net income of \$11.1 million for the three and six months ended June 30, 2024, respectively. Net income (loss) and comprehensive income (loss) attributable to Advantage shareholders was significantly lower when compared to 2023 largely due to lower natural gas and liquids sales attributable to lower natural gas prices (see "Natural gas and liquids sales"), partially offset by higher production (see "Production") and lower royalties (see "Royalty Expense").

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

(\$000, except as otherwise indicated)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Cash provided by operating activities	47,090	37,966	114,464	143,921
Expenditures on decommissioning liability	42	46	109	499
Changes in non-cash working capital	(4,778)	14,369	(6,826)	4,794
Adjusted funds flow ⁽¹⁾	42,354	52,381	107,747	149,214
Adjusted funds flow per boe ⁽¹⁾	7.01	11.10	8.94	15.00
Adjusted funds flow per share ⁽¹⁾	0.26	0.31	0.67	0.89
Adjusted funds flow per diluted share ⁽¹⁾	0.26	0.30	0.65	0.87

⁽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 the change in current period production.

⁽²⁾ Other includes net sales of purchased natural gas, G&A expense, transaction cost, 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 and six months ended June 30, 2024, Advantage realized cash provided by operating activities of \$47.1 million and \$114.5 million, an increase of \$9.1 million and a decrease of \$29.5 million, respectively, when compared to the same periods of 2023. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of \$42.4 million and \$107.7 million, decreases of \$10.0 million and \$41.5 million, respectively, when compared to the same periods of 2023. The decreases in cash provided by operating activities and adjusted funds flow were largely due to the decrease in natural gas and liquids sales as a result of lower natural gas prices (see "Commodity Prices and Marketing"), accompanied with the Corporation incurring \$3.1 million in transaction cost related to the Asset Acquisition, partially offset by higher total production (see "Production").

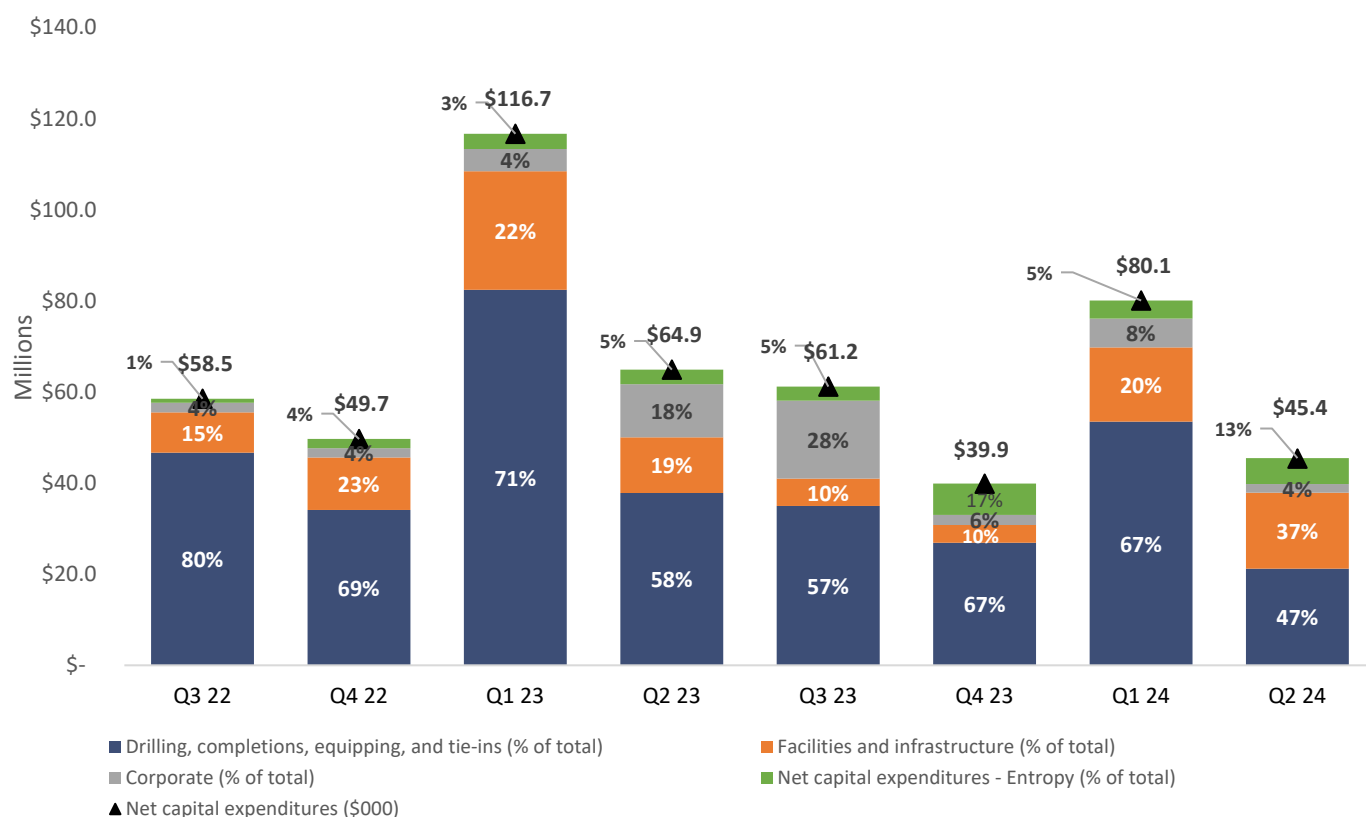
Cash Used in Investing Activities and Net Capital Expenditures

(\$000)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Drilling, completions, equipping and tie-ins	21,178	37,835	74,724	120,256
Facilities and infrastructure	16,660	12,227	32,956	38,269
Corporate ⁽²⁾	1,885	11,643	8,219	16,524
Exploration and development expenditures	39,723	61,705	115,899	175,049
Asset acquisition (see "Corporate Update")	445,475	-	445,475	-
Net capital expenditures - Advantage	485,198	61,705	561,374	175,049
Carbon capture and storage facilities	5,426	2,965	8,844	5,839
Intangible assets	264	254	804	736
Net capital expenditures - Entropy	5,690	3,219	9,648	6,575
Net capital expenditures ⁽¹⁾	490,888	64,924	571,022	181,624
Changes in non-cash working capital	3,443	23,515	2,736	(7,595)
Cash used in investing activities	494,331	88,439	573,758	174,029

(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)



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

Advantage

Advantage incurred \$39.7 million and \$115.9 million on property, plant, and equipment assets during the three and six months ended June 30, 2024. The following table summarizes wells drilled, completed and on production for the three and six months ended June 30, 2024:

	Three months ended June 30, 2024			Six months ended June 30, 2024		
	Drilled Gross (Net)	Completed Gross (Net)	On production Gross (Net)	Drilled Gross (Net)	Completed Gross (Net)	On production Gross (Net)
(# of wells)						
Glacier	-	-	4 (4.0)	5 (4.8)	9 (9.0)	7 (7.0)
Valhalla	-	-	-	-	-	-
Wembley	3 (3.0)	3 (3.0)	-	3 (3.0)	3 (3.0)	-
Progress	-	-	-	-	-	-
	3 (3.0)	3 (3.0)	4 (4.0)	8 (7.8)	12 (12.0)	7 (7.0)

Glacier

The first half of 2024 was an active quarter at our Glacier property with 5 gross (4.8 net) wells drilled, 9 gross (9 net) wells completed, and 7 gross (7.0 net) wells placed on production. Raw gas handling capacity at the Glacier Gas Plant remained at a maximum of 425 MMcf/d with a number of optimization projects completed during the quarter to reinforce our low operating cost structure.

Well performance continues to be strong with wells from the last two pads placed on production achieving average well peak IP30 rates of 14.3 MMcf/d raw natural gas despite being choked back to minimize erosional risks and impacts on existing nearby wells. Of all Alberta Montney gas wells drilled in 2023, Advantage had 13 of the top 16 gas producing wells, based on IP90 rates.

Operation of the Glacier Gas Plant Phase 1b integrated CCS project designed to reduce emissions by 16,000 tonnes per annum of CO₂e, operated through the first half of 2024 after being commissioned in late 2023.

Valhalla

No new well activity at Valhalla took place in the first half of 2024. However, the two 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. All Valhalla production flows through Advantage-owned infrastructure to its Glacier Gas Plant. Strong well results support Management's view that our Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan.

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

Wembley

At Wembley, completion activity on a three well pad took place during the second quarter of 2024 with the wells anticipated to be placed on production early in the third quarter of 2024. Average IP30 production rates from the last seven wells placed on production was 1,549 boe/d (3.7 MMcf/d natural gas, 605 bbls/d crude oil and 328 bbls/d NGLs). The Wembley asset is connected to two major third-party gas processing facilities and utilizes existing capacity in our 100% owned Wembley compressor site and liquids handling hub.

Progress

Planning, engineering design and procurement of equipment for the first phase of the 150 MMcf/d Progress gas plant continued during the second quarter of 2024. Commissioning is currently on-schedule for mid-year 2025.

Asset Acquisition

On June 24, 2024, Advantage closed the Acquisition of the Acquired Assets for cash consideration of \$445.5 million, including closing adjustments (see "Corporate Update"). The Acquisition capitalizes on a rare opportunity to consolidate a high-quality, liquids-weighted asset that is contiguous with Advantage's existing core areas and complementary to its infrastructure platform.

Advantage incurred \$3.1 million in transaction costs in connection with the Acquisition of the Acquired Assets which were expensed during the quarter.

Entropy Inc.

Net capital expenditures incurred by Entropy are funded through the issuance of unsecured debentures to investors that have provided Entropy access to an aggregate of up to \$500 million in committed capital, of which \$52.3 million has been drawn as at June 30, 2024.

Entropy invested \$5.7 million and \$9.6 million in net capital expenditures during the three and six months ended June 30, 2024, respectively. Entropy's expenditures were mainly attributable to front-end engineering and design and procurement for the Glacier Phase 2 project as well as final costs completing the Glacier Phase 1B project.

On July 9, 2024, Entropy announced the final investment decision ("FID") at Glacier Phase 2 and its first investment into the power generation market. Total cost of Glacier Phase 2 capture equipment, compression, transportation and storage wells is estimated at \$127 million while the installation of the modular power plant providing power and heat for the Glacier plant and Entropy's CCS equipment is estimated at \$47 million.

Carbon capture, utilization and storage investment tax credit ("CCUS ITC")

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 currently progressing applications for our existing carbon capture projects Glacier Phase 1A and Glacier Phase 1B with the federal government and will recognize the benefit of the CCUS ITC upon approval.

Commitments and Contractual Obligations

The Corporation has commitments and contractual obligations in the normal course of operations. Commitments include operating costs for our head office lease, natural gas processing costs associated with third-party facilities, and transportation costs for delivery of our natural gas and liquids production (crude oil, condensate and NGLs) to sales points. Transportation commitments are required to ensure our production is delivered to sales markets and Advantage actively manages our portfolio in conjunction with our future development plans ensuring we are properly diversified to multiple markets. Of our total transportation commitments, \$284 million or 54% is required for delivery of natural gas and liquids production to Alberta markets, while Advantage has proactively committed to \$246 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 "Commodity Prices and Marketing" and "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, convertible debentures and unsecured debentures held by Entropy.

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

(\$ millions)	Payments due by period						
	Total	2024 (6 months)	2025	2026	2027	2028	Beyond
Building operating cost ⁽¹⁾	2.0	0.3	0.6	0.6	0.5	-	-
Processing	40.7	5.0	9.5	7.0	7.0	7.0	5.2
Transportation	529.9	48.5	90.4	75.0	62.7	37.9	215.4
Total commitments	572.6	53.8	100.5	82.6	70.2	44.9	220.6
Performance Awards	5.3	-	1.7	2.0	1.6	-	-
Lease liability	3.1	0.5	1.0	0.8	0.6	0.1	0.1
Financing liability	143.5	6.6	13.0	13.0	13.0	13.1	84.8
Bank indebtedness ⁽²⁾							
- principal	495.0	-	-	495.0	-	-	-
- interest	80.2	20.0	39.9	20.3	-	-	-
Unsecured debentures ⁽³⁾	52.8	-	-	-	-	-	52.8
Convertible debentures ⁽⁴⁾							
- principal	143.8	-	-	-	-	-	143.8
- interest	36.3	3.9	7.2	7.2	7.2	7.2	3.6
Total contractual obligations	960.0	31.0	62.8	538.3	22.4	20.4	285.1
Total future payments	1,532.6	84.8	163.3	620.9	92.6	65.3	505.7

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

⁽²⁾ As at June 30, 2024 the Corporation's bank indebtedness was governed by a credit facility agreement with a syndicate of financial institutions. The Credit Facility has a tenor of two years with a maturity date in June 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 and semi-annually on or before November. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time. During the term, no principal payments are required until the revolving period matures in June 2026 in the event of a reduction, or the Credit Facilities not being renewed. Management fully expects that the Credit Facilities will be extended at each annual review.

⁽³⁾ The unsecured debentures are a liability of Entropy and are non-recourse to Advantage. The principal balance of unsecured debenture bears an interest rate of 8%, which can be paid-in-kind (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 5.0% payable semi-annually.

Liquidity and Capital Resources

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

(\$000, except as otherwise indicated)	As at	As at
	June 30, 2024	December 31, 2023
Bank indebtedness	488,008	212,854
Aggregate principal balance of convertible debentures ⁽³⁾	143,750	-
Aggregate principal balance of unsecured debentures ⁽²⁾	52,823	40,807
Working capital surplus ⁽¹⁾	(9,916)	(18,651)
Net debt ⁽¹⁾	674,665	235,010
Shares outstanding	166,972,093	162,225,180
Shares closing market price (\$/share)	10.38	8.53
Market capitalization	1,733,170	1,383,781
Total capitalization	2,407,835	1,618,791
Debt to adjusted funds flow ratio ⁽¹⁾⁽⁴⁾	2.2	0.7

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

⁽²⁾ The unsecured debentures are a liability of Entropy and are non-recourse to Advantage. 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⁾ The convertible debentures bear an annual interest rate of 5% paid in cash semi-annually.

⁽⁴⁾ Debt to adjusted funds flow ratio does not include the estimated funds flow from the Acquired Assets during the prior twelve months of \$134.5 million. Had the Acquired Assets funds flow been included the ratio would have been 1.7.

As at June 30, 2024, the Corporation had net debt of \$674.7 million, consisting of \$619.4 million with Advantage and \$55.3 million with Entropy. Advantage's net debt of \$619.4 million has increased due to the funding of the Acquisition completed in the second quarter of 2024 with a combination of bank indebtedness from the upsized Credit Facilities, the issuance of the Debentures, and an issuance of common shares. Advantage has a \$650 million Credit Facility of which \$151.5 million or 23% was available after deducting outstanding letters of credit of \$3.5 million (see "Bank Indebtedness, Credit Facilities and Working Capital"). The Corporation's Credit Facilities and adjusted funds flow were utilized to fund Advantage's exploration and development expenditures of \$115.9 million and repurchase and cancel 2.4 million common shares for \$21.3 million (see "Shareholders' Equity"). Entropy's net capital expenditures of \$9.6 million is separately funded through the issuance of unsecured debentures to investors that have provided Entropy access to an aggregate of up to \$500 million in committed capital, of which \$52.8 million has been drawn as at June 30, 2024. Unsecured debentures issued by Entropy are non-recourse to Advantage.

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, 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 June 30, 2024, Advantage had bank indebtedness outstanding of \$488.0 million, an increase of \$275.2 million since December 31, 2023 due to partial financing of the Acquisition. Advantage's Credit Facilities have a borrowing base of \$650 million that is collateralized by a \$2 billion floating charge demand debenture covering all assets of the Corporation and has no financial covenants (the "Credit Facilities"). Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating ("LMR") as determined by the Alberta Energy Regulator ("AER") is not less than 2.0 which was met at June 30, 2024. 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 \$3.5 million outstanding at June 30, 2024 (December 31, 2023 - \$12.9 million). The Credit Facilities do not contain any financial covenants, but the Corporation is subject to various affirmative and negative covenants under its Credit Facilities. The Corporation was in compliance with all covenants as at June 30, 2024 and December 31, 2023.

The Corporation had a working capital surplus of \$9.9 million as at June 30, 2024, a reduction as compared to \$18.7 million at December 31, 2023, largely due to the decrease in trade and other receivables related to lower commodity prices, and 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, trade and other accrued liabilities. Working capital varies primarily due to the timing of such items, the current level of business activity including our capital expenditure program, commodity price volatility, and seasonal fluctuations. We do not anticipate any problems in meeting future obligations as they become due as they can be satisfied with cash provided by operating activities and our available Credit Facilities.

Unsecured Debentures

The Corporation's subsidiary Entropy has entered into two investment agreements with investors who provided capital commitments of \$300 million and \$200 million, respectively (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. 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 June 30, 2024, Entropy's unsecured debentures have an outstanding aggregate principal balance of \$52.8 million (December 31, 2023 - \$40.8 million).

Unsecured Debentures (continued)

During the six months ended June 30, 2024, Entropy issued unsecured debentures for gross proceeds of \$10.0 million and incurred \$1.2 million of issuance costs. For the six months ended June 30, 2024, Entropy incurred interest of \$2.0 million which was paid-in-kind (June 30, 2023 - \$1.0 million paid in cash). Subsequent to June 30, 2024, on July 11, 2024, Entropy issued unsecured debentures for gross proceeds of \$20.0 million.

Convertible Debentures

In June 2024, the Corporation issued \$143.8 million principal amount of convertible unsecured subordinated debentures (the "Debentures") at a price of \$1,000 per debenture.

The Debentures will mature and be repayable on June 30, 2029 and will accrue interest at the rate of 5.0% per annum payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2024.

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.

The liability component of the Debentures was initially recognized at the fair value of a similar liability which does not contain an equity conversion option, based on an estimated market interest rate of 8.0%. The difference between the \$143.8 million principal amount of the Debentures and the fair value of the liability component was recognized in Shareholders' Equity, net of deferred income taxes. Total issuance costs directly attributable to the offering of \$6.4 million were allocated proportionately to the liability and equity components of the Debentures.

The fair value of the Debentures at June 30, 2024 was \$146.6 million using quoted market prices on the TSX.

Other Liabilities

The Corporation has a 15-year take-or-pay volume commitment with a 12.5% working interest partner due to expire in 2035 for 53,125 Mcf/d capacity at a fee of \$0.673/Mcf. The volume commitment agreement is treated as a financing transaction with an effective interest rate of 9.1%. For the six months ended June 30, 2024, the Corporation made cash payments of \$6.5 million (June 30, 2023 - \$6.3 million) under the take-or-pay volume commitment agreement.

As at June 30, 2024, Advantage had a decommissioning liability of \$110.2 million (December 31, 2023 – \$62.2 million) for the future abandonment and reclamation of the Corporation's natural gas and liquids properties. The decommissioning liability has increased \$53.0 million related to the assumption of future abandonment and reclamation costs associated with the Acquired Assets. 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 \$153.6 million (December 31, 2023 – \$82.6 million), with 53% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the six months ended June 30, 2024, was \$0.1 million (year ended December 31, 2023 – \$4.0 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 six months ended June 30, 2024, the net loss and comprehensive loss attributed to non-controlling interest was \$0.7 million (June 30, 2023 - \$0.9 million).

Shareholders' Equity

On June 24, 2024, the Corporation closed the Acquisition and issued 5.9 million common shares at \$11.00 per share for gross proceeds of \$65.0 million. The Corporation incurred issuance costs of \$2.9 million which was charged to share capital.

On May 9, 2024, the Toronto Stock Exchange ("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 six months ended June 30, 2024, the Corporation purchased 2.4 million common shares for cancellation at an average price of \$8.86 per common share for a total of \$21.3 million. Since initiating our buyback program in April 2022, Advantage has repurchased 37.7 million common shares for a total of \$378.3 million. On June 21, 2024, Bill C-59 received royal assent, which, among other things, provides for a 2% tax on the net value of equity repurchased by certain public corporations and other publicly listed entities. At June 30, 2024, the Corporation had no liability with respect to the new 2% tax, as the value of the Corporation's equity issuances exceeded the value of the equity that has been repurchased.

As at June 30, 2024, a total of 2.3 million Performance Share Units were outstanding under the Corporation's Restricted and Performance Award Incentive Plan, which represents 1.4% of Advantage's total outstanding common shares.

As at July 25, 2024, Advantage had 167.0 million common shares outstanding.

Quarterly Performance

	2024		2023				2022	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
(\$000, except as otherwise indicated)								
Financial Statement Highlights								
Natural gas and liquids sales	104,081	135,897	147,137	140,724	107,240	145,999	223,200	235,392
Net income (loss) and comprehensive income (loss) ⁽⁴⁾	(12,084)	23,163	41,026	28,314	2,538	29,719	113,962	40,792
per basic share ⁽²⁾	(0.07)	0.14	0.25	0.17	0.02	0.18	0.63	0.22
per diluted share ⁽³⁾	(0.07)	0.14	0.24	0.16	0.01	0.17	0.61	0.21
Basic weighted average shares (000)	161,362	160,444	163,939	167,702	167,268	167,311	180,248	186,717
Diluted weighted average shares (000)	161,362	164,129	168,441	172,182	171,815	174,328	187,095	193,559
Cash provided by operating activities	47,090	67,374	89,048	90,376	37,966	105,955	112,558	123,224
Cash provided (used) in financing activities	447,502	11,883	(52,120)	(3,562)	43,778	(58,359)	(49,718)	(71,048)
Cash used in investing activities	(494,331)	(79,427)	(58,846)	(49,886)	(88,439)	(85,590)	(69,060)	(42,822)
Other Financial Highlights								
Adjusted funds flow ⁽¹⁾	42,354	65,393	82,494	81,862	52,381	96,833	124,205	96,651
per boe ⁽¹⁾	7.01	10.88	13.11	13.86	11.10	18.50	24.29	19.39
per basic share ⁽¹⁾⁽²⁾	0.26	0.41	0.50	0.49	0.31	0.58	0.69	0.52
per diluted share ⁽¹⁾⁽²⁾⁽³⁾	0.26	0.40	0.49	0.48	0.30	0.56	0.66	0.50
Net capital expenditures ⁽¹⁾	490,888	80,134	39,938	61,234	64,924	116,700	46,838	58,519
Free cash flow (negative) ⁽¹⁾	(3,059)	(14,741)	42,556	20,628	(12,543)	(19,867)	77,367	38,132
Bank indebtedness	488,008	238,578	212,854	226,127	226,442	167,260	177,200	113,804
Net debt ⁽¹⁾	674,665	279,963	235,010	236,311	238,493	204,709	130,636	91,844
Operating Highlights								
Production								
Crude oil (bbls/d)	3,033	2,630	3,254	3,035	2,801	1,731	1,854	2,168
Condensate (bbls/d)	1,200	1,231	1,264	1,368	871	1,157	1,092	1,049
NGLs (bbls/d)	2,908	2,591	3,345	3,174	2,683	2,877	2,680	3,230
Total liquids production (bbls/d)	7,141	6,452	7,863	7,577	6,355	5,765	5,626	6,447
Natural gas (mcf/d)	355,563	357,410	363,124	339,709	272,919	314,273	299,684	286,328
Total production (boe/d)	66,401	66,020	68,384	64,195	51,842	58,144	55,573	54,168
Average prices (including realized derivatives)								
Natural gas (\$/mcf)	1.82	2.86	2.84	2.95	2.81	4.42	5.65	4.61
Liquids (\$/bbl)	84.58	80.21	81.55	77.91	75.36	77.77	86.39	87.89
Operating Netback (\$/boe)								
Natural gas and liquids sales	17.22	22.62	23.39	23.83	22.73	27.90	43.66	47.23
Realized gains (losses) on derivatives	1.59	0.70	0.98	1.02	1.07	3.44	(4.76)	(12.58)
Processing and other income	0.32	0.36	0.39	0.39	0.22	0.35	0.60	0.46
Net sales of purchased natural gas	-	-	-	-	(0.05)	-	-	-
Royalty expense	(1.16)	(1.52)	(1.64)	(1.55)	(1.33)	(3.19)	(5.31)	(5.80)
Operating expense	(4.16)	(4.17)	(3.61)	(3.85)	(4.44)	(3.44)	(3.39)	(3.72)
Transportation expense	(3.73)	(4.23)	(4.08)	(3.70)	(4.34)	(4.33)	(4.43)	(4.48)
Operating netback ⁽¹⁾	10.08	13.76	15.43	16.14	13.86	20.73	26.37	21.11

(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 and comprehensive income attributable to Advantage Shareholders.

The table above highlights the Corporation's performance for the second quarter of 2024 and for the preceding seven quarters. In 2022 the Corporation saw a large increase in both natural gas and liquids sales and adjusted funds flow due to higher natural gas and liquids benchmark prices and higher production due to the Corporation's drilling program. Adjusted funds flow was the highest in the fourth quarter of 2022 coinciding with high natural gas and liquids benchmark prices. Adjusted funds flow declined in the first and 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. Natural gas and liquids sales and adjusted funds flow increased in the third and fourth quarter of 2023 as a result of higher production.

Quarterly Performance (continued)

In the first and second quarter of 2024 natural gas and liquids sales and adjusted funds flow declined with lower commodity prices from an unseasonably mild winter and high North American storage levels. The Corporation has steadily increased total production over the preceding seven quarters from 54,168 boe/d in the third quarter of 2022 to 66,401 boe/d in the second quarter of 2024. 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 requires Management to make certain judgments and estimates. Changes in these judgments and estimates could have a material impact on the Corporation's financial results and financial condition.

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

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

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

Critical Accounting Estimates (continued)

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

In determining the fair value of 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.

Changes in Accounting Policies

Amendments to IAS 1, Presentation of Financial Statements

On January 1, 2024, the Corporation adopted the amendments to IAS 1 Presentation of Financial Statements, which addresses the classification of liabilities with covenants as current or non-current in the Statements of Financial Position. As a result of the amendment, the Corporation's Unsecured Debentures, which were previously reported as non-current liabilities, have been reclassified to current liabilities.

IFRS 3 Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. The acquisition date is the closing date of the business combination. Revisions may be made to the initial recognized amounts determined during the measurement period, which shall not exceed one year after the acquisition date. The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred, and equity instruments issued. If the cost of the acquisition is greater than the fair value of the net identifiable assets acquired, the difference is recorded as goodwill on the consolidated balance sheet. If the cost of the acquisition is less than the fair value of the net identifiable assets acquired, the difference is recognized immediately in the Consolidated Statement of Comprehensive Income (Loss). Transaction costs associated with a business combination are expensed as incurred.

Changes in Accounting Policies (continued)

IFRS 9 Financial Instruments – Convertible debentures

The Debentures are a non-derivative financial instrument that creates a financial liability of the entity and grants an option to the holder of the instrument to convert it into common shares of the Corporation. The liability component of the Debentures is initially recorded at the fair value of a similar liability that does not have a conversion option. The equity component is recognized initially, net of deferred income taxes, as the difference between gross proceeds and the fair value of the liability component. Issuance costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to initial recognition, the liability component of the Debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. The carrying amounts of the liability and equity components of the Debentures are reclassified to share capital on conversion to common shares.

Accounting Pronouncements not yet Adopted

A description of additional accounting standards and interpretations that will be adopted in future periods can be found in the notes to the Consolidated Financial Statements for the three and six months ended June 30, 2024.

Environmental Reporting

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

Evaluation of Disclosure Controls and Procedures

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

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 June 30, 2024, 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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Cash provided by operating activities	47,090	37,966	114,464	143,921
Expenditures on decommissioning liability	42	46	109	499
Changes in non-cash working capital	(4,778)	14,369	(6,826)	4,794
Adjusted funds flow	42,354	52,381	107,747	149,214

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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Cash used in investing activities	494,331	88,439	573,758	174,029
Changes in non-cash working capital	(3,443)	(23,515)	(2,736)	7,595
Net capital expenditures	490,888	64,924	571,022	181,624

Specified Financial Measures (continued)

Non-GAAP Financial Measures (continued)

Free Cash Flow

Advantage computes free cash flow as adjusted funds flow less net capital expenditures excluding the impact of asset acquisitions and dispositions. Advantage uses free cash flow as an indicator of the efficiency and liquidity of Advantage's business by measuring its cash available after net capital expenditures, excluding acquisitions, to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares. Advantage excludes the impact of acquisitions and dispositions as they are not representative of the free cash flow used in the Corporation's 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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Cash provided by operating activities	47,090	37,966	114,464	143,921
Cash used in investing activities	(494,331)	(88,439)	(573,758)	(174,029)
Changes in non-cash working capital	(1,335)	37,884	(4,090)	(2,801)
Expenditures on decommissioning liability	42	46	109	499
Asset acquisition	445,475	-	445,475	-
Free cash flow (negative)	(3,059)	(12,543)	(17,800)	(32,410)

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 field operations between companies, development areas and specific wells. The composition of operating income is as follows:

(\$000)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Natural gas and liquids sales	104,081	107,240	239,978	253,239
Realized gains on derivatives	9,636	5,068	13,842	23,093
Processing and other income	1,942	1,020	4,126	2,840
Net sales of purchased natural gas	-	(247)	-	(247)
Royalty expense	(7,015)	(6,274)	(16,150)	(22,976)
Operating expense	(25,150)	(20,968)	(50,232)	(38,971)
Transportation expense	(22,534)	(20,459)	(47,931)	(43,106)
Operating income	60,960	65,380	143,633	173,872

Specified Financial Measures (continued)

Non-GAAP Ratios

Adjusted Funds Flow per Share

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

(\$000, except as otherwise indicated)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Adjusted funds flow	42,354	52,381	107,747	149,214
Weighted average shares outstanding (000)	161,362	167,268	160,903	167,298
Diluted weighted average shares outstanding (000)	161,362	171,815	164,668	171,844
Adjusted funds flow per share (\$/share)	0.26	0.31	0.67	0.89
Adjusted funds flow per diluted share (\$/share)	0.26	0.30	0.65	0.87

Adjusted Funds Flow per BOE

Adjusted funds flow per boe is derived by dividing adjusted funds flow by the total production in boe for the reporting period. Adjusted funds flow per boe is a useful ratio that allows users to compare the Corporation's adjusted funds flow against other competitor corporations with different rates of production.

(\$000, except as otherwise indicated)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Adjusted funds flow	42,354	52,381	107,747	149,214
Total production (boe/d)	66,401	51,842	66,211	54,976
Days in period	91	91	182	181
Total production (boe)	6,042,491	4,717,622	12,050,402	9,950,656
Adjusted funds flow per BOE (\$/boe)	7.01	11.10	8.94	15.00

Operating Netback

Operating netback is derived by dividing each component of operating income by the total production in boe for the reporting period. Operating netback per boe provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells against other competitor corporations with different rates of production.

(\$000, except as otherwise indicated)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Operating income	60,960	65,380	143,633	173,872
Total production (boe/d)	66,401	51,842	66,211	54,976
Days in period	91	91	182	181
Total production (boe)	6,042,491	4,717,622	12,050,402	9,950,656
Operating netback (\$/boe)	10.08	13.86	11.91	17.48

Specified Financial Measures (continued)

Non-GAAP Ratios (continued)

Reinvestment Ratio

Reinvestment ratio is calculated by dividing net capital expenditures by adjusted funds flow. Advantage uses reinvestment ratio as an indicator of the efficiency and liquidity of Advantage's business by measuring its cash available after net capital expenditures to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares.

(\$000, except as otherwise indicated)	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Net capital expenditures	490,888	64,924	571,022	181,624
Adjusted funds flow	42,354	52,381	107,747	149,214
Reinvestment ratio	11.6	1.2	5.3	1.2

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 are excluded from the calculation as they are a liability of Entropy and are non-recourse to Advantage.

(\$000, except as otherwise indicated)	June 30 2024	December 31 2023
Bank indebtedness	488,008	212,854
Convertible debentures	143,750	-
Working capital surplus pertaining to the Credit Facility	(12,367)	(16,912)
Debt	619,391	195,942
Adjusted funds flow pertaining to the Credit Facility (prior four quarters)	278,679	319,323
Debt to adjusted funds flow	2.2	0.7

Specified Financial Measures (continued)

Capital Management Measures

Working capital

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

A summary of working capital as at June 30, 2024, December 31, 2023 and June 30, 2023 is as follows:

	June 30 2024	December 31 2023	June 30 2023
Cash and cash equivalents	19,352	19,261	4,251
Trade and other receivables	41,220	53,378	56,725
Prepaid expenses and deposits	12,044	16,618	17,158
Trade and other accrued liabilities	(62,700)	(70,606)	(65,185)
Working capital surplus	9,916	18,651	12,949

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.

Previously, the Corporation included the Entropy unsecured debentures, excluding the unsecured debentures derivative liability, in the composition of net debt. Effective March 31, 2024, the Corporation revised the composition of net debt to include the aggregate principal balance of unsecured debentures and convertible debentures, which provides users the balance that is either due at the end of the term, or that may be converted into common shares of Entropy. Comparative figures have been restated to reflect the reclassification.

A summary of the reconciliation of net debt as at June 30, 2024, December 31, 2023 and June 30, 2023 is as follows:

	June 30 2024	December 31 2023	June 30 2023
Bank indebtedness	488,008	212,854	226,442
Convertible debentures	143,750	-	-
Unsecured debentures	52,823	40,807	15,933
Working capital surplus deficit	(9,916)	(18,651)	(12,949)
Net debt	674,665	235,010	229,426

Supplementary Financial Measures

Average Realized Prices

The Corporation discloses multiple average realized prices within the MD&A (see "Commodity Prices and Marketing"). The determination of these prices are as follows:

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

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

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

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

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

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

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

Specified Financial Measures (continued)

Dollars per BOE figures

Throughout the MD&A, the Corporation presents certain financial figures, in accordance with IFRS, stated in dollars per boe. These figures are determined by dividing the applicable financial figure as prescribed under IFRS by the Corporation's total production for the respective period. Below is a list of figures which have been presented in the MD&A in \$ per boe:

- Cash finance expense 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
- Net sales of purchased natural gas per boe
- Processing and other income per boe
- Share-based compensation expense per boe
- Transportation expense per boe

Sustaining Capital

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

Conversion Ratio

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

Abbreviations

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

bbl(s)	- barrel(s)
bbls/d	- barrels per day
boe	- barrels of oil equivalent (6 Mcf = 1 bbl)
boe/d	- barrels of oil equivalent per day
GJ	- gigajoules
Mcf	- thousand cubic feet
Mcf/d	- thousand cubic feet per day
Mcfe	- thousand cubic feet equivalent (1 bbl = 6 Mcf)
Mcfe/d	- thousand cubic feet equivalent per day
MMbtu	- million British thermal units
MMbtu/d	- million British thermal units per day
MMcf	- million cubic feet
MMcf/d	- million cubic feet per day
Crude oil	- Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101
"NGLs" & "condensate"	- Natural Gas Liquids as defined in National Instrument 51-101
Natural gas	- Conventional Natural Gas as defined in National Instrument 51-101
Liquids	- Total of crude oil, condensate and NGLs
AECO	- a notional market point on TransCanada Pipeline Limited's NGTL system where the purchase and sale of natural gas is transacted
MSW	- price for mixed sweet crude oil at Edmonton, Alberta
NGTL	- NOVA Gas Transmission Ltd.
WTI	- West Texas Intermediate, price paid in U.S. dollars at Cushing, Oklahoma, for crude oil of standard grade
CCS	- carbon capture and storage
MCCS	- modular carbon capture and storage
IP30	- average initial production rate over 30 consecutive days
IP90	- average initial production rate over 90 consecutive days
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 anticipated benefits to be derived from the Acquisition including the anticipated increases in production; Advantage's 2024 guidance, including its anticipated cash used in investing activities, total average daily production, liquids production (as a percentage of total average daily production), royalty rate, operating expense per boe, transportation expense per boe and G&A/finance expense per boe; Advantage's expectations that high supply and inventory levels will persist through the 2024 summer resulting in continued weak natural gas prices; the Corporation's forecasted 2024 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; the anticipated benefits to be derived from the Corporation's optimization projects completed during the first quarter of 2024 at Glacier; the anticipated benefits to be derived from the Glacier Gas Plant Phase 1b integrated CCS project; Management's expectations that the Corporation's Valhalla asset will play a pivotal role in the Corporation's liquids-rich gas development plan; the anticipated timing of production from Advantage's 3 well pad at Wembley; the anticipated timing of the commissioning of first phase of the Progress gas plant; the estimated costs of Glacier Phase 2 and the modular power plant; the CCUS ITC and the anticipated treatment and timing thereof; the Corporation's future commitments and contractual obligations and the anticipated payments in connection therewith and the anticipated timing thereof; the Corporation's ability to ensure that it is properly diversified to multiple markets; the Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they become due and the anticipated means for satisfying such future obligations; the Corporation's strategy for managing its capital structure, including by issuing new common shares, repurchasing outstanding common shares, obtaining additional financing through bank indebtedness, refinancing current debt, issuing other financial or equity-based instruments, declaring a dividend or adjusting capital spending; the terms of the Corporation's Credit Facilities, including the timing of the next review of the Credit Facilities and the Corporation's expectations regarding the extension of the Credit Facilities at each annual review; that the Corporation does not anticipate any problems in meeting its future obligations as they become due and that they will be satisfied with cash provided by operating activities and its available Credit Facilities; the terms of Entropy's 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 terms of the Corporation's NCIB; the statements under "critical accounting estimates" in this MD&A; and other matters.

Forward-Looking Information and Other Advisories (continued)

These forward-looking statements involve substantial known and unknown risks and uncertainties, many of which are beyond our control, including, but not limited to, risks related to changes in general economic conditions (including as a result of demand and supply effects resulting from the actions of OPEC and non-OPEC countries) which will, among other things, impact demand for and market prices of the Corporation's products, market and business conditions; continued volatility in market prices for oil and natural gas; the impact of significant declines in market 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 the Corporation's financial and operating results in 2024 may not be consistent with its expectations; the risk that Advantage's average production in 2024 may be less than anticipated; 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 CCUS ITC may not be approved by the federal government; the risk that the costs of Glacier Phase 2 and the modular power plant may be greater than anticipated; 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 2024 may be less than anticipated; the risk that Advantage's operating expense per boe, transportation expense per boe and G&A/finance expense per boe in 2024 may be greater than anticipated; the risk that the Corporation's optimization projects completed during the first quarter of 2024 at Glacier may not lead to the benefits anticipated; the risk that the Glacier Gas Plant Phase 1b integrated CCS project may not lead to the benefits anticipated; the risk that production at Wembley may not occur when anticipated; the risk that the commissioning of first phase of the Progress gas plant may not occur when anticipated, or at all; the risk that the Corporation may not meet its future obligations as they become due; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at www.sedar.com and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

Forward-Looking Information and Other Advisories (continued)

With respect to forward-looking statements contained in this MD&A, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of skilled labour; availability of drilling and related equipment; timing and amount of capital expenditures; the ability to efficiently integrate assets acquired through acquisitions; the impact of increasing competition; the price of crude oil and natural gas; that the Corporation will have sufficient cash flow, debt or equity sources or other 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; that the Corporation will have sufficient financial resources to purchase its shares under NCIBs in the future; that the federal government will approve the CCUS ITC; and that the estimates of the Corporation's production, reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide shareholders with a more complete perspective on Advantage's future operations and such information may not be appropriate for other purposes. Advantage's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Advantage will derive there from. Readers are cautioned that the foregoing lists of factors are not exhaustive. These forward-looking statements are made as of the date of this MD&A and Advantage disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

The future acquisition by the Corporation of the Corporation's common shares pursuant to its 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.

Forward-Looking Information and Other Advisories (continued)

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 2024 guidance, including its anticipated cash used in investing activities, royalty rate, operating expense per boe, transportation expense per boe and G&A/finance expense per boe; the Corporation's future commitments and contractual obligations; and the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability, all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate for other purposes. Accordingly, these estimates are not to be relied upon as indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such financial outlook. The financial outlook contained in this MD&A was made as of the date of this MD&A and was provided for the purpose of providing further information about the Corporation's potential future business operations. Readers are cautioned that the financial outlook contained in this MD&A is not conclusive and is subject to change.

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

References in this MD&A to short-term production rates, such as IP30 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.com and the Corporation's website at www.advantageog.com. Such other information includes the annual information form, the management information circular, press releases, material change reports, material contracts and agreements, and other financial reports. The annual information form will be of particular interest for current and potential shareholders as it discusses a variety of subject matter including the nature of the business, description of our operations, general and recent business developments, risk factors, reserves data and other oil and gas information.

July 25, 2024



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2024 and 2023

Advantage Energy Ltd.

Consolidated Statements of Financial Position

(unaudited, expressed in thousands of Canadian dollars)

	Notes	June 30 2024	December 31 2023
ASSETS			
Current assets			
Cash and cash equivalents	3	19,352	19,261
Trade and other receivables		41,220	53,378
Prepaid expenses and deposits		12,044	16,618
Derivative asset	8	36,104	31,200
Total current assets		108,720	120,457
Non-current assets			
Derivative asset	8	77,825	80,048
Inventory	4	3,583	3,958
Intangible assets	5	6,074	5,363
Natural gas and liquids properties	7	2,622,280	2,089,202
Total non-current assets		2,709,762	2,178,571
Total assets		2,818,482	2,299,028
LIABILITIES			
Current liabilities			
Trade and other accrued liabilities		62,700	70,606
Derivative liability	8	5,135	964
Financing liability	10	5,021	4,813
Unsecured debentures	11	57,833	46,263
Provisions and other liabilities	12	12,713	20,054
Total current liabilities		143,402	142,700
Non-current liabilities			
Bank indebtedness	9	488,008	212,854
Financing liability	10	85,537	88,084
Provisions and other liabilities	12	112,738	61,937
Convertible debentures	13	120,750	-
Deferred income tax liability		246,540	237,057
Total non-current liabilities		1,053,573	599,932
Total liabilities		1,196,975	742,632
SHAREHOLDERS' EQUITY			
Share capital	14	1,989,765	1,952,241
Convertible debentures	13	12,864	-
Contributed surplus		191,400	187,034
Deficit		(571,901)	(582,980)
Total shareholders' equity attributable to Advantage shareholders		1,622,128	1,556,295
Non-controlling interest	15	(621)	101
Total shareholders' equity		1,621,507	1,556,396
Total liabilities and shareholders' equity		2,818,482	2,299,028

Commitments (note 20)

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 June 30		Six months ended June 30	
	Notes	2024	2023	2024	2023
Revenues					
Natural gas and liquids sales	18(a)	104,081	107,240	239,978	253,239
Sales of purchased natural gas	18(b)	-	3,124	-	3,124
Processing and other income	18(c)	1,942	1,020	4,126	2,840
Royalty expense		(7,015)	(6,274)	(16,150)	(22,976)
Natural gas and liquids revenue		99,008	105,110	227,954	236,227
Gains (losses) on derivatives	8	1,654	(11,735)	12,084	(14,305)
Total revenues		100,662	93,375	240,038	221,922
Expenses					
Operating expense		25,150	20,968	50,232	38,971
Transportation expense		22,534	20,459	47,931	43,106
Natural gas purchases	18(b)	-	3,371	-	3,371
General and administrative expense		7,619	5,918	16,973	11,217
Transaction costs	6	3,141	-	3,141	-
Share-based compensation expense	16(b)	1,239	1,829	1,334	3,647
Depreciation and amortization expense	5,7	45,327	31,759	86,456	65,463
Finance expense		9,479	7,403	17,936	13,907
Foreign exchange (gain) loss		(66)	151	(255)	438
Other expenses (gains)		358	1,134	(245)	1,134
Total expenses		114,781	92,992	223,503	181,254
Income (loss) before taxes and non-controlling interest		(14,119)	383	16,535	40,668
Income tax recovery (expense)		1,569	1,828	(6,178)	(9,343)
Net income (loss) and comprehensive income (loss) before non-controlling interest		(12,550)	2,211	10,357	31,325
Net income (loss) and comprehensive income (loss) attributable to:					
Advantage shareholders		(12,084)	2,538	11,079	32,257
Non-controlling interest	15	(466)	(327)	(722)	(932)
		(12,550)	2,211	10,357	31,325
Net income (loss) per share attributable to Advantage shareholders					
Basic	17	(0.07)	0.02	0.07	0.19
Diluted	17	(0.07)	0.02	0.07	0.19

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, 2023	1,952,241	-	187,034	(582,980)	101	1,556,396
Net income (loss) and comprehensive income (loss)	-	-	-	11,079	(722)	10,357
Share-based compensation (note 16(b))	-	-	1,665	-	-	1,665
Issuance of convertible debentures (note 13)	-	12,864	-	-	-	12,864
Settlement of Performance Share Units (note 14(a))	3,881	-	(4,952)	-	-	(1,071)
Common shares issued (note 14(a))	62,643	-	-	-	-	62,643
Common shares repurchased (note 14(c))	(29,000)	-	7,653	-	-	(21,347)
Balance, June 30, 2024	1,989,765	12,864	191,400	(571,901)	(621)	1,621,507

	Share capital	Contributed surplus	Deficit	Non- controlling interest	Total shareholders' equity
Balance, December 31, 2022	2,105,013	142,817	(684,577)	1,425	1,564,678
Net income (loss) and comprehensive income (loss)	-	-	32,257	(932)	31,325
Share-based compensation (note 16(b))	-	4,923	-	-	4,923
Settlement of Performance Share Units (note 14(a))	6,509	(6,509)	-	-	-
Common shares repurchased (note 14(c))	(89,517)	28,000	-	-	(61,517)
Balance, June 30, 2023	2,022,005	169,231	(652,320)	493	1,539,409

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 June 30		Six months ended June 30	
	Notes	2024	2023	2024	2023
Operating Activities					
Income (loss) before taxes and non-controlling interest		(14,119)	383	16,535	40,668
Add (deduct) items not requiring cash:					
Unrealized losses on derivatives	8	7,982	16,803	1,758	37,398
Share-based compensation expense	16(b)	1,239	1,829	1,334	3,647
Depreciation and amortization expense	5,7	45,327	31,759	86,456	65,463
Accretion of decommissioning liability	12(c)	489	354	1,008	671
Accretion of unsecured debentures	11	229	119	441	233
Accretion of convertible debentures	13	130	-	130	-
Interest paid-in-kind	11	719	-	1,401	-
Other expenses (gains)	4,12(b)	358	1,134	(245)	1,134
Expenditures on decommissioning liability	12(c)	(42)	(46)	(109)	(499)
Settlement of Performance Share Units		-	-	(1,071)	-
Changes in non-cash working capital	19	4,778	(14,369)	6,826	(4,794)
Cash provided by operating activities		47,090	37,966	114,464	143,921
Financing Activities					
Common shares repurchased	14	-	(14,234)	(21,347)	(61,517)
Common shares issued	14	62,105	-	62,105	
Increase in bank indebtedness	9,19	249,430	59,182	275,154	49,242
Net proceeds from convertible debentures	13	137,327	-	137,327	-
Net proceeds from unsecured debentures	11	-	-	8,845	-
Principal repayment of lease liability	12(b)	(177)	(118)	(360)	(237)
Principal repayment of financing liability	10	(1,183)	(1,052)	(2,339)	(2,069)
Cash provided by (used in) financing activities		447,502	43,778	459,385	(14,581)
Investing Activities					
Property, plant and equipment additions	7	(45,149)	(64,670)	(124,743)	(180,888)
Intangible assets additions	5	(264)	(254)	(804)	(736)
Asset acquisition	6	(445,475)	-	(445,475)	-
Changes in non-cash working capital	19	(3,443)	(23,515)	(2,736)	7,595
Cash used in investing activities		(494,331)	(88,439)	(573,758)	(174,029)
Increase (decrease) in cash and cash equivalents		261	(6,695)	91	(44,689)
Cash and cash equivalents, beginning of period		19,091	10,946	19,261	48,940
Cash and cash equivalents, end of period		19,352	4,251	19,352	4,251
Cash interest paid		7,873	6,906	14,888	12,956
Cash income taxes paid		-	-	-	-

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Notes to the Condensed Consolidated Financial Statements

June 30, 2024 (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 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”.

2. Basis of preparation

(a) Statement of compliance

The Corporation prepares its condensed consolidated financial statements in accordance with IFRS Accounting Standards 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, 2023, 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, 2023, which have been prepared in accordance with IFRS Accounting Standards. Certain information provided for the prior period has been reclassified to conform to the presentation adopted for the period ended June 30, 2024.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of July 25, 2024, 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, 2023.

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

(c) Functional and presentation currency

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

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 Inc. ("Entropy"), a private Canadian corporation of which Advantage owns 92% of the outstanding common shares (note 15). All inter-corporate balances, income and expenses resulting from inter-corporate transactions are eliminated.

(e) Changes to material accounting policies

Amendments to IAS 1, Presentation of Financial Statements

On January 1, 2024, the Corporation adopted the amendments to *IAS 1 Presentation of Financial Statements*, which addresses the classification of liabilities with covenants as current or non-current in the Statements of Financial Position. As a result of the amendment, the Corporation's unsecured debentures, which were previously reported as non-current liabilities, have been reclassified to current liabilities.

IFRS 3 Business Combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured at their fair values at the acquisition date. The acquisition date is the closing date of the business combination. Revisions may be made to the initial recognized amounts determined during the measurement period, which shall not exceed one year after the acquisition date. The cost of an acquisition is measured as the fair value of the assets transferred, liabilities incurred, and equity instruments issued. If the cost of the acquisition is greater than the fair value of the net identifiable assets acquired, the difference is recorded as goodwill on the consolidated balance sheet. If the cost of the acquisition is less than the fair value of the net identifiable assets acquired, the difference is recognized immediately in the Consolidated Statement of Comprehensive Income (Loss). Transaction costs associated with a business combination are expensed as incurred.

IFRS 9 Financial Instruments – Convertible debentures

The convertible debentures are a non-derivative financial instrument that creates a financial liability of the entity and grants an option to the holder of the instrument to convert it into common shares of the Corporation. The liability component of the convertible debentures is initially recorded at the fair value of a similar liability that does not have a conversion option. The equity component is recognized initially, net of deferred income taxes, as the difference between gross proceeds and the fair value of the liability component. Issuance costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to initial recognition, the liability component of the convertible debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. The carrying amounts of the liability and equity components of the convertible debentures are reclassified to share capital on conversion to common shares.

2. Basis of preparation (continued)

(f) Material accounting judgments, estimates and assumptions

Business Combinations

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.

3. Cash and cash equivalents

	June 30 2024	December 31 2023
Cash at financial institutions	19,352	19,261

Cash at financial institutions earn interest at floating rates based on daily deposit rates. As at June 30, 2024 cash at financial institutions included US\$0.9 million (December 31, 2023 - US\$5.2 million). The Corporation only deposits cash with major financial institutions of high-quality credit ratings. Included in cash and cash equivalents as at June 30, 2024 is \$0.7 million held by Entropy (December 31, 2023 - \$5.3 million).

4. Inventory

Balance at December 31, 2022	-
Additions	4,842
Revaluation	(884)
Balance at December 31, 2023	3,958
Revaluation	245
Sale of inventory	(620)
Balance at June 30, 2024	3,583

During the six months ended June 30, 2024, Advantage sold \$0.6 million of linefill inventory for \$0.5 million and recognized a loss on sale of \$0.1 million in other income.

5. Intangible assets

Cost

Balance at December 31, 2022	4,011
Additions	1,465
Balance at December 31, 2023	5,476
Additions	804
Balance at June 30, 2024	6,280

Accumulated amortization

Balance at December 31, 2022	-
Amortization	113
Balance at December 31, 2023	113
Amortization	93
Balance at June 30, 2024	206

Net book value

At December 31, 2023	5,363
At June 30, 2024	6,074

6. Business combination

On June 24, 2024, the Corporation closed the acquisition of certain Charlie Lake and Montney assets for cash consideration of \$445.5 million, including closing adjustments. The acquisition of the Charlie Lake and Montney assets has been accounted for as a business combination under IFRS 3.

The acquisition of the acquired assets contributed revenues of \$5.5 million and operating income of \$3.0 million from June 24, 2024 to June 30, 2024. Had the acquisition of these assets closed on January 1, 2024, estimated contributed revenues would have been \$144.8 million and estimated contributed operating income would have been \$79.1 million for the six months ended June 30, 2024.

The following table summarizes the determination of the purchase price, based on management's preliminary estimate of fair values:

Consideration	
Cash consideration	445,475
Net assets acquired	
Right-of-use assets (Note 7)	272
Property, plant and equipment (Note 7)	466,906
Exploration and evaluation assets (Note 7)	6,838
Lease liability (note 12(b))	(272)
Decommissioning liability (Note 12 (c))	(28,269)
Total net assets acquired	445,475

7. Natural gas and liquids properties

Cost	Right-of-use assets	Exploration and evaluation assets	Property, plant and equipment	Total
Balance at December 31, 2022	2,977	15,791	3,198,459	3,217,227
Additions	412	9,181	272,150	281,743
Capitalized share-based compensation (note 16(b))	-	-	2,242	2,242
Capitalized interest paid-in-kind (note 11)	-	-	303	303
Changes in decommissioning liability (note 12(c))	-	-	13,911	13,911
Transfers	-	(8,570)	8,570	-
Lease expiries	-	(441)	-	(441)
Expired right-of-use assets	(136)	-	-	(136)
Balance at December 31, 2023	3,253	15,961	3,495,635	3,514,849
Additions	837	-	124,743	125,580
Asset acquisition (note 6)	272	6,838	466,906	474,016
Capitalized share-based compensation (note 16(b))	-	-	331	331
Capitalized interest paid-in-kind (note 11)	-	-	615	615
Changes in decommissioning liability (note 12(c))	-	-	18,899	18,899
Expired right-of-use assets	(73)	-	-	(73)
Balance at June 30, 2024	4,289	22,799	4,107,129	4,134,217
Accumulated depreciation				
Balance at December 31, 2022	1,133	-	1,275,866	1,276,999
Depreciation	526	-	148,258	148,784
Expired right-of-use assets	(136)	-	-	(136)
Balance at December 31, 2023	1,523	-	1,424,124	1,425,647
Depreciation	352	-	86,011	86,363
Expired right-of-use assets	(73)	-	-	(73)
Balance at June 30, 2024	1,802	-	1,510,135	1,511,937
Net book value				
At December 31, 2023	1,730	15,961	2,071,511	2,089,202
At June 30, 2024	2,487	22,799	2,596,994	2,622,280

During the six months ended June 30, 2024, Advantage capitalized general and administrative expenditures directly related to development activities of \$3.1 million, included in additions (year ended December 31, 2023 - \$5.3 million).

During the six months ended June 30, 2024, Entropy capitalized borrowing cost that was paid-in-kind, directly related to funding CCS development activities of \$0.6 million (year ended December 31, 2023 - \$0.2 million paid in cash included in additions and \$0.3 million paid-in-kind).

Included in additions to property, plant and equipment is \$8.8 million in additions incurred by Entropy (year ended December 31, 2023 - \$15.1 million).

Advantage included future development costs of \$2.7 billion (December 31, 2023 - \$2.1 billion) in natural gas and liquids properties costs subject to depreciation.

Impairment assessment

For the three and six months ended June 30, 2024, 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 for the three and six months ended June 30, 2024.

8. 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 business combination is categorized as Level 3 in the fair value hierarchy as certain key assumptions used to determine fair values of net assets acquired were not based on observable market data, but rather, Management's best estimates.

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.

8. Financial risk management (continued)

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Realized gains (losses) on derivatives				
Natural gas	10,465	6,251	15,128	25,632
Foreign exchange	(86)	(655)	4	(2,011)
Natural gas embedded derivative	(743)	(528)	(1,290)	(528)
Total	9,636	5,068	13,842	23,093
Unrealized gains (losses) on derivatives				
Natural gas	22,401	(3,301)	13,240	(11,564)
Crude oil	(4,911)	-	(4,911)	-
Foreign exchange	(92)	668	(939)	2,197
Natural gas embedded derivative	(25,294)	(13,022)	(8,880)	(22,301)
Unsecured debenture derivative	(86)	(1,148)	(268)	(5,730)
Total	(7,982)	(16,803)	(1,758)	(37,398)
Gains (losses) on derivatives				
Natural gas	32,866	2,950	28,368	14,068
Crude oil	(4,911)	-	(4,911)	-
Foreign exchange	(178)	13	(935)	186
Natural gas embedded derivative	(26,037)	(13,550)	(10,170)	(22,829)
Unsecured debenture derivative	(86)	(1,148)	(268)	(5,730)
Total	1,654	(11,735)	12,084	(14,305)

8. Financial risk management (continued)

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

	June 30 2024	December 31 2023
Derivative type		
Natural gas derivative asset	35,948	22,708
Crude oil derivative liability	(4,911)	-
Foreign exchange derivative asset (liability)	(46)	893
Natural gas embedded derivative asset	77,803	86,683
Unsecured debentures derivative liability (Note 11)	(25,896)	(18,444)
Net derivative asset	82,898	91,840
Consolidated statement of financial position classification		
Current derivative asset	36,104	31,200
Non-current derivative asset	77,825	80,048
Current derivative liability	(5,135)	(964)
Unsecured debentures derivative liability (Note 11)	(25,896)	(18,444)
Net derivative asset	82,898	91,840

8. Financial risk management (continued)

(a) Commodity price risk

The Corporation's commodity derivative contracts are classified as Level 2 within the fair value hierarchy. As at June 30, 2024 and July 25, 2024, the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - Henry Hub NYMEX			
Fixed price swap	July 2024 to October 2024	25,000 Mcf/d	US \$3.35/Mcf
Fixed price swap	November 2024 to December 2024	20,000 Mcf/d	US \$3.41/Mcf
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	July 2024 to December 2024	40,000 Mcf/d	Henry Hub less US \$1.19/Mcf
Natural gas - AECO			
Fixed price swap	June 2024 to October 2024	56,869 Mcf/d	CDN \$2.60/Mcf
Fixed price swap	November 2024 to December 2024	71,086 Mcf/d	CDN \$3.23/Mcf
Fixed price swap	January 2025 to March 2025	94,782 Mcf/d	CDN \$3.25/Mcf
Fixed price swap	April 2025 to October 2025	59,239 Mcf/d	CDN \$2.98/Mcf
Fixed price swap	November 2025 to March 2026	75,825 Mcf/d	CDN \$3.94/Mcf
Fixed price swap	April 2026 to October 2026	14,217 Mcf/d	CDN \$3.56/Mcf
Fixed price swap	November 2026 to March 2027	9,478 Mcf/d	CDN \$4.23/Mcf
Natural gas - Dawn			
Fixed price swap	November 2024 to October 2025	37,913 Mcf/d	CAD \$4.10/Mcf
Fixed price swap	November 2025 to October 2026	9,478 Mcf/d	CAD \$4.80/Mcf
Crude oil – WTI NYMEX			
Fixed price swap	July 2024 to December 2024	6,500 bbls/d	US \$76.62/bbl ⁽¹⁾
Fixed price swap	January 2025 to June 2025	4,500 bbls/d	US \$74.92/bbl ⁽¹⁾
Fixed price swap	July 2025 to December 2025	1,500 bbls/d	US \$73.84/bbl ⁽¹⁾

(1) Contains contracts entered into subsequent to June 30, 2024.

8. Financial risk management (continued)

Natural Gas - Embedded Derivative

Commencing in 2023, Advantage began selling natural gas under 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 June 30, 2024 the fair value of the natural gas embedded derivative resulted in an asset of \$77.8 million (December 31, 2023 – \$86.7 million asset).

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

\$ millions	Increase	(Decrease)
10% change in PJM electricity price	18.6	(22.6)
1% change in implied inflation rate	0.1	(0.1)

8. Financial risk management (continued)

(b) Foreign exchange risk

The Corporation's foreign exchange derivative contracts are classified as Level 2 within the fair value hierarchy. As at June 30, 2024, the Corporation had the following foreign exchange derivative contracts in place:

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

(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 June 30, 2024 and December 31, 2023 is as follows:

	June 30 2024	December 31 2023
Cash and cash equivalents	19,352	19,261
Trade and other receivables	41,220	53,378
Prepaid expenses and deposits	12,044	16,618
Trade and other accrued liabilities	(62,700)	(70,606)
Working capital surplus	9,916	18,651

8. Financial risk management (continued)

Net Debt

Net debt is a capital management financial measure that provides Management and users with a measure to assess the Corporation's liquidity. Net debt is not a standardized measure and therefore may not be comparable with the calculation of similar measures by other entities.

A summary of the reconciliation of net debt as at June 30, 2024 and December 31, 2023 is as follows:

	June 30 2024	December 31 2023
Bank indebtedness (note 9)	488,008	212,854
Aggregate principal balance of convertible debentures (note 13)	143,750	-
Aggregate principal balance of unsecured debentures (note 11)	52,823	40,807
Working capital surplus	(9,916)	(18,651)
Net debt	674,665	235,010

Advantage's capital structure as at June 30, 2024 and December 31, 2023 is as follows:

	June 30 2024	December 31 2023
Net debt	674,665	235,010
Shares outstanding (note 14)	166,972,093	162,225,180
Share closing market price (\$/share)	10.38	8.53
Market Capitalization	1,733,170	1,383,781
Total Capitalization	2,407,835	1,618,791

9. Bank indebtedness

	June 30 2024	December 31 2023
Revolving credit facility	495,000	215,000
Discount on bankers' acceptance and other fees	(6,992)	(2,146)
Balance, end of period	488,008	212,854

On June 24, 2024, the Credit Facilities were increased to 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 term of two years with a maturity date in June 2026 and is subject to an annual review and extension by the lenders. The Credit Facilities are collateralized by a \$2 billion floating charge demand debenture covering all assets. The Corporation had letters of credit of \$3.5 million outstanding at June 30, 2024 (December 31, 2023 - \$12.9 million). The Corporation did not have any financial covenants at June 30, 2024 and December 31, 2023.

10. Financing liability

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 associated with the financing transaction of 9.1%.

A reconciliation of the financing liability is provided below:

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	92,897	94,705
Additions	-	2,500
Interest expense	4,168	8,452
Financing payments	(6,507)	(12,760)
Balance, end of period	90,558	92,897
Current financing liability	5,021	4,813
Non-current financing liability	85,537	88,084

11. Unsecured debentures

During the six months ended June 30, 2024, Entropy issued unsecured debentures for gross proceeds of \$10.0 million and incurred \$1.2 million of issuance costs. For the six months ended June 30, 2024, Entropy incurred interest of \$2.0 million which was paid-in-kind (June 30, 2023 - \$1.0 million paid in cash). Subsequent to June 30, 2024, Entropy issued unsecured debentures for gross proceeds of \$20.0 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 balance of unsecured debentures are classified as a current liability due to the investors having the potential right to convert the unsecured debentures into a variable number of Entropy common shares.

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

	Six months ended June 30, 2024	Year ended December 31, 2023
Aggregate principal balance, beginning of the year	40,807	25,000
Unsecured debentures issued	10,000	15,000
Interest paid-in-kind	2,016	807
Aggregate principal balance, end of period	52,823	40,807

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

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	27,819	15,700
Initial recognition	4,832	12,713
Issuance costs	(1,155)	(1,167)
Accretion expense	441	573
Balance, end of period	31,937	27,819

11. Unsecured debentures (continued)

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

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	18,444	9,744
Initial recognition	7,184	3,094
Revaluation	268	5,606
Balance, end of period	25,896	18,444

The Corporation determined the value of the conversion feature using a probability weighted Black-Scholes calculation. Unobservable inputs used to determine the valuation at June 30, 2024 includes estimated share price, estimated timing of an IPO, share price volatility and credit spread. The below table provides the impact to the valuation of the derivative liability by adjusting the inputs below:

\$ millions	Increase	(Decrease)
\$1 change in estimated share price	5.1	(5.1)
1% change in credit spread	1.0	(1.0)
1 year change in estimated timing of an IPO	5.1	(3.3)

12. Provisions and other liabilities

	Six months ended June 30, 2024	Year ended December 31, 2023
Performance Awards (note 16 (c))	2,094	6,687
Deferred Share Units (note 16 (d))	4,641	4,579
Deferred revenue (a)	5,778	6,603
Lease liability (b)	2,716	1,967
Decommissioning liability (c)	110,222	62,155
Balance, end of period	125,451	81,991
Current provisions and other liabilities	12,713	20,054
Non-current provisions and other liabilities	112,738	61,937

(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 10-year natural gas supply agreement (note 8).

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	6,603	6,603
Recognized in natural gas and liquids sales	(825)	-
Balance, end of period	5,778	6,603
Current deferred revenue	660	-
Non-current deferred revenue	5,118	6,603

12. Provisions and other liabilities (continued)

(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:

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	1,967	2,154
Additions	837	412
Business combination additions (note 6)	272	-
Interest expense	66	92
Lease payments	(426)	(691)
Balance, end of period	2,716	1,967
Current lease liability	927	522
Non-current lease liability	1,789	1,445

(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 2024 and 2075. A risk-free rate of 3.39% (December 31, 2023 – 3.02%) and an inflation factor of 2.0% (December 31, 2023 – 2.0%) were used to calculate the fair value of the decommissioning liability at June 30, 2024. As at June 30, 2024, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$153.6 million (December 31, 2023 – \$82.6 million).

A reconciliation of the decommissioning liability is provided below:

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	62,155	41,945
Accretion expense	1,008	1,444
Liabilities incurred	596	4,472
Liabilities acquired (note 6)	28,269	-
Revaluation of liabilities acquired ⁽¹⁾	24,694	-
Change in estimates	(995)	2,263
Change in estimates expensed ⁽²⁾	-	8,898
Effect of change in risk-free rate and inflation rate factor	(5,396)	7,176
Liabilities settled	(109)	(4,043)
Balance, end of period	110,222	62,155
Current decommissioning liability	5,212	3,000
Non-current decommissioning liability	105,010	59,155

⁽¹⁾ Relates to the revaluation of acquired decommissioning liabilities using a risk-free discount rate. At the date of acquisition, acquired decommissioning liabilities are fair valued at the credit risk rate.

⁽²⁾ Increased cost estimates which were expensed as the cost estimate relates to a legacy non-core area whereby the Corporation has no future plans to pursue any development activities.

13. 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	-	(5,641)	(782)
Deferred income tax liability	-	-	(3,843)
Accretion of discount	-	130	-
Balance, June 30, 2024	143,750	120,750	12,864

On June 18, 2024, the Corporation issued \$143.8 million aggregate principal amount of convertible unsecured subordinated debentures (the "Debentures") at a price of \$1,000 per debenture. The Debentures will mature and be repayable on June 30, 2029 and will accrue interest at the rate of 5.0% per annum payable semi-annually in arrears on June 30 and December 31 of each year, commencing December 31, 2024.

At the 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, 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.

The Debentures may not be redeemed by the Corporation prior to June 30, 2027, except in certain limited circumstances following a change of control. On or after June 30, 2027 and prior to June 30, 2028, the Debentures may be redeemed by the Corporation, in whole or in part, from time to time, on not more than 60 days and not less than 30 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the current market price of the Common Shares on the Toronto Stock Exchange (the "TSX") is not less than 130% percent of the Conversion Price. If the Debentures are redeemed by the Corporation prior to June 30, 2028, a holder of Debentures who elects to convert such Debentures into Common Shares during the period from, and including, the date on which the Corporation sends notice of such redemption to, and including, the last business day immediately preceding the date of redemption will, subject to TSX approval, be entitled to receive additional Common Shares on such conversion as a make-whole premium. On or after June 30, 2028 and prior to the final maturity date, the Debentures may be redeemed by Advantage, in whole or in part from time to time, on not more than 60 days' and not less than 30 days' prior written notice, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest thereon.

The liability component of the Debentures was initially recognized at the fair value of a similar liability which does not contain an equity conversion option, based on an estimated market interest rate of 8.0%. The difference between the \$143.8 million principal amount of the Debentures and the fair value of the liability component was recognized in Shareholders' equity, net of deferred income taxes. Total transaction costs directly attributable to the offering of \$6.4 million were allocated proportionately to the liability and equity components of the Debentures.

The fair value of the Debentures at June 30, 2024 was \$146.6 million using quoted market prices on the TSX.

14. 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, 2022	171,652,768	2,105,013
Shares issued on Performance Share Unit settlements (note 16 (a))	3,675,083	-
Contributed surplus transferred on Performance Share Unit settlements	-	6,509
Shares purchased and cancelled under NCIB	(13,102,671)	(159,281)
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 16 (a))	1,246,713	-
Contributed surplus transferred on Performance Share Unit settlements	-	3,881
Shares purchased and cancelled under NCIB	(2,409,800)	(29,000)
Balance at June 30, 2024	166,972,093	1,989,765

(b) Issued

On June 24, 2024, the Corporation issued 5.9 million common shares at \$11.00 per share for gross proceeds of \$65.0 million. The Corporation incurred issuance costs of \$2.4 million, net of deferred taxes, which was charged to share capital.

For the six months ended June 30, 2024, the Corporation issued 1.2 million common shares in connection with Corporation's Performance Award Incentive Plan (note 16(a)).

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

For the six months ended June 30, 2024, the Corporation purchased 2.4 million common shares for cancellation for a total of \$21.3 million. Share capital was reduced by \$29.0 million while contributed surplus was increased by \$7.7 million, representing the excess average carrying value of the common shares over the purchase price.

On April 6, 2023, the TSX approved the renewal of the NCIB. Pursuant to the NCIB, Advantage was approved to purchase for cancellation, from time to time, as it considered advisable, up to a maximum of 16,201,997 common shares of the Corporation. The NCIB commenced on April 13, 2023 and terminated on April 12, 2024.

On May 9, 2024, the TSX approved the renewal of the NCIB. 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.

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.

15. Non-controlling interest ("NCI")

The Corporation has recognized a non-controlling interest in shareholders' equity, representing the carrying value of the 8% outstanding common shares of Entropy held by outside interests. A reconciliation of the non-controlling interest is provided below:

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	101	1,425
Net loss and comprehensive loss attributable to NCI	(722)	(1,324)
Balance, end of period	(621)	101

16. Long-term compensation plans

(a) Performance Award Incentive Plan – Performance Share Units

Under the Performance Award Incentive Plan, service providers can be granted equity incentive awards: Performance Share Units. Performance Share Units vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors.

The following table is a continuity of Performance Share Units:

	Performance Share Units
Balance at December 31, 2022	3,982,946
Granted	956,920
Vested and settled	(2,012,178)
Forfeited	(108,274)
Balance at December 31, 2023	2,819,414
Granted	900,228
Vested and settled	(1,246,713)
Forfeited	(151,390)
Balance at June 30, 2024	2,321,539

On March 28, 2024, 1.2 million Performance Share Units vested, of which, 0.9 million were settled with the issuance of 1.2 million common shares, while 0.3 million were settled in cash. Contributed surplus was reduced by \$1.1 million related to the cash settlement of Performance Share Units, representing the share-based compensation expense accumulated in contributed surplus.

(b) Share-based compensation expense

Share-based compensation expense after capitalization for the three and six months ended June 30, 2024, and 2023 are as follows:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Total share-based compensation	1,570	2,475	1,665	4,923
Capitalized	(331)	(646)	(331)	(1,276)
Share-based compensation expense	1,239	1,829	1,334	3,647

16. Long-term compensation plans (continued)

(c) Performance Award Incentive Plan - Performance Awards

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

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

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	6,687	9,277
Performance Award expense	356	3,822
Interest expense	30	43
Performance Awards settled	(4,979)	(6,455)
Balance, end of period	2,094	6,687
Current	1,273	5,350
Non-current	821	1,337

(d) Deferred Share Units

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

The following table is a continuity of Deferred Share Units:

	Deferred Share Units
Balance at December 31, 2022	689,310
Granted	52,218
Settled	(204,848)
Balance at December 31, 2023	536,680
Granted	22,803
Settled	(112,498)
Balance at June 30, 2024	446,985

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

	Six months ended June 30, 2024	Year ended December 31, 2023
Balance, beginning of the year	4,579	6,528
Granted	233	449
Revaluation of outstanding Deferred Share Units	574	(663)
Settled	(745)	(1,735)
Balance, end of period	4,641	4,579

17. 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 June 30		Six months ended June 30	
	2024	2023	2024	2023
Net income (loss) attributable to Advantage shareholders				
Basic and diluted	(12,084)	2,538	11,079	32,257
Weighted average shares outstanding				
Basic	161,362,006	167,268,463	160,902,872	167,297,686
Performance Share Units	-	4,546,258	3,765,082	4,546,258
Diluted	161,362,006	171,814,721	164,667,954	171,843,944
Net income (loss) per share attributable to Advantage shareholders				
Basic (\$/share)	(0.07)	0.02	0.07	0.19
Diluted (\$/share)	(0.07)	0.02	0.07	0.19

In computing diluted per share amounts at June 30, 2024, the common shares potentially issuable on the conversion of the convertible debentures were excluded as they were determined to be anti-dilutive.

18. Revenues

(a) Natural gas and liquids sales

Advantage's revenue is comprised of natural gas, crude oil, condensate and NGLs sales to multiple customers. For the three and six months ended June 30, 2024, and 2023, natural gas and liquids sales was as follows:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Crude oil	28,151	23,205	50,143	38,132
Condensate	11,342	8,003	21,906	18,682
NGLs	15,465	12,372	30,001	27,117
Liquids	54,958	43,580	102,050	83,931
Natural Gas	49,123	63,660	137,928	169,308
Natural gas and liquids sales	104,081	107,240	239,978	253,239

At June 30, 2024, receivables from contracts with customers, which are included in trade and other receivables, were \$33.1 million (December 31, 2023 - \$42.4 million).

(b) Sales of purchased natural gas

The Corporation purchased natural gas volumes to satisfy physical sales commitments in 2023. Purchases and sales of natural gas from third-parties was as follows:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Sales of purchased natural gas	-	3,124	-	3,124
Natural gas purchases	-	(3,371)	-	(3,371)
Net sales of purchased natural gas	-	(247)	-	(247)

(c) Processing and other income

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Processing income	2,035	1,015	3,844	2,827
Other	(93)	5	282	13
Total processing and other income	1,942	1,020	4,126	2,840

19. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Source (use) of cash:				
Trade and other receivables	10,279	1,627	12,158	37,704
Prepaid expense and deposits	2,597	(9,229)	4,574	(2,545)
Trade and other accrued liabilities	(12,123)	(24,491)	(7,906)	(21,233)
Inventory	620	(998)	620	(4,842)
Performance Awards	449	(5,336)	(4,593)	(4,191)
Deferred Share Units	338	543	62	(2,092)
Deferred revenue	(825)	-	(825)	-
	1,335	(37,884)	4,090	2,801
Related to operating activities	4,778	(14,369)	6,826	(4,794)
Related to financing activities	-	-	-	-
Related to investing activities	(3,443)	(23,515)	(2,736)	7,595
	1,335	(37,884)	4,090	2,801

19. Supplementary cash flow information (continued)

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

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Cash flows				
Common shares repurchased	-	(14,234)	(21,347)	(61,517)
Common shares issued	65,010	-	65,010	-
Issuance costs on shares issued	(2,905)	-	(2,905)	-
Draws on Credit Facility	515,000	60,000	570,000	80,000
Repayment of Credit Facility	(260,000)	-	(290,000)	(30,000)
Bankers' acceptance and other fees	(10,553)	(5,141)	(14,821)	(8,587)
Proceeds from unsecured debentures	-	-	10,000	-
Issuance costs on unsecured debentures	-	-	(1,155)	-
Proceeds from convertible debentures	143,750	-	143,750	-
Issuance costs on convertible debentures	(6,423)	-	(6,423)	-
Lease payments	(214)	(141)	(426)	(283)
Financing payments	(3,254)	(3,167)	(6,507)	(6,299)
Net cash flows	440,411	37,317	445,176	(26,686)
Non-cash changes				
Amortization of bankers' acceptance fees	4,983	4,323	9,975	7,829
Lease liability interest expense	37	23	66	46
Financing liability interest expense	2,071	2,115	4,168	4,230
Total non-cash changes	7,091	6,461	14,209	12,105
Cash provided by (used in) financing activities	447,502	43,778	459,385	(14,581)

20. Commitments

At June 30, 2024, Advantage had commitments relating to building operating cost, processing commitments, and transportation commitments. The estimated remaining payments are as follows:

	Payments due by period						
	2024		2025	2026	2027	2028	Beyond
(\$ millions)	Total	6 months					
Building operating cost ⁽¹⁾	2.0	0.3	0.6	0.6	0.5	-	-
Processing	40.7	5.0	9.5	7.0	7.0	7.0	5.2
Transportation	529.9	48.5	90.4	75.0	62.7	37.9	215.4
Total commitments	572.6	53.8	100.5	82.6	70.2	44.9	220.6

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

Advantage Energy Ltd.
Supplemental Financial Information (unaudited)
Exhibit to the June 30, 2024 Condensed Consolidated Financial Statements

The following ratio has been calculated on a consolidated basis for the twelve-month period ended June 30, 2024. 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 June 30, 2024
Earnings Coverage Ratio ⁽¹⁾⁽²⁾	4.2x

- ⁽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 June 30, 2024 include results from the Acquired Assets. Financial information prior to the acquisition from July 1, 2023 to June 23, 2024 does not reflect results from the Acquired Assets.

ABBREVIATIONS

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbls	barrels	MMcf	million cubic feet
Mbbls	thousand barrels	bcf/d	billion cubic feet per day
NGLs	natural gas liquids	Mcf/d	thousand cubic feet per day
BOE or boe	barrel of oil equivalent	MMcf/d	million cubic feet per day
Mboe	thousand barrels of oil equivalent	Mcfe	thousand cubic feet of natural gas equivalent, using the ratio of 6 Mcf of natural gas being equivalent to one bbl of oil
MMboe	million barrels of oil equivalent	MMcfe/d	million cubic feet of natural gas equivalent per day
boe/d	barrels of oil equivalent per day	MMbtu	million British Thermal Units
bbls/d	barrels of oil per day	MMbtu/d	million British Thermal Units per day
		GJ/d	Gigajoules per day
Other			
AECO	a notional market point on the NGTL system, located at the AECO 'C' hub in Southeastern Alberta, where the purchase and sale of natural gas is transacted		
CCS	means "Carbon Capture and Storage"		
Henry Hub	a central delivery location, located near Louisiana's Gulf Coast connecting several intrastate and interstate pipelines, that serves as the official delivery location for futures contracts on the NYMEX		
MSW	means "Mixed Sweet Blend", the reference price paid for conventionally produced light sweet crude oil at Edmonton, Alberta		
NCIB	means "Normal course issuer bid"		
PJM	a regional transmission organization that coordinates the movement of wholesale electricity in the Mid Atlantic region of the US		
TSX	Toronto Stock Exchange		
WTI	means "West Texas Intermediate", the reference price paid in U.S. dollars at Cushing, Oklahoma for the crude oil standard grade		
Crude oil	Light Crude Oil and Medium Crude Oil as defined in National Instrument 51-101		
Natural gas	Conventional Natural Gas as defined in National Instrument 51-101		
"NGLs" & "condensate"	Natural Gas Liquids as defined in National Instrument 51-101		
Liquids	Total of crude oil, condensate and NGLs		

Directors

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Janine J. McArdle ⁽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

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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

Independent Reserve Evaluators

Sproule Associates Limited

Legal Counsel

Burnet, Duckworth and Palmer LLP

Transfer Agent

Computershare Trust Company of Canada

Corporate Office

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

Contact Us

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

Toronto Stock Exchange Trading Symbols

AAV: Common shares
AAV.DB: Debentures



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