CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2023 and 2022

Advantage Energy Ltd.
Consolidated Statements of Financial Position

(unaudited, expressed in thousands of Canadian dollars)

	Notes	September 30 2023	December 31 2022
ASSETS			
Current assets			
Cash and cash equivalents		41,179	48,940
Trade and other receivables		49,229	92,816
Prepaid expenses and deposits		19,056	14,613
Derivative asset	6	15,835	22,357
Total current assets		**125,299**	**178,726**
Non-current assets			
Derivative asset	6	65,778	93,993
Inventory	3	4,803	-
Intangible assets	4	4,972	4,011
Natural gas and liquids properties	5	2,082,867	1,940,228
Total non-current assets		**2,158,420**	**2,038,232**
Total assets		**2,283,719**	**2,216,958**
LIABILITIES			
Current liabilities			
Trade and other accrued liabilities		79,648	84,805
Derivative liability	6	1,193	2,197
Current portion of provisions and other liabilities	8,10	23,000	25,387
Total current liabilities		**103,841**	**112,389**
Non-current liabilities			
Derivative liability	6	859	-
Bank indebtedness	7	226,127	177,200
Financing Liability	8	86,967	90,436
Unsecured debentures	9	45,637	25,444
Provisions and other liabilities	10	46,036	45,389
Deferred income tax liability		220,933	201,422
Total non-current liabilities		**626,559**	**539,891**
Total liabilities		**730,400**	**652,280**
SHAREHOLDERS' EQUITY			
Share capital	11	2,001,609	2,105,013
Contributed surplus		175,385	142,817
Deficit		(624,006)	(684,577)
Total shareholders' equity attributable to Advantage shareholders		**1,552,988**	**1,563,253**
Non-controlling interest	12	331	1,425
Total shareholders' equity		**1,553,319**	**1,564,678**
Total liabilities and shareholders' equity		**2,283,719**	**2,216,958**

Commitments (note 17)

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.
Consolidated Statements of Comprehensive Income (Loss)
(unaudited, expressed in thousands of Canadian dollars, except per share amounts)

		Three months ended September 30		Nine months ended September 30	
	Notes	2023	2022	2023	2022
Revenues					
Natural gas and liquids sales	15(a)	140,724	235,392	393,963	727,258
Sales of purchased natural gas	15(b)	-	-	3,124	4,826
Processing and other income	15(c)	2,303	2,276	5,143	5,991
Royalty expense		(9,154)	(28,882)	(32,130)	(79,103)
Natural gas and liquids revenue		133,873	208,786	370,100	658,972
Gains (losses) on derivatives	6	2,845	(70,095)	(11,460)	(111,484)
Total revenues		**136,718**	**138,691**	**358,640**	**547,488**
Expenses					
Operating expense		22,758	18,544	61,729	46,925
Transportation expense		21,833	22,325	64,939	67,456
Natural gas purchases	15(b)	-	-	3,371	4,756
General and administrative expense		6,219	6,418	17,436	16,894
Share-based compensation expense	13(b)	1,191	1,153	4,838	4,241
Depreciation and amortization expense	4,5	39,693	33,924	105,156	101,568
Inventory revaluation	3	(1,095)	-	39	-
Finance expense		8,153	4,955	22,060	14,796
Foreign exchange loss (gain)		(354)	(2,284)	84	(2,963)
Total expenses		**98,398**	**85,035**	**279,652**	**253,673**
Income before taxes and non-controlling interest		**38,320**	**53,656**	**78,988**	**293,815**
Income tax expense		(10,168)	(13,088)	(19,511)	(69,517)
Net income and comprehensive income before non-controlling interest		**28,152**	**40,568**	**59,477**	**224,298**
Net income (loss) and comprehensive income (loss) attributable to:					
Advantage shareholders		28,314	40,792	60,571	224,705
Non-controlling interest		(162)	(224)	(1,094)	(407)
Net income per share attributable to Advantage shareholders					
Basic	14	0.17	0.22	0.36	1.19
Diluted	14	0.16	0.21	0.35	1.15

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Deficit	Non-controlling interest	Total shareholders' equity
Balance, December 31, 2022	2,105,013	142,817	(684,577)	1,425	**1,564,678**
Net income (loss) and comprehensive income (loss)	-	-	60,571	(1,094)	**59,477**
Share-based compensation (note 13(b))	-	6,507	-	-	**6,507**
Settlement of Performance Share Units	6,509	(6,509)	-	-	**-**
Common shares repurchased (note 11(b))	(109,913)	32,570	-	-	**(77,343)**
Balance, September 30, 2023	**2,001,609**	**175,385**	**(624,006)**	**331**	**1,553,319**

	Share capital	Contributed surplus	Deficit	Non-controlling interest	Total shareholders' equity
Balance, December 31, 2021	2,370,716	110,315	(1,023,244)	2,331	**1,460,118**
Net income (loss) and comprehensive income (loss)	-	-	224,705	(407)	**224,298**
Share-based compensation (note 13(b))	-	5,923	-	-	**5,923**
Settlement of Performance Share Units	6,948	(6,948)	-	-	**-**
Common shares repurchased (note 11(b))	(149,230)	20,284	-	-	**(128,946)**
Balance, September 30, 2022	**2,228,434**	**129,574**	**(798,539)**	**1,924**	**1,561,393**

See accompanying Notes to the Condensed Consolidated Financial Statements

Advantage Energy Ltd.
Consolidated Statements of Cash Flows
(unaudited, expressed in thousands of Canadian dollars)

	Notes	Three months ended September 30 2023	Three months ended September 30 2022	Nine months ended September 30 2023	Nine months ended September 30 2022
Operating Activities					
Income before taxes and non-controlling interest		38,320	53,656	78,988	293,815
Add (deduct) items not requiring cash:					
Unrealized (gains) losses on derivatives	6	3,165	7,427	40,563	(8,306)
Share-based compensation expense	13(b)	1,191	1,153	4,838	4,241
Depreciation and amortization expense	4,5	39,693	33,924	105,156	101,568
Accretion of decommissioning liability	10(c)	432	286	1,103	1,062
Accretion of unsecured debentures	9	156	205	389	205
Inventory Revaluation	3	(1,095)	-	39	-
Expenditures on decommissioning liability	10(c)	(1,420)	(517)	(1,919)	(1,071)
Changes in non-cash working capital	16	9,934	27,090	5,140	(1,694)
Cash provided by operating activities		**90,376**	**123,224**	**234,297**	**389,820**
Financing Activities					
Common shares repurchased	11	(15,826)	(81,971)	(77,343)	(128,946)
Increase (decrease) in bank indebtedness	7,16	(315)	7,028	48,927	(53,541)
Net proceeds from unsecured debentures	9	13,833	-	13,833	21,162
Proceeds from financing liability	8	-	5,000	-	5,000
Principal repayment of lease liability	10,16	(166)	(129)	(403)	(281)
Principal repayment of financing liability	8,16	(1,088)	(976)	(3,157)	(2,767)
Cash used in financing activities		**(3,562)**	**(71,048)**	**(18,143)**	**(159,373)**
Investing Activities					
Property, plant and equipment additions	5	(51,790)	(58,447)	(232,678)	(191,553)
Exploration and evaluation assets additions	5	(9,181)	-	(9,181)	-
Intangible assets additions	4	(263)	(72)	(999)	(550)
Project funding received		-	-	-	5
Changes in non-cash working capital	16	11,348	15,697	18,943	(8,427)
Cash used in investing activities		**(49,886)**	**(42,822)**	**(223,915)**	**(200,525)**
Increase (decrease) in cash and cash equivalents		36,928	9,354	(7,761)	29,922
Cash and cash equivalents, beginning of period		4,251	45,806	48,940	25,238
Cash and cash equivalents, end of period		**41,179**	**55,160**	**41,179**	**55,160**

See accompanying Notes to the Condensed Consolidated Financial Statements

1. Business and structure of Advantage Energy Ltd.

Advantage Energy Ltd. and its subsidiaries (together "Advantage" or the “Corporation”) is an energy producer with a significant position in the Montney resource play located in Western Canada. Advantage is domiciled and incorporated in Canada under the Business Corporations Act (Alberta). Advantage’s head office address is 2200, 440 – 2nd Avenue SW, Calgary, Alberta, Canada. The Corporation’s common shares are listed on the Toronto Stock Exchange under the symbol "AAV".

2. Basis of preparation

(a) Statement of compliance

The Corporation prepares its condensed consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as defined in the Chartered Professional Accountants Canada Handbook (the "CPA Canada Handbook"). The CPA Canada Handbook incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), including IAS 34, Interim Financial Reporting. The Corporation has consistently applied the same accounting policies as those set out in the audited consolidated financial statements for the year ended December 31, 2022, except as noted below. Certain disclosures included in the notes to the annual consolidated financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS as issued by the IASB. Certain information provided for the prior period has been reclassified to conform to the presentation adopted for the periods ended September 30, 2023.

The accounting policies applied in these condensed consolidated financial statements are based on IFRS issued and outstanding as of October 26, 2023, the date the Board of Directors approved the statements.

(b) Basis of measurement

The condensed consolidated financial statements have been prepared on the historical cost basis, except as detailed in the Corporation’s accounting policies in the audited consolidated financial statements for the year ended December 31, 2022.

The methods used to measure fair values of derivative instruments are discussed in note 6. The methods used to measure the fair value of the Corporation’s natural gas and liquids properties are discussed in note 5.

(c) Functional and presentation currency

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

(d) Basis of consolidation

These condensed consolidated financial statements include the accounts of the Corporation and all subsidiaries over which it has control, including Entropy Inc. ("Entropy"), a private Canadian corporation of which Advantage owned 92% of the common shares (note 12). All inter-corporate balances, income and expenses resulting from inter-corporate transactions are eliminated.

3. Inventory

Balance at December 31, 2022	**-**
Additions	4,842
Revaluation	(39)
Balance at September 30, 2023	**4,803**

4. Intangible assets

Cost	
Balance at December 31, 2021	2,991
Additions	1,020
Balance at December 31, 2022	**4,011**
Additions	999
Balance at September 30, 2023	**5,010**

Accumulated amortization	
Balance at December 31, 2022 and 2021	-
Amortization	38
Balance at September 30, 2023	**38**

Net book value	
At December 31, 2022	4,011
At September 30, 2023	**4,972**

5. Natural gas and liquids properties

Cost	Right-of-use assets	Exploration and evaluation assets	Property, plant and equipment	Total
Balance at December 31, 2021	2,638	20,713	2,970,259	2,993,610
Additions	339	-	240,770	241,109
Capitalized share-based compensation (note 13(b))	-	-	2,242	2,242
Changes in decommissioning liability (note 10(c))	-	-	(19,734)	(19,734)
Transfers	-	(4,922)	4,922	-
Balance at December 31, 2022	**2,977**	**15,791**	**3,198,459**	**3,217,227**
Additions	150	9,181	232,678	242,009
Capitalized share-based compensation (note 13(b))	-	-	1,669	1,669
Changes in decommissioning liability (note 10(c))	-	-	4,079	4,079
Expired leases	(52)	-	-	(52)
Balance at September 30, 2023	**3,075**	**24,972**	**3,436,885**	**3,464,932**
Accumulated depreciation				
Balance at December 31, 2021	759	-	1,142,323	1,143,082
Depreciation	374	-	133,543	133,917
Balance at December 31, 2022	**1,133**	-	**1,275,866**	**1,276,999**
Depreciation	352	-	104,766	105,118
Expired leases	(52)	-	-	(52)
Balance at September 30, 2023	**1,433**	**-**	**1,380,632**	**1,382,065**
Net book value				
At December 31, 2022	1,844	15,791	1,922,593	1,940,228
At September 30, 2023	**1,642**	**24,972**	**2,056,253**	**2,082,867**

During the nine months ended September 30, 2023, Advantage capitalized general and administrative expenditures directly related to development activities of $3.8 million, included in property, plant and equipment additions (year ended December 31, 2022 - $6.8 million).

Included in property, plant and equipment additions for the nine months ended September 30, 2023 is $8.7 million in expenditures incurred by the Corporation's subsidiary, Entropy (year ended December 31, 2022 - $2.8 million).

Advantage included future development costs of $1.9 billion (December 31, 2022 - $2.1 billion) in natural gas and liquids properties costs subject to depreciation.

Impairment assessment

For the three and nine months ended September 30, 2023, the Corporation evaluated its natural gas and liquids properties for indicators of any potential impairment. As a result of this assessment, no indicators were identified, and no impairment was recorded for the three and nine months ended September 30, 2023.

6. Financial risk management

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

Fair value is determined following a three-level hierarchy:

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

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

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

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

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

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

Fair value less costs of disposition used to determine the recoverable amounts of Advantage’s Greater Glacier CGU at December 31, 2022 were classified as level 3 in the fair value hierarchy as certain key assumptions were not based on observable market data, but rather, Management's best estimates.

6. Financial risk management (continued)

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

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Realized gains (losses) on derivatives				
Natural gas	5,916	(61,889)	31,548	(115,757)
Crude oil	-	148	-	(2,900)
Foreign exchange	5	(927)	(2,006)	(1,029)
Interest rate	-	-	-	(104)
Natural gas embedded derivative	89	-	(439)	-
Total	**6,010**	**(62,668)**	**29,103**	**(119,790)**
Unrealized gains (losses) on derivatives				
Natural gas	533	(388)	(11,031)	(39,789)
Crude oil	-	812	-	504
Foreign exchange	210	(2,262)	2,407	(3,016)
Interest rate	-	-	-	136
Natural gas embedded derivative	(3,667)	(5,275)	(25,968)	50,785
Unsecured debentures revaluation	(241)	(314)	(5,971)	(314)
Total	**(3,165)**	**(7,427)**	**(40,563)**	**8,306**
Gains (losses) on derivatives				
Natural gas	6,449	(62,277)	20,517	(155,546)
Crude oil	-	960	-	(2,396)
Foreign exchange	215	(3,189)	401	(4,045)
Interest rate	-	-	-	32
Natural gas embedded derivative	(3,578)	(5,275)	(26,407)	50,785
Unsecured debentures revaluation	(241)	(314)	(5,971)	(314)
Total	**2,845**	**(70,095)**	**(11,460)**	**(111,484)**

6. Financial risk management (continued)

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

	September 30 2023	December 31 2022
Derivative type		
Natural gas derivative asset	5,444	16,475
Foreign exchange derivative asset (liability)	210	(2,197)
Natural gas embedded derivative asset	73,907	99,875
Unsecured debentures derivative liability (Note 9)	(24,884)	(9,744)
Net derivative asset	**54,677**	**104,409**
Consolidated statement of financial position classification		
Current derivative asset	15,835	22,357
Non-current derivative asset	65,778	93,993
Current derivative liability	(1,193)	(2,197)
Non-current derivative liability	(859)	-
Unsecured debentures derivative liability (Note 9)	(24,884)	(9,744)
Net derivative asset	**54,677**	**104,409**

6. Financial risk management (continued)

(a) Commodity price risk

The Corporation's commodity derivative contracts are classified as level 2 within the fair value hierarchy. As at September 30, 2023 (other than as indicated), the Corporation had the following commodity derivative contracts in place:

Description of Derivative	Term	Volume	Price
Natural gas - Henry Hub NYMEX			
Fixed price swap	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	October 2023 to December 2024	40,000 Mcf/d	Henry Hub less US $1.19/Mcf
Natural gas - AECO			
Fixed price swap	October 2023	23,695 Mcf/d	$4.16/Mcf
Fixed price swap	November 2023 to December 2023	18,956 Mcf/d	$3.38/Mcf
Fixed price swap	January 2024 to March 2024	23,695 Mcf/d	$3.34/Mcf
Fixed price swap	April 2024 to October 2024	18,956 Mcf/d	$3.06/Mcf
Fixed price swap	November 2024 to December 2024	14,217 Mcf/d	$3.69/Mcf
Fixed price swap	January 2025 to March 2025	9,478 Mcf/d	$3.96/Mcf(1)
Natural gas - Chicago			
Fixed price swap	November 2023 to March 2024	15,000 Mcf/d	US $3.88/Mcf
Natural gas - Dawn			
Fixed price swap	October 2023 to March 2024	10,000 Mcf/d	US $3.07/Mcf
Fixed price swap	October 2023	15,000 Mcf/d	US $2.92/Mcf

(1) Contract entered into subsequent to September 30, 2023

6. Financial risk management (continued)

Natural Gas - Embedded Derivative

Advantage entered into a long-term natural gas supply agreement under which Advantage will supply 25,000 MMbtu/d of natural gas for a 10-year period, that commenced April 2023. Commercial terms of the agreement are based upon a spark-spread pricing formula, providing Advantage exposure to PJM electricity prices, back-stopped with a natural gas price collar. The contract contains an embedded derivative as a result of the spark-spread pricing formula and the natural gas price collar. The Corporation defined the host contract as a natural gas sales arrangement with a fixed price of US $2.50/MMbtu. The Corporation will 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 $0.4 million for the nine months ended September 30, 2023 (nine months ended September 30, 2022 – nil). As at September 30, 2023 the fair value of the natural gas embedded derivative resulted in an asset of $73.9 million (December 31, 2022 – $99.9 million asset).

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

$ millions	**Increase**	**(Decrease)**
10% change in PJM electricity price	15.2	(20.8)
1% change in implied inflation rate	1.2	(1.4)

(b) Foreign exchange risk

The Corporation's foreign exchange derivative contracts are classified as level 2 within the fair value hierarchy. As at September 30, 2023, the Corporation has the following foreign exchange derivative contracts in place:

Description of Derivative	**Term**	**Notional Amount**	**Rate**
Forward rate - CAD/USD			
Average rate currency swap	September 2023 to August 2024	US $2,000,000/month	1.3558
Average rate currency swap	October 2023 to September 2024	US $1,000,000/month	1.3650(1)

(1) Contract entered into subsequent to September 30, 2023

6. Financial risk management (continued)

(c) Capital management

Working capital

Working capital is a capital management financial measure that provides Management and users with a measure of the Corporation's short-term operating liquidity. By excluding 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 September 30, 2023 and December 31, 2022 is as follows:

	September 30 2023	**December 31 2022**
Cash and cash equivalents	41,179	48,940
Trade and other receivables	49,229	92,816
Prepaid expenses and deposits	19,056	14,613
Trade and other accrued liabilities	(79,648)	(84,805)
Working capital surplus	**29,816**	**71,564**

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 September 30, 2023 and December 31, 2022 is as follows:

	September 30 2023	**December 31 2022**
Bank indebtedness (note 7)	226,127	177,200
Unsecured debentures[1] (note 9)	20,753	15,700
Working capital surplus	(29,816)	(71,564)
Net debt	**217,064**	**121,336**

(1) Excludes the derivative liability portion of the unsecured debentures.

Advantage's capital structure as at September 30, 2023 and December 31, 2022 is as follows:

	September 30 2023	**December 31 2022**
Net debt	217,064	121,336
Shares outstanding (note 11)	166,327,491	171,652,768
Share closing market price ($/share)	9.27	9.47
Market Capitalization	**1,541,856**	**1,625,552**
Total Capitalization	**1,758,920**	**1,746,888**

7. Bank indebtedness

	September 30 2023	December 31 2022
Revolving credit facility	230,000	180,000
Discount on bankers' acceptance and other fees	(3,873)	(2,800)
Balance, end of period	**226,127**	**177,200**

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**.** The Corporation had letters of credit of $12.9 million outstanding at September 30, 2023 (December 31, 2022 – 12.2 million). The Corporation did not have any financial covenants at September 30, 2023 and December 31, 2022.

8. Financing Liability

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 of 9.1%.

A reconciliation of the financing liability is provided below:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of the year	94,705	93,488
Additions	-	5,000
Interest expense	6,343	8,537
Financing payments	(9,500)	(12,320)
Balance, end of period	**91,548**	**94,705**
Current financing liability	4,581	4,269
Non-current financing liability	86,967	90,436

9. Unsecured debentures

During 2023, Entropy issued unsecured debentures with a term of 10 years from issuance for gross proceeds of $15.0 million (December 31, 2022 - $25.0 million) and incurred $1.2 million of issuance costs (December 31, 2022 - $3.8 million). For the nine months ended September 30, 2023, Entropy incurred interest of $1.7 million that was paid in cash (September 30, 2022 - $1.0 million), of which $0.2 million was capitalized (September 30, 2022 - $nil), and recognized $0.4 million of accretion expense (September 30, 2022 - $0.2 million).

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

The following tables disclose the components associated with the unsecured debentures at initial recognition.

The changes in the unsecured debentures principal balance are as follows:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Aggregate principal balance, beginning of the year	25,000	-
Unsecured debentures issued	15,000	25,000
Aggregate principal balance, end of period	**40,000**	**25,000**

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of the year	15,700	-
Initial recognition	5,831	19,221
Issuance costs	(1,167)	(3,838)
Accretion expense	389	317
Balance, end of period	**20,753**	**15,700**

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of the year	9,744	-
Initial recognition	9,169	5,779
Revaluation	5,971	3,965
Balance, end of period	**24,884**	**9,744**

The Corporation determined the value of the conversion feature using a probability weighted Black-Scholes calculation. Unobservable inputs used to determine the valuation at September 30, 2023 includes estimated share price, estimated timing of an initial public offering ("IPO"), share price volatility and credit spread. The below table provides the impact to the valuation of the derivative liability by adjusting the inputs below:

$ millions	**Increase**	**(Decrease)**
$1 change in estimated share price	3.2	(3.0)
10% change in volatility	1.2	(1.3)
1% change in credit spread	0.4	(0.5)
1 year change in estimated timing of an IPO	3.4	(5.0)

10. Provisions and other liabilities

	As at September 30, 2023	As at December 31, 2022
Performance Awards (note 13(c))	5,879	9,277
Deferred Share Units (note 13(d))	4,864	6,528
Deferred revenue (a)	6,603	6,603
Lease liability (b)	1,901	2,154
Decommissioning liability (c)	45,208	41,945
Balance, end of period	**64,455**	**66,507**
Current provisions and other liabilities	18,419	21,118
Non-current provisions and other liabilities	46,036	45,389

(a) Deferred revenue

Deferred revenue represents an advance payment received by Advantage in consideration for the future delivery of natural gas. The balance has been classified as short-term as the performance obligation related to the deferred revenue is expected to be satisfied in 2024.

(b) Lease liability

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

A reconciliation of the lease liability is provided below:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of the year	2,154	2,173
Additions	150	339
Interest expense	70	93
Lease payments	(473)	(451)
Balance, end of period	**1,901**	**2,154**
Current lease liability	531	434
Non-current lease liability	1,370	1,720

10. Provisions and other liabilities (continued)

(c) Decommissioning liability

The Corporation's decommissioning liability results from net ownership interests in natural gas and liquids properties including well sites, gathering systems and facilities, all of which will require future costs of decommissioning under environmental legislation. These costs are expected to be incurred between 2023 and 2078. A risk-free rate of 3.81% (December 31, 2022 – 3.28%) and an inflation factor of 2.0% (December 31, 2022 – 2.0%) were used to calculate the fair value of the decommissioning liability at September 30, 2023. As at September 30, 2023, the total estimated undiscounted, uninflated cash flows required to settle the Corporation's decommissioning liability was $75.0 million (December 31, 2022 – $62.8 million).

A reconciliation of the decommissioning liability is provided below:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of the year	41,945	62,474
Accretion expense	1,103	1,420
Liabilities incurred	4,138	2,003
Change in estimates	4,544	(1,189)
Effect of change in risk-free rate and inflation rate factor	(4,603)	(20,548)
Liabilities settled	(1,919)	(2,215)
Balance, end of period	**45,208**	**41,945**
Current decommissioning liability	1,581	2,000
Non-current decommissioning liability	43,627	39,945

11. Share capital

(a) Authorized

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

(b) Issued

	Common Shares (# of shares)	Share capital
Balance at December 31, 2021	190,828,976	2,370,716
Shares issued on Performance Share Unit settlements (note 13 (a))	3,056,992	-
Contributed surplus transferred on Performance Share Unit settlements	-	6,948
Shares purchased and cancelled under NCIB	(13,304,629)	(163,157)
Shares purchased and cancelled under SIB	(8,928,571)	(109,494)
Balance at December 31, 2022	**171,652,768**	**2,105,013**
Shares issued on Performance Share Unit settlements (note 13 (a))	3,675,083	-
Contributed surplus transferred on Performance Share Unit settlements	-	6,509
Shares purchased and cancelled under NCIB	(9,000,360)	(109,913)
Balance at September 30, 2023	**166,327,491**	**2,001,609**

For the nine months ended September 30, 2023, the Corporation purchased 9.0 million common shares for cancellation for a total of $77.3 million. Share capital was reduced by $109.9 million while contributed surplus was increased by $32.6 million, representing the excess average carrying value of the common shares over the purchase price.

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

On April 7, 2022, the Toronto Stock Exchange (the "TSX") approved the Corporation commencing a NCIB. Pursuant to the NCIB, Advantage was approved to purchase for cancellation, from time to time, as it considers advisable, up to a maximum of 18,704,019 common shares of the Corporation. The NCIB commenced on April 13, 2022 and terminated on April 12, 2023.

Purchases pursuant to the NCIB were made on the open market through the facilities of the TSX or alternative trading systems. The price that Advantage paid for its common shares under the NCIB was the prevailing market price on the TSX at the time of such purchase. All Common shares acquired under the NCIB were cancelled. For the three months ended March 31, 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 previous NCIB, Advantage purchased for cancellation a total of 18,704,019 common shares, the maximum number of common shares that could be purchased thereunder prior to renewal.

On April 6, 2023, the TSX approved the renewal of the NCIB. Pursuant to the NCIB, Advantage was approved to purchase for cancellation, from time to time, as it 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. For the nine months ended September 30, 2023, the corporation purchased 3.6 million common shares for cancellation under its current NCIB at an average price of $8.35.

12. Non-controlling interest ("NCI")

A reconciliation of the NCI, representing the carrying value of the 8% shareholding of Entropy held by outside interests is provided below:

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of the year	1,425	2,331
Net loss and comprehensive loss attributable to NCI	(1,094)	(906)
Balance, end of period	**331**	**1,425**

13. Long-term compensation plans

(a) Performance Award Incentive Plan – Performance Share Units

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

The following table is a continuity of Performance Share Units:

	Performance Share Units
Balance at December 31, 2021	**4,880,684**
Granted	720,641
Vested and settled	(1,585,888)
Forfeited	(32,491)
Balance at December 31, 2022	**3,982,946**
Granted	944,307
Vested and settled	(2,012,178)
Forfeited	(86,216)
Balance at September 30, 2023	**2,828,859**

During May 2023, 2,012,178 Performance Share Units were vested and settled with the issuance of 3,675,083 common shares.

(b) Share-based compensation expense

Share-based compensation expense after capitalization for the three and nine months ended September 30, 2023, and 2022 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Total share-based compensation	1,584	1,909	6,507	5,923
Capitalized	(393)	(756)	(1,669)	(1,682)
Share-based compensation expense	**1,191**	**1,153**	**4,838**	**4,241**

13. Long-term compensation plans (continued)

(c) Performance Award Incentive Plan - Performance Awards

Under the Performance Award Incentive Plan, service providers can be granted cash Performance Awards. Such grants vest on the third anniversary of the grant date and are subject to a Payout Multiplier that is determined based on the achievement of corporate performance measures during that three-year period, as approved by the Board of Directors. Performance Awards are expensed to general and administrative expense with the recording of a current and non-current liability (note 10) until eventually settled in cash.

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of the year	9,277	9,970
Performance Award expense	3,027	5,902
Interest expense	30	46
Vested and settled	(6,455)	(6,641)
Balance, end of period	**5,879**	**9,277**
Current	4,840	5,553
Non-current	1,039	3,724

(d) Deferred Share Units

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

The following table is a continuity of Deferred Share Units:

	Deferred Share Units
Balance at December 31, 2021	644,093
Granted	45,217
Balance at December 31, 2022	**689,310**
Granted	40,242
Settled	(204,848)
Balance at September 30, 2023	**524,704**

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

	Nine months ended September 30, 2023	Year ended December 31, 2022
Balance, beginning of the year	6,528	4,773
Granted	336	425
Revaluation of outstanding Deferred Share Units	(265)	1,330
Settled	(1,735)	-
Balance, end of period	**4,864**	**6,528**

14. Net income per share attributable to Advantage shareholders

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

	Three months ended September 30		Nine months ended September 30	
	2023	2022	2023	2022
Net income attributable to Advantage shareholders				
Basic and diluted	28,314	40,792	60,571	224,705
Weighted average shares outstanding				
Basic	167,702,032	186,717,205	167,433,949	189,305,191
Performance Share Units	4,480,002	6,841,684	5,544,676	6,841,684
Diluted	172,182,034	193,558,889	172,978,625	196,146,875
Net income per share attributable to Advantage shareholders				
Basic ($/share)	0.17	0.22	0.36	1.19
Diluted ($/share)	0.16	0.21	0.35	1.15

15. Revenues

(a) Natural gas and liquids sales

For the three and nine months ended September 30, 2023, and 2022, natural gas and liquids sales was as follows:

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Crude oil	25,894	20,494	64,026	64,932
Condensate	11,983	10,853	30,665	36,422
NGLs	16,433	20,637	43,550	62,510
Liquids	**54,310**	**51,984**	**138,241**	**163,864**
Natural Gas	86,414	183,408	255,722	563,394
Natural gas and liquids sales	**140,724**	**235,392**	**393,963**	**727,258**

At September 30, 2023, receivables from contracts with customers, which are included in trade and other receivables, were $41.9 million (December 31, 2022 - $84.6 million).

(b) Sales of purchased natural gas

During the nine months ended September 30, 2023, the Corporation purchased natural gas volumes to satisfy physical sales commitments. Purchases and sales of natural gas from third-parties was as follows:

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Sales of purchased natural gas	-	-	3,124	4,826
Natural gas purchases	-	-	(3,371)	(4,756)
Net sales of purchased natural gas	-	-	**(247)**	**70**

(c) Processing and other income

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Processing income	2,301	2,276	5,128	5,991
Other	2	-	15	-
Total processing and other income	**2,303**	**2,276**	**5,143**	**5,991**

16. Supplementary cash flow information

Changes in non-cash working capital is comprised of:

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Source (use) of cash:				
Trade and other receivables	5,883	24,592	43,587	(27,573)
Prepaid expense and deposits	(1,898)	(3,726)	(4,443)	(7,155)
Trade and other accrued liabilities	16,076	19,386	(5,157)	24,555
Inventory	-	-	(4,842)	-
Performance Awards	793	1,154	(3,398)	(1,852)
Deferred Share Units	428	1,381	(1,664)	1,966
Project funding grant	-	-	-	(62)
	21,282	**42,787**	**24,083**	**(10,121)**
Related to operating activities	9,934	27,090	5,140	(1,694)
Related to financing activities	-	-	-	-
Related to investing activities	11,348	15,697	18,943	(8,427)
	21,282	**42,787**	**24,083**	**(10,121)**

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

	Three months ended September 30		Nine months ended September 30	
	2023	**2022**	**2023**	**2022**
Cash flows				
Common shares repurchased	(15,826)	(81,971)	(77,343)	(128,946)
Draws on Credit Facility	25,000	75,000	105,000	135,000
Repayment of Credit Facility	(25,000)	(68,000)	(55,000)	(188,000)
Bankers’ acceptance and other fees	(5,432)	(2,067)	(14,019)	(6,175)
Net proceeds from unsecured debentures	13,833	-	13,833	21,162
Net proceeds from financing liability	-	5,000	-	5,000
Lease payments	(190)	(151)	(473)	(348)
Financing payments	(3,201)	(3,145)	(9,500)	(9,118)
Net cash flows	**(10,816)**	**(75,334)**	**(37,502)**	**(171,425)**
Non-cash changes				
Amortization of bankers’ acceptance fees	5,117	2,095	12,946	5,634
Lease liability interest expense	24	22	70	67
Financing liability interest expense	2,113	2,169	6,343	6,351
Total non-cash changes	**7,254**	**4,286**	**19,359**	**12,052**
Cash used in financing activities	**(3,562)**	**(71,048)**	**(18,143)**	**(159,373)**

17. Commitments

At September 30, 2023, Advantage had commitments relating to building operating cost, processing commitments, and transportation commitments. The estimated remaining payments are as follows:

	Payments due by period						
($ millions)	Total	2023 3 months	2024	2025	2026	2027	Beyond
Building operating cost [1]	1.6	0.1	0.4	0.4	0.4	0.3	-
Processing	47.8	2.0	10.0	9.5	7.0	7.0	12.3
Transportation	487.4	19.6	79.3	75.3	64.0	52.7	196.5
Total commitments	**536.8**	**21.7**	**89.7**	**85.2**	**71.4**	**60.0**	**208.8**

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

ABBREVIATIONS

Crude Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	Mcf	thousand cubic feet
bbls	barrels	MMcf	million cubic feet
Mbbls	thousand barrels	bcf/d	billion cubic feet per day
NGLs	natural gas liquids	Mcf/d	thousand cubic feet per day
BOE or boe	barrel of oil equivalent	MMcf/d	million cubic feet per day
Mboe	thousand barrels of oil equivalent	Mcfe	thousand cubic feet of natural gas equivalent, using the ratio of 6 Mcf of natural gas being equivalent to one bbl of oil
MMboe	million barrels of oil equivalent	MMcfe/d	million cubic feet of natural gas equivalent per day
boe/d	barrels of oil equivalent per day	MMbtu	million British Thermal Units
bbls/d	barrels of oil per day	MMbtu/d	million British Thermal Units per day
		GJ/d	Gigajoules per day

Other

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

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(2) Member of Reserves and Health, Safety and Environment Committee
(3) Member of Compensation Committee
(4) Member of Governance & Sustainability Committee

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David Sterna, Vice President, Marketing and Commercial
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