



CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

For the three and six months ended June 30, 2023 and 2022

CONSOLIDATED MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis ("MD&A"), dated as of July 27, 2023, provides a detailed explanation of the consolidated financial and operating results of Advantage Energy Ltd. ("Advantage", the "Corporation", "us", "we" or "our") for the three and six months ended June 30, 2023 and should be read in conjunction with the unaudited condensed consolidated financial statements for the three and six months ended June 30, 2023 and the audited consolidated financial statements for the year ended December 31, 2022 (together, the "consolidated financial statements"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP") for publicly accountable enterprises in Canada. All references in the MD&A and consolidated financial statements are to Canadian dollars unless otherwise indicated.

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

Financial Highlights	Three months ended June 30		Six months ended June 30	
(\$000, except as otherwise indicated)	2023	2022	2023	2022
Financial Statement Highlights				
Natural gas and liquids sales	107,240	314,297	253,239	491,866
Net income and comprehensive income	2,211	164,234	31,325	183,730
per basic share ⁽²⁾	0.02	0.86	0.19	0.96
Basic weighted average shares (000)	167,268	190,415	167,298	190,621
Cash provided by operating activities	37,966	157,439	143,921	266,596
Cash provided by (used in) financing activities	43,778	(37,556)	(14,581)	(88,325)
Cash used in investing activities	(88,439)	(80,720)	(174,029)	(157,703)
Other Financial Highlights				
Adjusted funds flow ⁽¹⁾	52,381	187,056	149,214	295,934
per boe ⁽¹⁾	11.10	34.05	15.00	28.85
per basic share ⁽¹⁾⁽²⁾	0.31	0.98	0.89	1.55
Net capital expenditures ⁽¹⁾	64,924	47,570	181,624	133,584
Free cash flow ⁽¹⁾	(12,543)	139,486	(32,410)	162,350
Working capital surplus ⁽¹⁾	12,949	77,858	12,949	77,858
Bank indebtedness	226,442	106,776	226,442	106,776
Net debt ⁽¹⁾⁽³⁾	229,426	44,301	229,426	44,301

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

⁽²⁾ Based on basic weighted average shares outstanding.

⁽³⁾ Consolidated net debt of \$229.4 million includes \$214.7 million with Advantage and \$14.7 million with Entropy.

Operating Highlights

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Operating				
Production				
Crude oil (bbls/d)	2,801	2,858	2,269	1,933
Condensate (bbls/d)	871	1,128	1,014	1,093
NGLs (bbls/d)	2,683	3,392	2,780	3,124
Total liquids production (bbls/d)	6,355	7,378	6,063	6,150
Natural gas (Mcf/d)	272,919	317,976	293,482	303,183
Total production (boe/d)	51,842	60,374	54,976	56,681
Average realized prices (including realized derivatives)				
Natural gas (\$/Mcf)	2.81	6.75	3.67	5.94
Liquids (\$/bbl)	75.36	107.83	76.48	97.77
Operating Netback (\$/boe)				
Natural gas and liquids sales	22.73	57.21	25.45	47.94
Realized gains (losses) on derivatives	1.07	(8.50)	2.32	(5.57)
Processing and other income	0.22	0.41	0.29	0.36
Net sales of purchased natural gas	(0.05)	-	(0.02)	0.01
Royalty expense	(1.33)	(6.17)	(2.31)	(4.90)
Operating expense	(4.44)	(2.75)	(3.92)	(2.77)
Transportation expense	(4.34)	(4.44)	(4.33)	(4.40)
Operating netback ⁽¹⁾	13.86	35.76	17.48	30.67

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

Corporate Update

2023 Guidance Update

All guidance numbers are for Advantage Energy Ltd. only and excludes its subsidiary, Entropy Inc. ("Entropy"). As a result of the decrease in commodity prices experienced in the first half of 2023, Advantage has revised transportation expense guidance down to \$4.50/boe, largely due to decreased fuel cost, adjusted our expected royalty rate down to 7% to 9%, and increased operating expense to \$3.65/boe. With continued increases in interest rates, Advantage now anticipates G&A/finance expense to be \$2.00/boe.

Forward Looking Information ⁽¹⁾	2023 Prior Guidance⁽³⁾	2023 Revised Guidance
Cash Used in Investing Activities ⁽²⁾ (\$ millions)	250 to 280	250 to 280
Total Average Production (boe/d)	59,000 to 62,500	59,000 to 62,500
Liquids Production (% of total average production)	~12%	~12%
Royalty Rate (%)	9 to 12	7 to 9
Operating Expense (\$/boe)	3.25	3.65
Transportation Expense (\$/boe)	4.75	4.50
G&A/Finance Expense (\$/boe)	1.40	2.00
Net debt ⁽⁴⁾ (\$ millions)	170 to 230	170 to 230

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

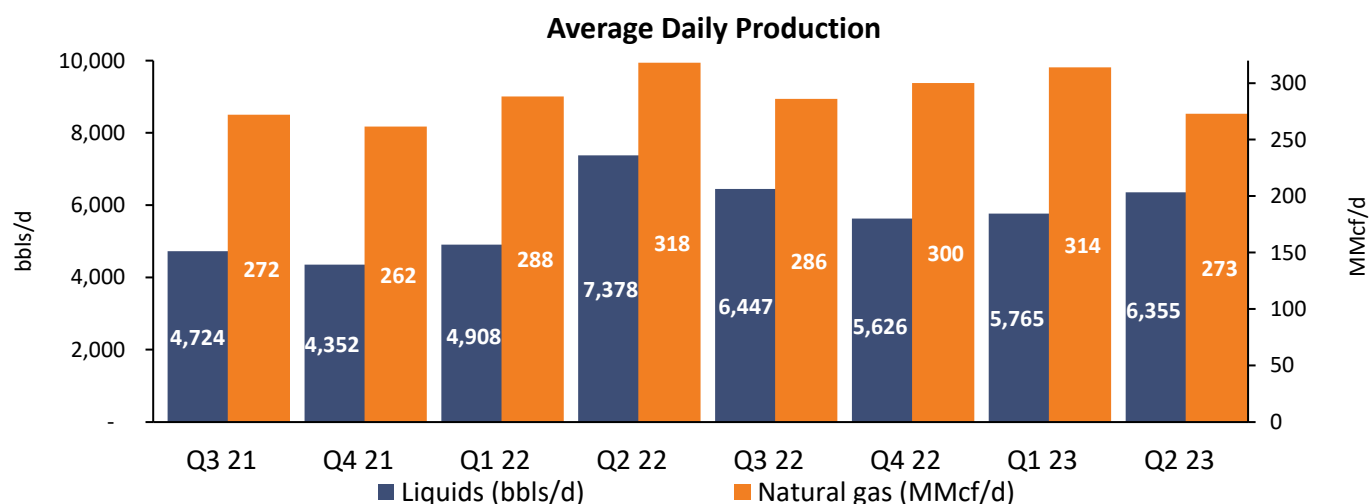
⁽²⁾ Cash Used in Investing Activities is the same as Net Capital Expenditures as no change in non-cash working capital is assumed between years and other differences are immaterial.

⁽³⁾ See December 31, 2022 MD&A dated as of February 23, 2023 for prior forward looking information.

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

Production

Average Daily Production	Three months ended			Six months ended		
	June 30		%	June 30		%
	2023	2022	Change	2023	2022	Change
Crude oil (bbls/d)	2,801	2,858	(2)	2,269	1,933	17
Condensate (bbls/d)	871	1,128	(23)	1,014	1,093	(7)
NGLs (bbls/d)	2,683	3,392	(21)	2,780	3,124	(11)
Total liquids production (bbls/d)	6,355	7,378	(14)	6,063	6,150	(1)
Natural gas (Mcf/d)	272,919	317,976	(14)	293,482	303,183	(3)
Total production (boe/d)	51,842	60,374	(14)	54,976	56,681	(3)
Liquids (% of total production)	12	12		11	11	
Natural gas (% of total production)	88	88		89	89	



For the three and six months ended June 30, 2023, Advantage's total production averaged 51,842 boe/d and 54,976 boe/d, respectively, decreases of 14% and 3% compared to the same periods of the prior year. Advantage remains on track to deliver 2023 total annual production within our guidance range of 59,000 and 62,500 boe/d, with production planned to increase in both the third and fourth quarters of 2023.

Natural gas production for the three and six months ended June 30, 2023 averaged 273 MMcf/d and 293 MMcf/d, respectively, decreases of 14% and 3% compared to the same periods of the prior year. The decrease in natural gas production was due to Advantage completing a previously announced planned turnaround at the Glacier Gas Plant that took 17 days in May, accompanied with minor production disruptions due to Alberta wildfires, unplanned downtime, and third-party pipeline outages.

Liquids production decreased to 6,355 bbls/d and 6,063 bbls/d for the three and six months ended June 30, 2023, decreases of 14% and 1%, respectively, due to the timing of wells being brought on production when compared to 2022. Liquids production increased 10% from the first quarter of 2023 and is expected to further increase in the third and fourth quarters as a result of our continued development at Wembley (see "Cash Used in Investing Activities and Net Capital Expenditures").

Commodity Prices and Marketing

Average Realized Prices ⁽²⁾	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Natural gas						
Excluding derivatives (\$/Mcf)	2.56	8.29	(69)	3.19	6.92	(54)
Including derivatives (\$/Mcf)	2.81	6.75	(59)	3.67	5.94	(38)
Liquids						
Crude oil (\$/bbl)	91.04	132.01	(32)	92.85	127.01	(27)
Condensate (\$/bbl)	100.97	143.42	(30)	101.79	129.25	(21)
NGLs (\$/bbl)	50.67	81.92	(39)	53.89	74.05	(27)
Total liquids excluding derivatives (\$/bbl)	75.36	110.73	(33)	76.48	100.51	(24)
Total liquids including derivatives (\$/bbl)	75.36	107.83	(31)	76.48	97.77	(22)
Average Benchmark Prices						
Natural gas⁽¹⁾						
AECO daily (\$/Mcf)	2.45	6.95	(65)	2.84	5.85	(51)
AECO monthly (\$/Mcf)	2.34	6.31	(63)	3.17	5.43	(42)
Empress daily (\$/Mcf)	2.39	7.87	(70)	2.84	6.40	(56)
Henry Hub (\$US/MMbtu)	2.12	7.21	(71)	2.40	5.71	(58)
Emerson 2 daily (\$US/MMbtu)	1.96	6.61	(70)	2.31	5.45	(58)
Dawn daily (\$US/MMbtu)	2.05	7.23	(72)	2.39	5.83	(59)
Chicago Citygate (\$US/MMbtu)	2.01	7.34	(73)	2.32	5.87	(60)
Ventura (\$US/MMbtu)	1.92	7.31	(74)	2.35	5.89	(60)
Liquids						
WTI (\$US/bbl)	73.78	108.57	(32)	74.96	101.44	(26)
MSW Edmonton (\$/bbl)	95.82	135.94	(30)	97.45	125.78	(23)
Average Exchange rate (\$US/\$CDN)	0.7445	0.7832	(5)	0.7421	0.7865	(6)

(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, 2023, was \$75.36/bbl and \$76.48/bbl, respectively, decreases of 33% and 24% compared to the same periods of the prior year. Realized crude oil, condensate and NGL prices all decreased from their highs in 2022 due to a more balanced supply and demand market and continued economic global recessionary concerns that may impact future 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 69% 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, 2023, was \$2.56/Mcf and \$3.19/Mcf, respectively, decreases of 69% and 54% compared to the same periods of the prior year. This decrease was attributed to lower natural gas benchmark prices in all markets where Advantage physically delivers natural gas and has market diversification exposure. North American natural gas benchmark prices have decreased from the highs experienced in 2022 largely due to strong North American natural gas production accompanied by a mild winter resulting in gas inventories rising above levels typical for this time of year.

Commodity Prices and Marketing (continued)

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

The following table outlines the Corporation's 2023 forward-looking natural gas market exposure, and the six months ended June 30, 2023, actual natural gas market exposure, excluding hedging.

Sales Markets	Six months ended June 30, 2023		Forward-looking 2023 ⁽²⁾	
	Production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)	Effective production (MMcf/d) ⁽¹⁾	Percentage of Natural Gas Production (%)
AECO	97.3	34	97.4	30
AECO Other ⁽⁵⁾	21.7	7	17.9	6
Empress	53.7	18	71.0	22
Emerson	24.3	8	28.8	9
Dawn	50.2	17	51.5	16
Chicago	23.4	8	22.7	7
Ventura	12.5	4	13.8	4
PJM power price ⁽⁴⁾	10.4	4	17.7	6
Total	293.5	100	320.8⁽³⁾	100

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

⁽²⁾ Natural gas market exposure based on contracts in-place at June 30, 2023.

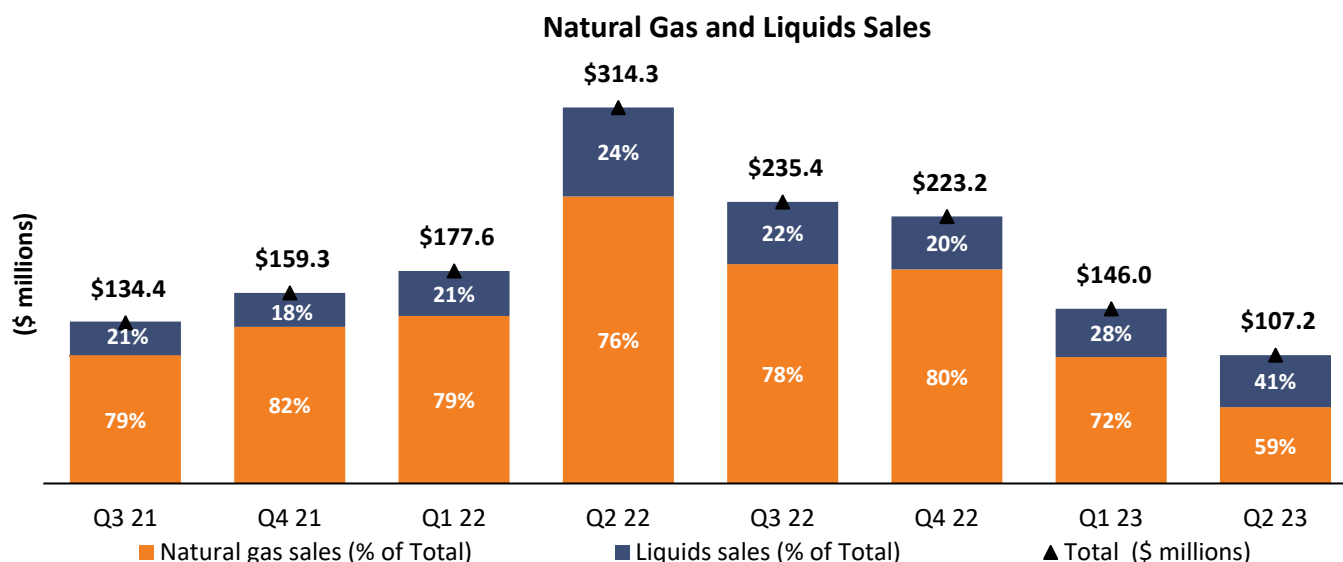
⁽³⁾ Represents the midpoint of our 2023 guidance for natural gas production volumes (see New Release dated December 1, 2022).

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

⁽⁵⁾ Transactions that are prices at AECO but may include either a premium or discount to AECO.

Natural gas and liquids sales

(\$000, except as otherwise indicated)	Three months ended June 30			Six months ended June 30		
	2023	2022	% Change	2023	2022	% Change
Crude oil	23,205	34,333	(32)	38,132	44,438	(14)
Condensate	8,003	14,722	(46)	18,682	25,569	(27)
NGLs	12,372	25,286	(51)	27,117	41,873	(35)
Liquids	43,580	74,341	(41)	83,931	111,880	(25)
Natural gas	63,660	239,956	(73)	169,308	379,986	(55)
Natural gas and liquids sales	107,240	314,297	(66)	253,239	491,866	(49)
per boe	22.73	57.21	(61)	25.45	47.94	(47)



Natural gas and liquids sales for the three and six months ended June 30, 2023, decreased by \$207.1 million or 66% and \$238.6 million or 49%, respectively, compared to the same corresponding periods of 2022.

For the three months ended June 30, 2023, natural gas sales decreased by \$176.3 million or 73%, compared to the corresponding period in 2022, due to a 69% decrease in realized natural gas prices (see "Commodity Prices and Marketing"), accompanied with a 14% decrease in natural gas production volumes (see "Production"). Second quarter liquids sales decreased by \$30.8 million, or 41%, due to a 33% decrease in realized liquids prices (see "Commodity Prices and Marketing"), accompanied by a 14% decrease in liquids production volumes (see "Production").

For the six months ended June 30, 2023, natural gas sales decreased by \$210.7 million or 55%, compared to 2022, due to a 54% decrease in realized natural gas prices (see "Commodity Prices and Marketing"), accompanied by a 3% decrease in natural gas production volumes (see "Production"). Liquids sales decreased by \$27.9 million, or 25%, due to a 24% decrease in realized liquids prices (see "Commodity Prices and Marketing"), accompanied by a 1% decrease in liquids production volumes (see "Production").

Financial Risk Management

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

The Corporation enters into financial risk management derivative contracts to manage the Corporation's exposure to commodity price risk, foreign exchange risk and interest rate risk. A summary of realized and unrealized derivative gains and losses for the three and six months ended June 30, 2023, and 2022 are as follows:

	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Realized gains (losses) on derivatives				
Natural gas	6,251	(44,519)	25,632	(53,868)
Crude oil	-	(1,943)	-	(3,048)
Foreign exchange	(655)	(217)	(2,011)	(102)
Interest rate	-	-	-	(104)
Natural gas embedded derivative	(528)	-	(528)	-
Total	5,068	(46,679)	23,093	(57,122)
Unrealized gains (losses) on derivatives				
Natural gas	(3,301)	29,865	(11,564)	(39,401)
Crude oil	-	908	-	(308)
Foreign exchange	668	(2,006)	2,197	(754)
Interest rate	-	-	-	136
Natural gas embedded derivative	(13,022)	37,939	(22,301)	56,060
Unsecured debentures	(1,148)	-	(5,730)	-
Total	(16,803)	66,706	(37,398)	15,733
Gains (losses) on derivatives				
Natural gas	2,950	(14,654)	14,068	(93,269)
Crude oil	-	(1,035)	-	(3,356)
Foreign exchange	13	(2,223)	186	(856)
Interest rate	-	-	-	32
Natural gas embedded derivative	(13,550)	37,939	(22,829)	56,060
Unsecured debentures	(1,148)	-	(5,730)	-
Total	(11,735)	20,027	(14,305)	(41,389)

Financial Risk Management (continued)

Natural gas

For the three and six months ended June 30, 2023, Advantage realized gains on natural gas derivatives of \$6.3 million and \$25.6 million, respectively, due to the settlement of contracts with average derivative contract prices that were above average market prices, which declined significantly during the first half of 2023.

Advantage recognized an unrealized loss on natural gas derivatives of \$3.3 million and \$11.6 million, respectively, for the three and six months ended June 30, 2023. 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 realized gains resulting in offsetting unrealized losses.

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 power 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 unrealized gains (losses) on the embedded derivative based on movements in the forward curve for PJM power prices. 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 \$0.5 million for the six months ended June 30, 2023 (six months ended June 30, 2022 – nil). For the three and six months ended June 30, 2023 the Corporation recognized an unrealized loss on the natural gas embedded derivative of \$13.0 million and \$22.3 million, respectively, as a result of weakening PJM power prices.

Foreign exchange

For the three and six months ended June 30, 2023, Advantage realized a loss on foreign exchange derivatives of \$0.7 million and \$2.0 million, respectively, while recognizing an unrealized gain of \$0.7 million and \$2.2 million for the three and six months ended June 30, 2023. The unrealized gains are a result of the decreased liability valuation associated with the foreign exchange derivatives that concluded in the first six months of 2023. The Corporation has no outstanding foreign exchange contracts as at June 30, 2023.

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, 2023, the Entropy unsecured debentures derivative liability resulted in an unrealized loss of \$1.1 million and \$5.7 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, 2023 and December 31, 2024, apart from the natural gas embedded derivative which is expected to be settled between the years 2023 and 2033.

As at June 30, 2023 and July 27, 2023, 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 2023 to October 2023	25,000 Mcf/d	US \$3.35/Mcf
Fixed price swap	November 2023 to December 2024	20,000 Mcf/d	US \$3.41/Mcf
Natural gas - AECO/Henry Hub Basis Differential			
Basis swap	July 2023 to December 2024	40,000 Mcf/d	Henry Hub less US \$1.19/Mcf
Natural gas - AECO			
Fixed price swap	July 2023 to October 2023	23,695 Mcf/d	CDN \$4.16/Mcf
Fixed price swap	November 2023 to March 2024	9,478 Mcf/d	CDN \$3.37/Mcf
Natural gas - Chicago City			
Fixed price swap	November 2023 to March 2024	15,000 Mcf/d	US \$3.88/Mcf
Natural gas - Dawn			
Fixed price swap	July 2023 to March 2024	10,000 Mcf/d	US \$3.07/Mcf
Fixed price swap	July 2023 to October 2023	15,000 Mcf/d	US \$2.92/Mcf

Processing and Other Income

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2023	2022		2023	2022	
Processing and other income (\$000)	1,020	2,277	(55)	2,840	3,715	(24)
per boe	0.22	0.41	(46)	0.29	0.36	(19)

Advantage earns processing income from contracts whereby the Corporation charges third-parties to utilize excess capacity at its Glacier Gas Plant and Progress battery. For the three and six months ended June 30, 2023, the Corporation generated \$1.0 million and \$2.8 million, respectively, in processing and other income, a decrease of 55% and 24% due to lower volumes processed for third-parties compared to the prior year attributed to the planned turnaround at the Glacier Gas Plant in May.

Net Sales of Purchased Natural Gas

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2023	2022		2023	2022	
Sales of purchased natural gas (\$000)	3,124	-	nm	3,124	4,826	(35)
Natural gas purchases (\$000)	(3,371)	-	nm	(3,371)	(4,756)	(29)
Net sales of purchased natural gas (\$000)	(247)	-	nm	(247)	70	(453)
per boe	(0.05)	-	nm	(0.02)	0.01	(300)

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.

Royalty Expense

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2023	2022		2023	2022	
Royalty expense (\$000)	6,274	33,924	(82)	22,976	50,221	(54)
per boe	1.33	6.17	(79)	2.31	4.90	(53)
Royalty rate (%) ⁽¹⁾	5.9	10.8	(4.9)	9.1	10.2	(1.1)

⁽¹⁾ Percentage of natural gas and liquids sales.

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

Royalty expense for the three and six months ended June 30, 2023 decreased by \$27.6 million and \$27.2 million, respectively. The decrease in royalty expense for each period was primarily due to significantly lower natural gas and liquids prices when compared to 2022, with the second quarter of 2023 having a further decrease due to less production associated with the planned 17-day turnaround at the Glacier Gas Plant, and the receipt of increased GCA deductions.

Operating Expense

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2023	2022		2023	2022	
Operating expense (\$000)	20,968	15,088	39	38,971	28,381	37
per boe	4.44	2.75	62	3.92	2.77	42

Operating expense for the three and six months ended June 30, 2023, increased by \$5.9 million and \$10.6 million, increases of 39% and 37%. The higher operating expense was attributed to additional third-party processing fees associated with higher production at Wembley, inflationary impacts, and increased maintenance costs at the Glacier Gas Plant due to the planned 17-day turnaround.

Operating expense per boe for the three and six months ended June 30, 2023 was \$4.44/boe and \$3.92/boe, respectively. Operating expense per boe was inflated in the second quarter due to decreased production connected with the planned 17-day turnaround at the Glacier Gas Plant (see "Production") while operating costs are primarily fixed. Advantage anticipates operating expense to average approximately \$3.65/boe for 2023, up from our previous guidance of \$3.25/boe (see "Corporate Update").

Transportation Expense

	Three months ended			Six months ended		
	June 30		% Change	June 30		% Change
	2023	2022		2023	2022	
Natural gas (\$000)	18,296	22,062	(17)	38,768	41,184	(6)
Liquids (\$000)	2,163	2,316	(7)	4,338	3,947	10
Total transportation expense (\$000)	20,459	24,378	(16)	43,106	45,131	(4)
per boe	4.34	4.44	(3)	4.33	4.40	(2)

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, 2023, decreased by \$3.9 million and \$2.0 million, respectively, decreases of 16% and 4%. The decreases in transportation expense is a result of lower fuel cost associated with the decrease in natural gas prices (see "Commodity Prices and Marketing"). The Corporation's transportation expense per boe was comparable to the prior year.

Operating Netback

	Three months ended June 30			
	2023		2022	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	107,240	22.73	314,297	57.21
Realized gains (losses) on derivatives	5,068	1.07	(46,679)	(8.50)
Processing and other income	1,020	0.22	2,277	0.41
Net sales of purchased natural gas	(247)	(0.05)	-	-
Royalty expense	(6,274)	(1.33)	(33,924)	(6.17)
Operating expense	(20,968)	(4.44)	(15,088)	(2.75)
Transportation expense	(20,459)	(4.34)	(24,378)	(4.44)
Operating netback ⁽¹⁾	65,380	13.86	196,505	35.76

	Six months ended June 30			
	2023		2022	
	\$000	per boe	\$000	per boe
Natural gas and liquids sales	253,239	25.45	491,866	47.94
Realized gains (losses) on derivatives	23,093	2.32	(57,122)	(5.57)
Processing and other income	2,840	0.29	3,715	0.36
Net sales of purchased natural gas	(247)	(0.02)	70	0.01
Royalty expense	(22,976)	(2.31)	(50,221)	(4.90)
Operating expense	(38,971)	(3.92)	(28,381)	(2.77)
Transportation expense	(43,106)	(4.33)	(45,131)	(4.40)
Operating netback ⁽¹⁾	173,872	17.48	314,796	30.67

⁽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, 2023, Advantage's operating netback decreased by 67% and 45%, respectively, or \$21.90/boe and \$13.19/boe. The decrease in the Corporation's operating netbacks per boe was primarily due to the decrease in natural gas and liquids sales as a result of significantly lower natural gas and crude oil benchmark prices (see "Commodity Prices and Marketing"). This decrease was partially offset by realized gains on derivatives (see "Financial Risk Management") and lower royalty expense (see "Royalty Expense"), both similarly due to significantly lower natural gas and crude oil benchmark prices.

General and Administrative Expense

	Three months ended			Six months ended		
	June 30		%	June 30		%
	2023	2022		2023	2022	
General and administrative expense (\$000)	5,918	5,222	13	11,217	10,476	7
per boe	1.25	0.95	30	1.13	1.02	11
Employees at June 30				60	49	22

General and administrative ("G&A") expense for the three and six months ended June 30, 2023, increased by \$0.7 million and \$0.7 million, respectively. The Corporation's G&A expense has increased due to an increase in employees, including hires to resource the Entropy business. Total G&A expense incurred by Entropy for the three and six months ended June 30, 2023 was \$1.5 million (three months ended June 30, 2022 - \$0.7 million) and \$2.5 million (six months ended June 30, 2022 - \$1.5 million). The increased cost related to higher staffing was partially offset by the decreased valuation of the Deferred Share Units liability, which is revalued each reporting period, and accounted for a \$0.9 million decrease for the six months ended June 30, 2023 when compared to the prior year.

Share-based Compensation Expense

	Three months ended			Six months ended		
	June 30		%	June 30		%
	2023	2022		2023	2022	
Share-based compensation (\$000)	2,475	2,031	22	4,923	4,014	23
Capitalized (\$000)	(646)	(349)	85	(1,276)	(926)	38
Share-based compensation expense (\$000)	1,829	1,682	9	3,647	3,088	18
per boe	0.39	0.31	26	0.37	0.30	23

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 for the three and six months ended June 30, 2023, increased \$0.4 million and \$0.9 million, or 22% and 23%, respectively, as a result of an increase in grants from additional staff, accompanied by increased weighting of granting Performance Share Units offset by decreased cash-based performance awards (see "General and Administrative Expense").

Depreciation and Amortization Expense

	Three months ended			Six months ended		
	June 30		%	June 30		%
	2023	2022		2023	2022	
Depreciation and amortization expense (\$000)	31,759	37,248	(15)	65,463	67,644	(3)
per boe	6.73	6.78	(2)	6.58	6.59	(0)

The decrease in depreciation and amortization expense for the three and six months ended June 30, 2023, was attributable to a decrease in production (see "Production").

Finance Expense

	Three months ended			Six months ended		
	June 30		%	June 30		%
	2023	2022	Change	2023	2022	Change
Cash finance expense (\$000)	6,930	4,805	44	13,003	8,795	48
per boe	1.47	0.88	67	1.31	0.86	52
Accretion expense (\$000)	473	400	18	904	776	16
Total finance expense (\$000)	7,403	5,205	42	13,907	9,571	45
per boe	1.57	0.96	64	1.40	0.93	51

Advantage realized higher cash finance expense during the three and six months ended June 30, 2023, as a result of increased average outstanding bank indebtedness and higher interest rates when compared to the same periods in 2022 (see "Bank Indebtedness, Credit Facilities and Working Capital"). Advantage's bank indebtedness interest rates are primarily based on short-term bankers' acceptance rates plus a stamping fee and determined by net debt to the trailing four quarters Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio as calculated pursuant to our Credit Facilities.

On April 5, 2022, the Corporation's subsidiary Entropy issued a \$25 million unsecured debenture that is non-recourse to Advantage. The unsecured debenture bears an interest rate of 8% that Entropy can elect to pay in cash or pay-in-kind. Any paid-in-kind interest is added to the aggregate principal amount of the unsecured debenture. For the three and six months ended June 30, 2023, Entropy incurred interest of \$0.5 million and \$1.0 million, respectively, that was paid in cash (see "Unsecured Debentures").

Taxes

	Three months ended			Six months ended		
	June 30		%	June 30		%
	2023	2022	Change	2023	2022	Change
Income tax expense (recovery) (\$000)	(1,828)	50,198	nm	9,343	56,429	(83)
Effective tax rate (%)	nm	23.4		23.0	23.5	

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, 2023, the Corporation recognized a deferred income tax recovery of \$1.8 million, and deferred income tax expense of \$9.3 million, respectively. Income tax expense for six months ended June 30, 2023 is a result of net income before taxes and non-controlling interest of \$40.7 million, combined with non-deductible share-based compensation expense. As at June 30, 2023, the Corporation had a deferred income tax liability of \$210.8 million.

Net Income and Comprehensive Income Attributable to Advantage Shareholders

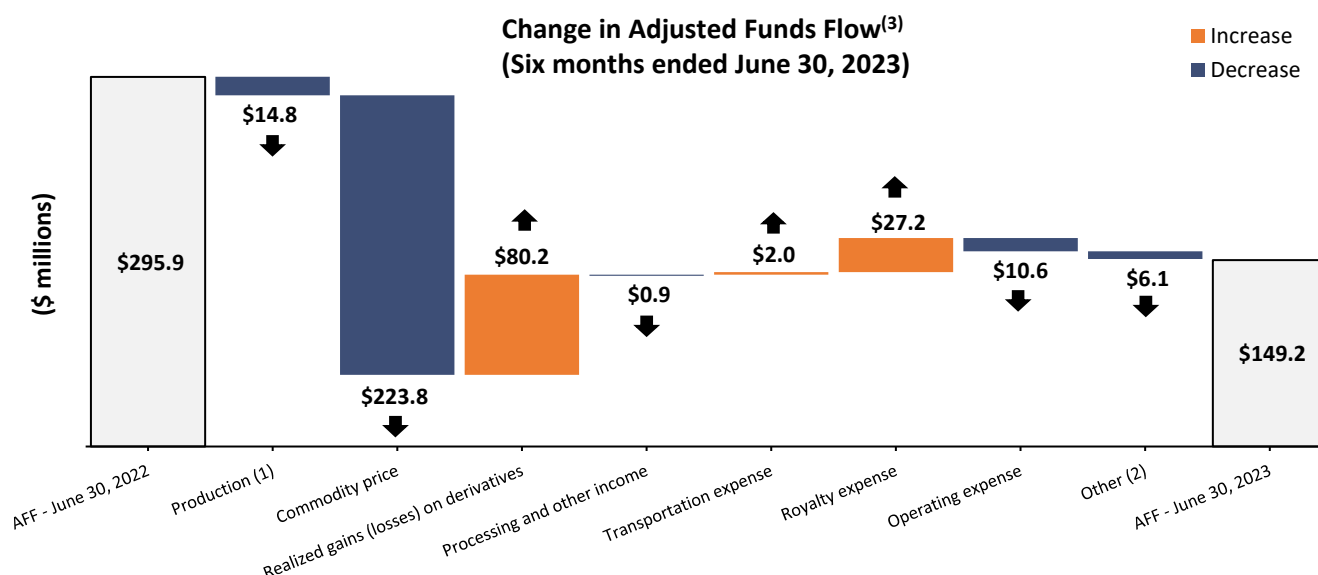
	Three months ended			Six months ended		
	June 30		%	June 30		%
	2023	2022	Change	2023	2022	Change
Net income and comprehensive income attributable to Advantage shareholders (\$000)	2,538	164,334	(98)	32,257	183,913	(82)
per share – basic	0.02	0.86	(98)	0.19	0.96	(80)
per share – diluted	0.02	0.83	(97)	0.19	0.93	(80)

Advantage recognized net income attributable to Advantage shareholders of \$2.5 million and \$32.3 million for the three and six months ended June 30, 2023, respectively. Net income and comprehensive income attributable to Advantage shareholders was significantly lower when compared to 2022 largely due to lower natural gas and liquids sales attributable to lower commodity prices and production (see "Natural gas and liquids sales"), partially offset by 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	
	2023	2022	2023	2022
Cash provided by operating activities	37,966	157,439	143,921	266,596
Expenditures on decommissioning liability	46	103	499	554
Changes in non-cash working capital	14,369	29,514	4,794	28,784
Adjusted funds flow ⁽¹⁾	52,381	187,056	149,214	295,934
Adjusted funds flow per boe ⁽¹⁾	11.10	34.05	15.00	28.85
Adjusted funds flow per share ⁽¹⁾	0.31	0.98	0.89	1.55

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



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

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

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

For the three and six months ended June 30, 2023, Advantage realized cash provided by operating activities of \$38.0 million and \$143.9 million, decreases of \$119.5 million and \$122.7 million, respectively, when compared to the same periods of 2022. After adjusting for non-cash changes in working capital and expenditures on decommissioning liability, the Corporation realized adjusted funds flow of \$52.4 million and \$149.2 million, decreases of \$134.7 million and \$146.7 million, respectively, when compared to the same periods of 2022. 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 significantly lower commodity prices and lower total production (see "Commodity Prices and Marketing" and "Production"). This decrease was partially offset by lower royalties expense and realized gains on derivatives (see "Financial Risk Management").

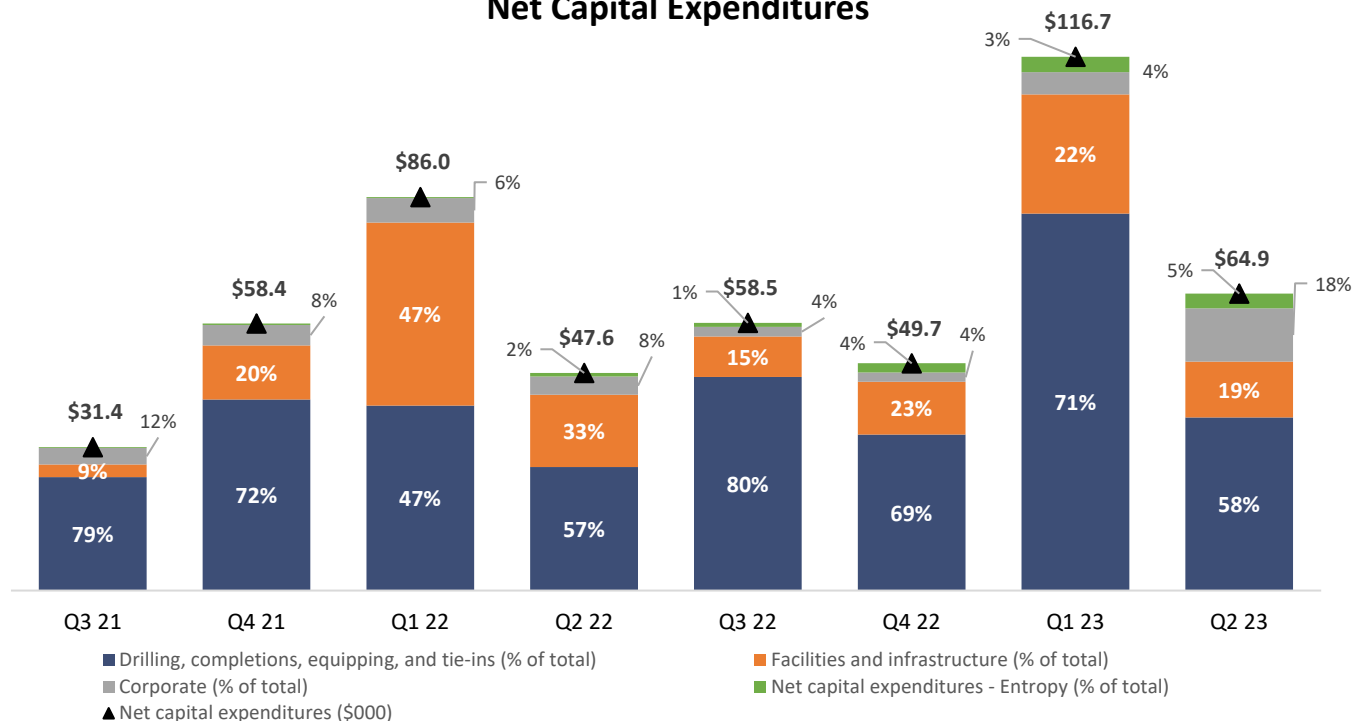
Cash Used in Investing Activities and Net Capital Expenditures

(\$000)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Drilling, completions, equipping and tie-ins	37,835	26,987	120,256	67,420
Facilities and infrastructure	12,227	15,813	38,269	55,816
Corporate ⁽²⁾	11,643	3,992	16,524	9,370
Net capital expenditures – Advantage	61,705	46,792	175,049	132,606
Carbon capture and storage facilities	2,965	500	5,839	500
Intangible assets	254	278	736	478
Net capital expenditures – Entropy	3,219	778	6,575	978
Net capital expenditures ⁽¹⁾	64,924	47,570	181,624	133,584
Changes in non-cash working capital	23,515	33,150	(7,595)	24,124
Project funding received	-	-	-	(5)
Cash used in investing activities	88,439	80,720	174,029	157,703

(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



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

Advantage

Advantage invested \$61.7 million and \$175.0 million on property, plant, and equipment assets during the three and six months ended June 30, 2023. The following table summarizes wells drilled, completed and on production for the three and six months ended June 30, 2023:

	Three months ended June 30, 2023			Six months ended June 30, 2023		
	Drilled Gross (Net)	Completed Gross (Net)	On production Gross (Net)	Drilled Gross (Net)	Completed Gross (Net)	On production Gross (Net)
(# of wells)						
Glacier	-	4 (2.0)	4 (4.0)	6 (4.0)	8 (6.0)	6 (6.0)
Valhalla	-	2 (2.0)	-	2 (2.0)	2 (2.0)	-
Wembley	2 (2.0)	7 (7.0)	4 (4.0)	7 (7.0)	7 (7.0)	4 (4.0)
Progress	-	-	2 (2.0)	-	2 (2.0)	2 (2.0)
	2 (2.0)	13 (11.0)	10 (10.0)	15 (13.0)	19 (17.0)	12 (12.0)

Glacier

The first half of 2023 was active at Glacier with 6 gross (4.0 net) wells drilled, 8 gross (6.0 net) completed, and 6 gross (6.0 net) placed on production. Raw gas handling capacity at the Glacier Gas Plant was expanded to a maximum of 425 MMcf/d with the installation of inlet compression which will drive production growth from the property in the third quarter as new wells are brought on production. During the second quarter, the planned 17-day turnaround was performed at the plant which lowered quarterly production through the facility.

The last 10 wells drilled in 2022 and placed on production in the fourth quarter of 2022 yielded exceptional well performance driving average peak IP30 rates from the wells to 13.2 MMcf/d raw natural gas, despite the wells being choked back to minimize erosional risks and impacts on existing nearby wells.

Operation of the Glacier Gas Plant Phase 1 CCS and waste heat recovery project designed to reduce emissions by 47,000 tonnes per annum of CO₂e, continued as expected during the quarter. Phase 1 CCS is an important step for Advantage and Entropy in developing modular CCS technology and continuing to lower emissions to achieve the Corporation's net zero target. Under the Government of Canada's proposed refundable investment tax credit ("ITC") for CCUS projects, the Corporation expects it is entitled to recover approximately \$15 million to \$20 million of its incurred net capital expenditures from the year 2022. As the ITC has yet to receive royal ascent in the House of Commons, the Corporation is unable to recognize this potential benefit as at June 30, 2023.

Valhalla

Year to date, Advantage drilled and completed 2.0 gross (2.0 net) wells at Valhalla. The new wells will be placed on production in the third quarter. The last 4 wells placed on production in Valhalla during 2022 averaged IP30 production rates of 1,179 boe/d (4.8 MMcf/d natural gas, 282 bbls/d condensate and 92 bbls/d NGLs) despite the wells being choked back to minimize erosional risks. All Valhalla production flows through Advantage-owned infrastructure to our Glacier Gas Plant. Strong well results support Management's view that our Valhalla asset will continue to play a pivotal role in the Corporation's liquids-rich gas development plan.

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

Wembley

At Wembley, development of this oil-weighted property focused on drilling 7 gross (7.0 net) wells year to date, including wells with 2-mile-long laterals. Completion activity on all seven wells was finished in the second quarter. As the wells are placed on production, the property is expected to achieve record production. The Wembley asset is connected to two major third-party gas processing facilities and utilizes existing capacity in our 100% owned Wembley compressor site and liquids handling hub.

One of the wells drilled after quarter end, targeted a new development layer that has been evaluated by Advantage for the first time in Wembley to further evaluate this multi-layer oil-weighted property. Advantage has now successfully drilled in 3 different layers within the Wembley asset.

Progress

Construction of Phase 2, which adds emulsion handling and water disposal, at our 100% owned Progress compressor and liquids handling hub began in the first quarter of 2023 and was completed in late April. Two wells previously drilled in the fourth quarter of 2022 were completed in the first quarter of 2023 and placed on production following commissioning of Phase 2 and the conclusion of the Glacier Gas Plant turnaround in May.

Entropy Inc.

Entropy invested \$3.2 million and \$6.6 million in property, plant and equipment expenditures and intangible assets for the three and six months ended June 30, 2023. Expenditures in Entropy were mainly incurred on Entropy's Glacier Phase 1b project, whereby Entropy is installing its patent-pending integrated carbon capture and storage equipment ("iCCSTM") which is expected to be completed in the fourth quarter of 2023. During the three and six months ended June 30, 2023, Entropy also incurred expenditures on intangible assets associated with ongoing research and development projects and EntropyIQTM, a proprietary emissions tracking, processing and reporting software platform that is a complete solution for all carbon capture and storage measurement, monitoring and verification data.

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, \$227 million or 45% is required for delivery of natural gas and liquids production to Alberta markets, while Advantage has proactively committed to \$277 million in additional transportation to diversify natural gas production to the Dawn, Empress and Emerson markets, with the objective of reducing price volatility and achieving higher operating netbacks (see "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.

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

(\$ millions)	Payments due by period						
	Total	2023 (6 months)	2024	2025	2026	2027	Beyond
Building operating cost ⁽¹⁾	1.7	0.2	0.4	0.4	0.4	0.3	-
Processing	49.8	4.0	10.0	9.5	7.0	7.0	12.3
Transportation	507.6	38.5	79.6	75.7	64.3	52.9	196.6
Total commitments	559.1	42.7	90.0	85.6	71.7	60.2	208.9
Performance Awards	9.3	-	5.9	1.7	1.7	-	-
Lease liability	2.0	0.2	0.5	0.5	0.4	0.3	0.1
Financing liability	152.5	6.4	12.7	12.7	12.7	12.7	95.3
Bank indebtedness ⁽²⁾							
- principal	230.0	-	-	230.0	-	-	-
- interest	34.5	8.6	17.3	8.6	-	-	-
Unsecured debentures ⁽³⁾	25.0	-	-	-	-	-	25.0
Total contractual obligations	453.3	15.2	36.4	253.5	14.8	13.0	120.4
Total future payments	1,012.4	57.9	126.4	339.1	86.5	73.2	329.3

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

⁽²⁾ As at June 30, 2023 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 2025 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May and semi-annually on or before November. There can be no assurance that the Credit Facilities will be renewed at the current borrowing base level at that time. During the term, no principal payments are required until the revolving period matures in June 2025 in the event of a reduction, or the Credit Facility not being renewed. Management fully expects that the facilities will be extended at each annual review.

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

Liquidity and Capital Resources

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

(\$000, except as otherwise indicated)	As at	As at
	June 30, 2023	December 31, 2022
Bank indebtedness	226,442	177,200
Unsecured debentures ⁽²⁾	15,933	15,700
Working capital surplus ⁽¹⁾	(12,949)	(71,564)
Net debt ⁽¹⁾	229,426	121,336
Shares outstanding	168,022,381	171,652,768
Shares closing market price (\$/share)	8.65	9.47
Market capitalization	1,453,394	1,625,552
Total capitalization	1,682,820	1,746,888
Net debt to adjusted funds flow ratio ⁽¹⁾	0.6	0.2

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

⁽²⁾ Excludes Entropy's unsecured debentures derivative liability.

As at June 30, 2023, net debt was \$229.4 million, consisting of \$214.7 million with Advantage and \$14.7 million with Entropy. Advantage has a \$350 million Credit Facility of which \$108.1 million or 31% was available after deducting letters of credit of US\$9 million outstanding (see "Bank Indebtedness, Credit Facilities and Working Capital"). The Corporation's Credit Facility and adjusted funds flow was utilized to fund our capital expenditure program of \$181.6 million and repurchase and cancel 7.3 million common shares for \$61.5 million (see "Shareholders' Equity"). Advantage has a net debt target range of \$170 million to \$230 million and net debt to adjusted funds flow ratio was 0.6 times as at June 30, 2023.

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

Bank Indebtedness, Credit Facilities and Working Capital

As at June 30, 2023, Advantage had bank indebtedness outstanding of \$226.4 million, an increase of \$49.2 million since December 31, 2022. Advantage's Credit Facilities have a borrowing base of \$350 million that is collateralized by a \$1 billion floating charge demand debenture covering all assets of the Corporation and has no financial covenants (the "Credit Facilities"). Under the Credit Facilities, the Corporation must ensure at all times that its Liability Management Rating ("LMR") as determined by the Alberta Energy Regulator ("AER") is not less than 2.0. The Corporation maintained an LMR of 26.1 as at June 30, 2023. 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. On May 31, 2023, the Credit Facilities were renewed with no changes to the borrowing base of \$350 million, comprised of a \$30 million extendible revolving operating loan facility from one financial institution and a \$320 million extendible revolving loan facility from a syndicate of financial institutions. The Credit Facility has a term of two years with a maturity date in June 2025 and is subject to an annual review and extension by the lenders. During the revolving period, a review of the maximum borrowing amount occurs annually on or before May 31 and semi-annually on or before November 30. During the term, no principal payments are required until the revolving period matures in June 2025 in the event of a reduction, or the Credit Facility not being renewed. The Corporation had letters of credit of US\$9 million outstanding at June 30, 2023 (December 31, 2022 - US\$9 million). The Credit Facilities do not contain any financial covenants, but the Corporation is subject to various affirmative and negative covenants under its Credit Facilities. The Corporation was in compliance with all covenants as at June 30, 2023 and December 31, 2022.

Advantage had a working capital surplus of \$12.9 million as at June 30, 2023, a reduction as compared to \$71.6 million at December 31, 2022, 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

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

On April 5, 2022, Entropy issued unsecured debentures and received an initial \$25.0 million in gross proceeds and incurred \$3.8 million of issuance cost. For the six months ended June 30, 2023, Entropy incurred interest of \$1.0 million (June 30, 2022 - \$0.5 million) that was paid in cash.

Other Liabilities

Advantage has a 15-year take-or-pay volume commitment agreement for 50 MMcf/d of capacity at a fee of \$0.696/Mcf at the Glacier Gas Plant. The volume commitment agreement is treated as a financing transaction with an effective interest rate associated with the financing transaction of 9.1%. As at June 30, 2023, the financing liability was \$88.2 million (June 30, 2022 - \$90.4 million) and for the six months ended June 30, 2023, the Corporation made cash payments of \$6.3 million (June 30, 2022 - \$6.0 million) under the agreement.

As at June 30, 2023, Advantage had a decommissioning liability of \$44.9 million (December 31, 2022 – \$41.9 million) for the future abandonment and reclamation of the Corporation's natural gas and liquids properties. The decommissioning liability includes assumptions in respect of actual costs to abandon and reclaim wells and facilities, the time frame in which such costs will be incurred, annual inflation factors and discount rates. The total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was \$63.8 million (December 31, 2022 – \$62.8 million), with 56% of these costs to be incurred beyond 2050. Actual spending on decommissioning for the six months ended June 30, 2023, was \$0.5 million (year ended December 31, 2022 – \$2.2 million). Advantage continues to maintain an industry leading LMR of 26.1, demonstrating that the Corporation has no issues addressing its abandonment, remediation, and reclamation obligations.

Non-controlling interest ("NCI")

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

For the six months ended June 30, 2023, the net loss and comprehensive loss attributed to non-controlling interest was \$0.9 million (June 30, 2022 - \$0.2 million).

Shareholders' Equity

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

For the six months ended June 30, 2023, the Corporation purchased 5.4 million common shares for cancellation under its previous NCIB at an average price of \$8.76 per common share for a total of \$47.3 million. Under the Corporation's renewed NCIB, the Corporation purchased 1.9 million common shares for cancellation at an average price of \$7.46 per common share for a total of \$14.2 million.

As at June 30, 2023, a total of 2.9 million Performance Share Units were outstanding under the Corporation's Restricted and Performance Award Incentive Plan, which represents 1.7% of Advantage's total outstanding common shares. During May 2023, 2,014,430 Performance Share Units matured and were settled with the issuance of 3,675,083 common shares.

As at July 27, 2023, Advantage had 167.9 million common shares outstanding.

Quarterly Performance

	2023		2022				2021	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
(\$'000, except as otherwise indicated)								
Financial Statement Highlights								
Natural gas and liquids sales	107,240	145,999	223,200	235,392	314,297	177,569	159,255	134,354
Net income and comprehensive income	2,211	29,114	113,463	40,568	164,234	19,496	359,956	43,098
per basic share ⁽²⁾	0.02	0.18	0.63	0.22	0.86	0.10	1.90	0.23
Basic weighted average shares (000)	167,268	167,311	180,248	186,717	190,415	190,829	190,829	190,829
Cash provided by operating activities	37,966	105,955	112,558	123,224	157,439	109,157	67,464	46,988
Cash provided (used in) financing activities	43,778	(58,359)	(49,718)	(71,048)	(37,556)	(50,769)	(27,423)	(26,960)
Cash used in investing activities	(88,439)	(85,590)	(69,060)	(42,822)	(80,720)	(76,983)	(44,939)	(36,940)
Other Financial Highlights								
Adjusted funds flow ⁽¹⁾	52,381	96,833	124,205	96,651	187,056	108,878	71,227	63,353
per boe ⁽¹⁾	11.10	18.50	24.29	19.39	34.05	22.85	16.15	13.77
per basic share ⁽¹⁾⁽²⁾	0.31	0.58	0.69	0.52	0.98	0.57	0.37	0.33
Net capital expenditures ⁽¹⁾	64,924	116,700	46,838	58,519	47,570	86,014	58,384	31,352
Free cash flow ⁽¹⁾	(12,543)	(19,867)	77,367	38,132	139,486	22,864	12,843	32,001
Working capital surplus (deficit) ⁽¹⁾	12,949	(12,449)	71,564	46,960	77,858	(19,115)	6,865	29,914
Bank indebtedness	226,442	167,260	177,200	113,804	106,776	117,558	167,345	193,828
Net debt ⁽¹⁾	229,426	195,523	121,336	82,432	44,301	136,673	160,480	163,914
Operating Highlights								
Production								
Crude oil (bbls/d)	2,801	1,731	1,854	2,168	2,858	997	816	1,038
Condensate (bbls/d)	871	1,157	1,092	1,049	1,128	1,057	1,012	1,002
NGLs (bbls/d)	2,683	2,877	2,680	3,230	3,392	2,854	2,524	2,684
Total liquids production (bbls/d)	6,355	5,765	5,626	6,447	7,378	4,908	4,352	4,724
Natural gas (mcf/d)	272,919	314,273	299,684	286,328	317,976	288,226	261,530	271,804
Total production (boe/d)	51,842	58,144	55,573	54,168	60,374	52,946	47,940	50,025
Average prices (including realized derivatives)								
Natural gas (\$/mcf)	2.81	4.42	5.65	4.61	6.75	5.04	4.17	3.48
Liquids (\$/bbl)	75.36	77.77	86.39	87.89	107.83	82.48	50.92	49.68
Operating Netback (\$/boe)								
Natural gas and liquids sales	22.73	27.90	43.66	47.23	57.21	37.26	36.11	29.19
Realized gains (losses) on derivatives	1.07	3.44	(4.76)	(12.58)	(8.50)	(2.19)	(8.41)	(5.21)
Processing and other income	0.22	0.35	0.60	0.46	0.41	0.30	-	-
Net sales of purchased natural gas	(0.05)	-	-	-	-	0.01	-	-
Royalty expense	(1.33)	(3.19)	(5.31)	(5.80)	(6.17)	(3.42)	(2.02)	(1.75)
Operating expense	(4.44)	(3.44)	(3.39)	(3.72)	(2.75)	(2.79)	(2.92)	(2.38)
Transportation expense	(4.34)	(4.33)	(4.43)	(4.48)	(4.44)	(4.36)	(4.48)	(3.86)
Operating netback ⁽¹⁾	13.86	20.73	26.37	21.11	35.76	24.81	18.28	15.99

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

⁽²⁾ Based on basic weighted average shares outstanding.

The table above highlights the Corporation's performance for the second quarter of 2023 and for the preceding seven quarters. Production decreased in the fourth quarter of 2021 due to unplanned "firm service" restrictions on TC Energy's NGTL system but increased during 2022 and early 2023 with a return to normal production levels and bringing onstream newly drilled wells. Production decreased in the second quarter of 2023 due to a previously announced planned turnaround at the Glacier Gas Plant that took 17 days in May.

Quarterly Performance (continued)

Natural gas and liquids sales and adjusted funds flow increased significantly in the first quarter of 2022 through the fourth quarter of 2022 due to increased production accompanied with strong natural gas and liquids benchmark prices. Natural gas and liquids sales and adjusted funds flow decreased into 2023 largely due to lower commodity prices, partially offset by realized gains on derivatives. Cash provided by operating activities experienced greater fluctuations than adjusted funds flow due to changes in non-cash working capital, which primarily resulted from the amount and timing of trade payable settlements and accounts receivable collections. The Corporation incurred a large net loss in the first quarter of 2020 due to an impairment charge which was triggered by the COVID-19 pandemic impact on anticipated future commodity prices due to supply and demand outlooks. This impairment charge was recovered in the fourth quarter of 2021, attributed to the significant improvement in commodity prices, resulting in a significant increase to net income. As a result of strong commodity prices in 2022, the Corporation generated significant net income and cash provided by operating activities, which has decreased in 2023 with lower commodity prices.

Critical Accounting Estimates

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

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

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

Critical Accounting Estimates (continued)

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

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

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

Changes in Accounting Policies

The Corporation has adopted the following accounting policy during the six months ended June 30, 2023:

Inventory

Inventory consists of linefill, the Corporation's share of purchased condensate and NGL barrels used to fill a pipeline. Inventory is recorded at historical cost and is subsequently valued at the lower of weighted average cost or net realizable value.

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, 2023.

Evaluation of Disclosure Controls and Procedures

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

Evaluation of Internal Controls over Financial Reporting

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

Advantage's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during our most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the interim period ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, our ICFR.

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

Specified Financial Measures

Throughout this MD&A and in other documents disclosed by the Corporation, Advantage discloses certain measures to analyze financial performance, financial position, and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss) and comprehensive income (loss), cash provided by operating activities, and cash used in investing activities, as indicators of Advantage's performance.

Non-GAAP Financial Measures

Adjusted Funds Flow

The Corporation considers adjusted funds flow to be a useful measure of Advantage's ability to generate cash from the production of natural gas and liquids, which may be used to settle outstanding debt and obligations, support future capital expenditures plans, or return capital to shareholders. Changes in non-cash working capital are excluded from adjusted funds flow as they may vary significantly between periods and are not considered to be indicative of the Corporation's operating performance as they are a function of the timeliness of collecting receivables and paying payables. Expenditures on decommissioning liabilities are excluded from the calculation as the amount and timing of these expenditures are unrelated to current production and are partially discretionary due to the nature of our low liability. A reconciliation of the most directly comparable financial measure has been provided below:

(\$000)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Cash provided by operating activities	37,966	157,439	143,921	266,596
Expenditures on decommissioning liability	46	103	499	554
Changes in non-cash working capital	14,369	29,514	4,794	28,784
Adjusted funds flow	52,381	187,056	149,214	295,934

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	
	2023	2022	2023	2022
Cash used in investing activities	88,439	80,720	174,029	157,703
Changes in non-cash working capital	(23,515)	(33,150)	7,595	(24,124)
Project funding received	-	-	-	5
Net capital expenditures	64,924	47,570	181,624	133,584

Specified Financial Measures (continued)

Non-GAAP Financial Measures (continued)

Free Cash Flow

Advantage computes free cash flow as adjusted funds flow less net capital expenditures. Advantage uses free cash flow as an indicator of the efficiency and liquidity of Advantage's business by measuring its cash available after net capital expenditures to settle outstanding debt and obligations and potentially return capital to shareholders by paying dividends or buying back common shares. A reconciliation of the most directly comparable financial measure has been provided below:

(\$000)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Cash provided by operating activities	37,966	157,439	143,921	266,596
Cash used in investing activities	(88,439)	(80,720)	(174,029)	(157,703)
Changes in non-cash working capital	37,884	62,664	(2,801)	52,908
Expenditures on decommissioning liability	46	103	499	554
Project funding received	-	-	-	(5)
Free cash flow	(12,543)	139,486	(32,410)	162,350

Operating Netback

Operating netback is comprised of natural gas and liquids sales, realized gains (losses) on derivatives, processing and other income, net sales of purchased natural gas, net of expenses resulting from field operations, including royalty expense, operating expense and transportation expense. Operating netback provides Management and users with a measure to compare the profitability of field operations between companies, development areas and specific wells. The composition of operating netback is as follows:

(\$000)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Natural gas and liquids sales	107,240	314,297	253,239	491,866
Realized gains (losses) on derivatives	5,068	(46,679)	23,093	(57,122)
Processing and other income	1,020	2,277	2,840	3,715
Net sales of purchased natural gas	(247)	-	(247)	70
Royalty expense	(6,274)	(33,924)	(22,976)	(50,221)
Operating expense	(20,968)	(15,088)	(38,971)	(28,381)
Transportation expense	(20,459)	(24,378)	(43,106)	(45,131)
Operating netback	65,380	196,505	173,872	314,796

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	
	2023	2022	2023	2022
Adjusted funds flow	52,381	187,056	149,214	295,934
Weighted average shares outstanding (000)	167,268	190,415	167,298	190,621
Adjusted funds flow per share (\$/share)	0.31	0.98	0.89	1.55

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	
	2023	2022	2023	2022
Adjusted funds flow	52,381	187,056	149,214	295,934
Total production (boe/d)	51,842	60,374	54,976	56,681
Days in period	91	91	181	181
Total production (boe)	4,717,622	5,494,034	9,950,656	10,259,261
Adjusted funds flow per BOE (\$/boe)	11.10	34.05	15.00	28.85

Operating netback per BOE

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

(\$000, except as otherwise indicated)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Operating netback	65,380	196,505	173,872	314,796
Total production (boe/d)	51,842	60,374	54,976	56,681
Days in period	91	91	181	181
Total production (boe)	4,717,622	5,494,034	9,950,656	10,259,261
Operating netback per BOE (\$/boe)	13.86	35.76	17.48	30.67

Specified Financial Measures (continued)

Non-GAAP Ratios (continued)

Payout Ratio

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

(\$000, except as otherwise indicated)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Net capital expenditures	64,924	47,570	181,624	133,584
Adjusted funds flow	52,381	187,056	149,214	295,934
Payout ratio	1.2	0.3	1.2	0.5

Net Debt to Adjusted Funds Flow Ratio

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

(\$000, except as otherwise indicated)	June 30 2023	June 30 2022
Net Debt	229,426	44,301
Adjusted funds flow (prior four quarters)	370,070	430,514
Net debt to adjusted funds flow ratio	0.6	0.1

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, 2023 and December 31, 2022 is as follows:

	June 30 2023	December 31 2022	June 30 2022
Cash and cash equivalents	4,251	48,940	45,806
Trade and other receivables	56,725	92,816	106,934
Prepaid expenses and deposits	17,158	14,613	6,912
Trade and other accrued liabilities	(65,185)	(84,805)	(81,794)
Working capital surplus	12,949	71,564	77,858

Specified Financial Measures (continued)

Net Debt

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

A summary of the reconciliation of net debt as at June 30, 2023 and December 31, 2022 is as follows:

	June 30 2023	December 31 2022	June 30 2022
Bank indebtedness	226,442	177,200	106,776
Unsecured debentures	15,933	15,700	15,383
Working capital surplus deficit	(12,949)	(71,564)	(77,858)
Net debt	229,426	121,336	44,301

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 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
nm	- not meaningful information

Forward-Looking Information and Other Advisories

This MD&A contains certain forward-looking statements and forward-looking information (collectively, "forward-looking statements"), which are based on our current internal expectations, estimates, projections, assumptions and beliefs. These forward-looking statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "would" and similar or related expressions. These statements are not guarantees of future performance.

In particular, forward-looking statements in this MD&A include, but are not limited to, statements about our strategy, plans, objectives, priorities and focus and the benefits to be derived therefrom; the Corporation's 2023 guidance including its anticipated cash used in investing activities, total average production, liquids production, royalty rate, operating expense per boe, transportation expense per boe and G&A/finance expense per boe; the anticipated benefits to be derived from the Corporation's transportation commitments; the anticipated benefits to be derived from the Corporation's commodity risk management and financial risk management derivative contracts; the anticipated number of common shares that Advantage will purchase for cancellation pursuant to its NCIB; the Corporation's forecasted 2023 natural gas market exposure including the anticipated effective production rate; that Advantage remains on track to deliver 2023 total annual production within its guidance range and its expectations that its total production and liquids production will increase in the third quarter of 2023; the terms of the Corporation's derivative contracts, including their purposes, the timing of settlement of such contracts and the anticipated benefits to be derived therefrom; Management's expectations that the Corporation's Valhalla asset will play a pivotal role in the Corporation's liquids-rich gas development plan; the anticipated benefits to be derived from the Corporation's Progress compressor site and liquids handling hub; 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; Advantage's expectations that its Credit Facilities will be extended at each annual review; the Corporation's ability to satisfy all liabilities and commitments and meet future obligations as they become due and the means for satisfying such future obligations; Advantage's anticipated means of managing its capital structure; Advantage's expectations that its financial assessment process will enable the Corporation to mitigate risks; Advantage's expectations that its cash provided by operating activities and its available Credit Facilities will allow it to meet its future obligations as they become due; that Entropy will issue future unsecured debentures to fund carbon capture and storage projects and Entropy's expectation that such projects will reach final investment decision; the Corporation's anticipated future abandonment and reclamation obligations of its natural gas and liquids properties and the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; the statements under "critical accounting estimates" in this MD&A; and other matters.

These forward-looking statements involve substantial known and unknown risks and uncertainties, many of which are beyond our control, including, but not limited to, risks related to changes in general economic conditions (including as a result of demand and supply effects resulting from the COVID-19 pandemic and the actions of OPEC and non-OPEC countries) which will, among other things, impact demand for and market prices of the Corporation's products, market and business conditions; continued volatility in market prices for oil and natural gas; the impact of significant declines in market prices for oil and natural gas; stock market volatility; changes to legislation and regulations and how they are interpreted and enforced; our ability to comply with current and future environmental or other laws; actions by governmental or regulatory authorities including increasing taxes, regulatory approvals, changes in investment or other regulations; changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry; the effect of acquisitions; our success at acquisition, exploitation and development of

Forward-Looking Information and Other Advisories (continued)

reserves; unexpected drilling results; failure to achieve production targets on timelines anticipated or at all; changes in commodity prices, currency exchange rates, capital expenditures, reserves or reserves estimates and debt service requirements; the occurrence of unexpected events involved in the exploration for, and the operation and development of, oil and gas properties; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury; changes or fluctuations in production levels; individual well productivity; delays in anticipated timing of drilling and completion of wells; lack of available capacity on pipelines; delays in timing of facility installation; potential disruption of the Corporation's operations as a result of the COVID-19 pandemic through potential loss of manpower and labour pools resulting from quarantines in the Corporation's operating areas, risk on the financial capacity of the Corporation's contract counterparties and potentially their ability to perform contractual obligations, delays in obtaining stakeholder and regulatory approvals; 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 continued development at Wembley may not lead to an increase in Advantage's liquids production; the risk that the number of common shares that Advantage will purchase for cancellation pursuant to its NCIB 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 construction of the Corporation's Progress compressor site and liquids handling hub may not be completed when anticipated, or at all; 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 or 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 cash provided by operating activities and its Credit Facilities may not allow the Corporation to meet its future obligations as they become due; the risk that Entropy's carbon capture and storage projects may not reach final investment decision; and the risks and uncertainties described in the Corporation's Annual Information Form which is available at www.sedarplus.com and www.advantageog.com. Readers are also referred to risk factors described in other documents Advantage files with Canadian securities authorities.

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

With respect to forward-looking statements contained in this MD&A, in addition to other assumptions identified herein, Advantage has made assumptions regarding, but not limited to: current and future prices of oil and natural gas; the impact (and the duration thereof) that the COVID-19 pandemic will have on (i) the demand for crude oil, NGLs and natural gas, (ii) the supply chain, including the Corporation's ability to obtain the equipment and services it requires, and (iii) the Corporation's ability to produce, transport and/or sell its crude oil, NGLs and natural gas; that the current commodity price and foreign exchange environment will continue or improve; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of required stakeholder and regulatory approvals; royalty regimes; future exchange rates; royalty rates; future operating costs; availability of

Forward-Looking Information and Other Advisories (continued)

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 Advantage's continued development at Wembley will lead to an increase in Advantage's liquids production; that the two major processing facilities connected to its Wembley asset will provide sufficient gas processing capacity for future growth; that the Corporation's cash provided by operating activities and available Credit Facilities will be able to satisfy all of the Corporation's liabilities, commitments and future obligations as they become due; that the unsecured debentures that maybe issued by Entropy will fund its carbon capture and storage projects; and that the estimates of the Corporation's production, reserves and resources volumes and the assumptions related thereto (including commodity prices and development costs) are accurate in all material respects.

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

This MD&A contains information that may be considered a financial outlook under applicable securities laws about the Corporation's potential financial position, including, but not limited to: the Corporation's 2023 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 payments in connection therewith and the anticipated timing thereof; and the Corporation's anticipated future abandonment and reclamation obligations of its natural gas and liquids properties and the anticipated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability and the anticipated timing that such costs will be incurred; all of which are subject to numerous assumptions, risk factors, limitations and qualifications, including those set forth in the above paragraphs. The actual results of operations of the Corporation and the resulting financial results will vary from the amounts set forth in this MD&A and such variations may be material. This information has been provided for illustration only and with respect to future periods are based on budgets and forecasts that are speculative and are subject to a variety of contingencies and may not be appropriate 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.

Forward-Looking Information and Other Advisories (continued)

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

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

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

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 27, 2023